

Meeting their Mandates?

The **Research Report** on the National Lottery Distribution Trust Fund (NLDTF) and the National Development Agency (NDA)

FUNDING PRACTICE ALLIANCE



MEETING THEIR MANDATES?

The Research Report on the National Lottery Distribution Trust Fund (NLDTF)
and the National Development Agency (NDA)

Published by the Funding Practice Alliance (FPA)
c/o Inyathelo – The South African Institute for Advancement

PO Box 43276
Woodstock 7915
Cape Town | South Africa
Tel +27 21 465 6981
Fax +27 21 465 6953
info@inyathelo.org.za
www.inyathelo.org.za

First published by the Funding Practice Alliance 2011

First edition with corrections
© the Funding Practice Alliance
ISBN 978-0-9870015-0-4

Researched and written by Saranel Benjamin-Lebert and Tom Lebert (South Development Consultancy Services)

Edited by Stephen Heyns

Concept design and layout Angela Tuck of HANDS-ON design studio

Printing and Binding by C2 Digital Print

This book shall not, by way of trade or otherwise, be lent, resold, hired out or otherwise circulated without the publisher's prior consent in any form of binding or cover other than in which it is published and without a similar condition including this condition being imposed on the subsequent purchaser.

You are welcome to copy parts of this booklet for non-profit educational use but the Funding Practice Alliance must be acknowledged in full.

Acknowledgements

The Funding Practice Alliance wishes to express its appreciation to a range of people for their support for, and participation in, this research.

Firstly, we would like to extend our deep appreciation to our funders for their support, without which this research could not have taken place. FPA funding support was received from Atlantic Philanthropies, the CS Mott Foundation, the Ford Foundation, the Anglo American Chairman's Fund, Cordaid, the Davies Foundation Trust, the Robert Niven Trust and the RB Hagart Trust.

We would like to acknowledge the researchers, Saranel Benjamin-Lebert and Tom Lebert of South Development Consultancy Services, for conducting the research and writing the report. In addition, we would like to acknowledge former SCAT director Joanne Harding for her important role in the FPA partnership.

We are very grateful to all the organisations, their staff, directors and CEOs, and board members who participated in this project by completing the survey questionnaires and sharing their views, experiences and insights in interviews and focus groups. In addition, a number of individuals dedicated their time to this project by participating in reference group meetings to discuss the research, and we are immensely appreciative of their guidance and input.

We also acknowledge those who were unable to participate in the interview process, but nevertheless provided information and guidance in other ways.

The Funding Practice Alliance

March 2011

Foreword

For many years South Africa's civil society sector has largely been funded by international sources. However, after the advent of democracy in 1994, it became imperative for civil society organisations (CSOs) to find local resources to sustain their work. The post-apartheid government proposed and developed a number of important and welcome initiatives towards ensuring sources of public funding for social development. This report documents the experiences of CSOs of two government-led interventions: 1) the disbursement of National Lottery Distribution Trust Fund (NLDTF) moneys to good causes through the National Lotteries Board (NLB); and 2) the National Development Agency (NDA).

Respondents said that their experiences of the NLB and NDA were that these agencies are overly bureaucratic, and that agency technocrats are playing an increasing role in defining and influencing approaches to social development. It is apparent that civil society organisations have not yet found effective ways to engage government on issues of development and funding for development initiatives, despite various attempts to organise themselves to speak as a collective.

There is common concern in the non-profit sector about the relationship between state and civil society, and about state development agency funding practice. Broad concerns have been expressed about sustainable

funding, funding sources and funding practices, including from government departments and corporate social investment funds, faith-based funding institutions, international funders and private philanthropists. To understand more fully the issues related to funding practice, sources and sustainability, four non-profit organisations came together in 2009 as the Funding Practice Alliance (FPA) namely:

- Social Change Assistance Trust (SCAT)
- Community Development Resource Agency (CDRA)
- Inyathelo – The South African Institute for Advancement
- Rural Education Access Programme (REAP)

The purpose of the FPA is to conduct research into, inter alia, the size and scale of funding to CSOs; good funding practices including grantmaking processes; the administrative capacity of state funding agencies; state and civil society power relations; mutual accountability between grantseekers and grantmakers; decision-making processes related to funding; and the effectiveness of funding relationships as well as exit strategies.

Presented here are the results of the first research project, focused on whether the NLB and the NDA are meeting their mandates with regard to CSOs and grantmaking, as defined in law, and focused on the extent to which these agencies are realising their potential to address South Africa's development challenges.

The Funding Practice Alliance

James Taylor, Practitioner (CDRA)

Shelagh Gastrow, Executive Director (Inyathelo)

Glenda Glover, Programme Development, Research and Advocacy Manager (REAP)

Anthea Davids-Thomas, Executive Director (SCAT)

Acronyms

| | | | |
|-------------|--|----------------|--|
| ANC | African National Congress | IDT | Independent Development Trust |
| CAO | Central Applications Office | ISRDP | Integrated Sustainable Rural Development Programme |
| CBO | Community-based organisation | NDA | National Development Agency |
| CDRA | Community Development Resource Association | NEDLAC | National Economic Development and Labour Council |
| CEO | Chief Executive Officer | NGO | Non-governmental organisation |
| COO | Chief Operations Officer | NLB | National Lotteries Board |
| CSO | Civil society organisation | NLDTF | National Lottery Distribution Trust Fund |
| DA | Distributing agency | NPO | Non-profit organisation |
| DSD | Department of Social Development | NYS | National Youth Service |
| DTI | Department of Trade and Industry | PAJA | Promotion of Administrative Justice Act |
| EPWP | Expanded Public Works Programme | PBO | Public benefit organisation |
| EU | European Union | PGDS | Provincial Growth and Development Strategy |
| FPA | Funding Practice Alliance | PSC | Public Service Commission |
| GDP | Gross Domestic Product | RDP | Reconstruction and Development Programme |
| GEAR | Growth Employment and Redistribution (macroeconomic policy) | REAP | Rural Education Assistance Programme |
| HDI | Human Development Index | SAEP | South African Education and Environment Project |
| IDP | Integrated development plan | SANGOCO | South African NGO Coalition |
| | | SARS | South African Revenue Service |
| | | SCAT | Social Change Assistance Trust |
| | | TNDT | Transitional National Development Trust |

Executive Summary

The Funding Practice Alliance (FPA) comprises four civil society organisations (CSOs) – the Social Change Assistance Trust (SCAT), Rural Education Assistance Programme (REAP), Community Development Resource Association (CDRA) and Inyathelo – The South African Institute for Advancement. This particular project was to conduct research into: 1) the funding practices of the National Development Agency (NDA); and 2) the distribution by the National Lotteries Board (NLB) of moneys held in the National Lottery Distribution Trust Fund (NLDTF) for distribution to socially worthy projects.¹

The main aim of the research was to gather rigorous qualitative and quantitative data on the NDA and the distribution of National Lottery funds so that CSOs can formulate strategic actions informed by sound research and analysis. The project was also intended to provide an opportunity for CSOs to share their experiences, and to have these views documented. South Development Consultancy Services was contracted to conduct the research and write a report on its findings.

This report presents the findings of a year-long research process that included interviews with six people who work for the NLB or its distributing agencies (DAs); four former NDA Board members; and 20 CSOs. Separate focus group discussions were held in five provinces with a total of 35 CSOs. The document also reviews existing literature on the NDA and the distribution by the NLB of National Lottery funds to socially worthy projects. Interviews with current staff and members of the NDA Board could not take place because the NDA refused to participate in the research project. The research report highlights the key problems associated with the NDA and the NLB's grantmaking function, and makes recommendations on how these problems might be addressed.

¹ The NLDTF vests in, is administered, and is held in trust by the National Lotteries Board. It is the repository of the proceeds of the National Lottery which are earmarked for distribution to socially worthy projects.

The National Lotteries Board and the NLDTF

According to the Lotteries Act 57 of 1997, National Lottery funds held in the NLDTF must be allocated and disbursed to socially worthy projects in four categories: reconstruction and development; charities; sport and recreation; and arts, culture and national heritage. Reconstruction and development funds were to be administered by the Minister responsible for the Reconstruction and Development Programme (RDP). However, the Ministry no longer exists and no allocation has ever been made. The Act makes provision for distributing agencies to adjudicate applications in the last three categories. The Minister of Trade and Industry, acting in consultation with the Minister of Finance and the NLB, has the power to make grants from Lottery funds earmarked for distribution in a fifth category – the 'miscellaneous' category. This research project confirms that the NLB has been plagued with problems in respect of its disbursement of National Lottery funds. It is clear that, while considerable thought went into the gaming side of the National Lottery, very little consideration went into making sure that its grantmaking would work well.

NLB grantmaking has been riddled with ineffective and sometimes confusing lines of communication and accountability between the NLB, the Minister, and the three DAs. The consequence has been that nobody associated with National Lottery grantmaking has been held accountable for the NLB's inability to disburse funds effectively and efficiently to CSOs. The Minister has not been challenged on his decision to make grants from National Lottery funds to state bodies such as the Commission for Gender Equality and the National Youth Development Agency.

Interviews with CSOs indicate that it sometimes takes over 12 months for applications to the NLDTF to be processed. Those organisations which have been awarded grants have had to wait a further six to 12 months for the money to be disbursed. The impact of this inefficiency has been catastrophic, with some CSOs having to retrench

staff or close. The NLDTF has disbursed less than 50% of the available funds in each of the last three years.

Delays experienced with disbursement of grants have been attributed to high staff turnover, a lack of trained staff in the NLB's Central Applications Office (CAO) which screens and processes applications, and an inefficient processing system. In many cases applications have been lost and inconsistent criteria have been applied to both successful and unsuccessful applicants. Because the NLB operates on a first come-first served basis, organisations whose documents have been lost find that their resubmitted applications end up at the back of the queue. An exacerbating factor has been the lack of dedicated NLB support staff for such grantmaking functions as drawing up contracts, payments to grantees, and monitoring compliance with agreements. A further problem is the lack of co-ordination between the DAs and the NLB in respect of processing contracts and payments, meaning long delays in grant disbursements to CSOs.

The judgment in the SAEP and Another v National Lotteries Board and Others case² (which has been appealed by the NLB) has been welcomed in that it clarifies the lines of accountability between the NLB, the DAs and the Minister. The judge has determined that that: 1) the DAs are committees of the NLB, appointed by the Minister, they are not independent entities; 2) only the Minister and his or her Cabinet colleagues have the power to determine rules for grants; 3) the powers of the DAs are limited to receiving and considering applications, and suggesting conditions to be imposed when money is granted; and 4) applications for funding to the NLB and the DAs constitute 'administrative action' in terms of the Promotion of Administrative Justice Act (PAJA). Administrative action – processing

applications and disbursing funds in this case – must therefore be discharged within reasonable timeframes.

Since the judgment was made, the NLB has begun to change the way it disburses funds, such as setting timeframes for the screening, processing and adjudicating of applications and disbursement of funds. There have also been changes within the Central Applications Office to streamline the application process. Although these changes are filtering down to the staff of the CAO, more needs to be done for the Office to become efficient in respect of processing applications, including staff training and reducing staff turnover. The adjudication of applications should also be made much more efficient and suggestions have been made that members of the DAs should be given full-time appointments in order to deal with the current backlog and overcome this bottleneck in the system.

The Department of Trade and Industry (DTI) is currently drafting amendments to the Lotteries Act to improve National Lottery grantmaking. The NLB has made proposals for strengthening the lines of accountability in respect of National Lottery funds. Another proposed legislative amendment being debated in the Ministry of Trade and Industry and the NLB is the notion of a state-run lottery. A state-run lottery could have a crippling impact on civil society in South Africa where CSOs have struggled to survive in the face of significant shifts in funding over the last 15 years. The NDA and the National Lottery were established on the premise that a strong, capable civil society sector would be able to assist the state in achieving its poverty alleviation objectives. With the NDA failing to deliver on its mandate to provide funding effectively to CSOs, and with the private sector focusing on service delivery with BEE [black economic empowerment] points, the creation of a state lottery may divert much-needed funds away from CSOs.

2 *South African Education and Environment Project and Another v National Lotteries Board and Others*, Western Cape High Court, case 22352/2009 [2010] ZAWCHC 220 (26 August 2010).

The National Development Agency

The central concern that has emerged from this research in respect of the NDA is that the Agency has failed to meet its mandate in respect of: 1) disbursing funds to CSOs for poverty alleviation activities; and 2) building relations between the state and civil society through consultation and dialogue. A key reason for this failure is that the NDA's mandate was too broad to begin with, and the Agency chose to focus on grantmaking rather than building relations between the state and civil society. Further, in its own grantmaking practice, the NDA marginalised NGOs, favouring community-based organisations (CBOs) and projects as beneficiaries instead, and setting up its own operational programmes that are, in some cases, in competition with those of the civil society sector.

Another reason that can be offered for the NDA's failure to facilitate building a relationship between the state and civil society, including discourse on effective poverty alleviation strategies, is that the Agency has fully aligned itself with the state's poverty alleviation agenda. Its grantmaking criteria have been based on key governmental policies and programmes including those of the Department of Social Development (DSD). This alignment has cost the NDA its independence and distanced the agency from some sectors of civil society.

Despite streamlining its interventions to focus primarily on grantmaking, the NDA has failed to effectively disburse funds. Between 2003 and 2008, the NDA disbursed only 62% of available funds. The number of beneficiaries decreased from 104 in 2005/06 and 95 in 2006/07 to 78 in 2007/08 and 59 in 2008/09, but the total amount granted increased. This suggests that the NDA is giving larger sums of money to fewer organisations. This has created problems for some grant recipients as the beneficiaries of NDA grants are small CBOs or projects that may not

have the necessary skills and resources to implement large-scale projects for the NDA. More worrying has been the fact that the NDA's annual budget for poverty alleviation projects is less than the amount allocated for this purpose in some government departments and provincial administrations. This suggests that government lacks appreciation of civil society's potential contribution to development and poverty alleviation. It further signals a lack of commitment to building and strengthening civil society.

Another key area of concern has been the NDA's lack of accountability and transparency. The NDA's activities have been shrouded by a veil of secrecy, and the Agency has not accounted effectively for how it distributes funds or identified who the recipients of grants have been. It has been accused of corruption and fraud on several occasions, but senior management has never been called to account. In 2006, criminal charges were laid against an NDA accounts clerk for the theft of over R8 million, but senior management and the Board were never held responsible. This lack of accountability and transparency extends to beneficiaries. No complete list of its beneficiaries and no details of funds disbursed have been made available on the NDA website or in its annual reports. This calls into question whether the Agency is using its grantmaking role in a fair and equitable manner. The NDA's refusal to participate in this research project confirms the impression of a lack of openness and, further, resistance to being held accountable, especially by civil society.

The report concludes with a number of recommendations in respect of: 1) administrative structure and functions; 2) administrative processes; 3) governance, transparency and accountability; 4) institutional independence; 5) funding practice; and 6) engagement with civil society.

Contents

| | | |
|----------|---|-----|
| 1 | Introduction | 2 |
| 2 | Methodology and limitations | 4 |
| 2.1 | Methodology for the NLB research process | 4 |
| 2.2 | Methodology and limitations of the NDA research process | 5 |
| 2.3 | Methodology and limitations of civil society research | 8 |
| 3 | South Africa's poverty alleviation framework: From welfare to development | 13 |
| 3.1 | Political and economic context | 13 |
| 3.2 | The state's approach to poverty | 14 |
| 3.3 | The state's poverty reduction programmes | 16 |
| 3.4 | State-civil society relations | 18 |
| 4 | The National Lotteries Board and the NLDTF | 23 |
| 4.1 | Background and context | 23 |
| 4.2 | Legislative mandate | 24 |
| 4.3 | Structure and function of the National Lottery | 30 |
| 4.4 | Grantmaking | 44 |
| 4.5 | Civil society's experiences of the NLB | 62 |
| 4.6 | Concluding comments | 75 |
| 5 | The National Development Agency | 76 |
| 5.1 | Background and context | 76 |
| 5.2 | Legislative mandate | 80 |
| 5.3 | Structure and governance of the NDA | 85 |
| 5.4 | Strategic vision of the NDA | 94 |
| 5.5 | Disbursement and expenditure of funds | 100 |
| 5.6 | Civil society's experience of the NDA | 105 |
| 5.7 | Concluding comments | 117 |
| 6 | Findings and concluding comments | 118 |
| 6.1 | Findings | 119 |
| 6.2 | Concluding comments | 123 |
| 7 | References | 125 |
| | Appendices | 129 |
| | Appendix 1: A chronology of communication with NDA | 129 |
| | Appendix 2: List of interviews and focus group discussions | 132 |

South Africa's post-1994 government has established approximately 14 'special funds' and institutions to alleviate poverty and facilitate development.³ Some of these funds have been set up for the purpose of making investments and loans. Two of these special funds, namely the National Development Agency, and the National Lottery Distribution Trust Fund administered by the National Lotteries Board, were established for grantmaking to civil society organisations as part of a wider development agenda.⁴ However, these two state institutions have been characterised by inefficiencies in the disbursement of funds, allegations of corruption, and bureaucratic grant application procedures that have tended to marginalise CSOs.

The relative newness of the NDA and NLB has meant that these institutions have not had much opportunity to reflect on their practice in order to improve their strategies and functioning. At the same time, CSOs have not had sufficient, research-based evidence to formulate collective advocacy initiatives to address the failings of the NDA and the NLB.⁵ Frustrations around accessing funding from these institutions in the face of massive needs have received some attention in the media, but CSOs have not yet had the opportunity to share their experiences as a collective with the NDA and NLB.

The Funding Practice Alliance comprises four CSOs – the Social Change Assistance Trust, Rural Education Assistance Programme, Community Development Resource Association and Inyathelo – The South African

Institute for Advancement. This particular project was to conduct research into: 1) the funding practices of the National Development Agency; and 2) the distribution by the National Lotteries Board of moneys held in the National Lottery Distribution Trust Fund for distribution to socially worthy projects.

The main aim of the research was to gather rigorous qualitative and quantitative data on the NDA and the distribution of National Lottery funds by the NLB so that CSOs can formulate strategic actions informed by sound research and analysis. The project was also intended to provide an opportunity for CSOs to share their experiences, and to have these views documented. South Development Consultancy Services was contracted to conduct the research and write a report on its findings.

The objectives of the research were:

1. To review and interpret the legal mandates of the NLB and the NDA and assess the extent to which these agencies have done what they were established to do. This included an analysis of the Acts under which the NDA and the NLB are constituted and how these relate to theories of development.
2. To investigate civil society's experience of funding relationships with the NDA and the NLB, based on evidence. The focus here was on capturing NGO experiences of the NLB and the NDA and how this contributes, or not, to development, and to CSOs advancing their objectives and meeting the needs of their beneficiaries.

³ Swilling & Van Breda 2006: 77.

⁴ The NLDTF vests in, is administered, and is held in trust by the National Lotteries Board. It is the repository of the proceeds of the National Lottery which are earmarked for distribution to socially worthy projects.

⁵ Although two court cases against the NLB have been finalised: the South African Education and Environment Project (SAEP) acting with Sikhula Sonke in one, and the Johannesburg Festival Orchestra in the other.

3. To investigate the expectations the NDA and the NLB have of beneficiary organisations in terms of relationship, compliance and impact, and the extent to which these expectations inform their existing funding approach and practice.
4. To collect quantitative information on the NLB and NDA in terms of funding criteria, compliance and reasons for non-compliance, funding allocation trends, and the length of time it takes them to respond to applications, make payments, and respond to queries and appeals.
5. To investigate the composition of the boards of the two agencies, including the skills and background of board members and the participation of civil society in setting up these boards; and to look into the functioning of these boards, including payments to board members, rotation of board members, and the accountability of these boards to the state and civil society.
6. To investigate international best practices of government funding agencies and lotteries in order to formulate recommendations that are appropriate for the South African context.
7. To make recommendations to the NLB and NDA, based on a body of learning and evidence, which can be used to inform improved funding practice and the development of improved legislation, if appropriate.

This report presents the findings of a year-long research process that included a CSO survey questionnaire; interviews with six people who work for the NLB or its distributing agencies; interviews with four former NDA Board members; and interviews with 20 CSOs. Separate focus group discussions were held in five provinces with a total of 35 CSOs. The document also reviews existing literature on the NDA and the distribution by the NLB of National Lottery funds to socially worthy projects. Interviews with current staff and members of the NDA Board could not take place because the NDA refused to participate in the research project. The research report highlights the key problems associated with the NDA and the NLB's grant-making function, and makes recommendations on how these problems might be addressed.

The report has five parts. The first introduces the study. The second explains the research methodology as well as the difficulties experienced in the research process and how these impacted on the results. Chapter 3 provides some background to the establishment of the two grantmaking institutions under study by examining the development framework for poverty alleviation in South Africa. Chapters 4 and 5 examine the NLB and NDA respectively: their legal mandates, structures and governance, and grantmaking. Both chapters document the experiences that CSOs have had of the funding practices of these institutions. Chapter 6 provides a summary of key issues with concluding comments.

The research process was made up of three parts that focused on the funding practices of the NDA and the NLB and how their funding practices have been experienced by CSOs. Different methodologies were used to extract data, and each had its limitations.

2.1 Methodology for the NLB research process

The NLB report was drawn from a review of existing literature on the National Lottery which included the Board's annual reports from 2000 to 2009, minutes from parliamentary committee briefings, media reports and research reports that documented the grantmaking activities of the NLB since 2000.

The key findings of the literature review were:

1. There are flaws in the legislation that have a direct impact on the structure and functioning of the grant-making aspect of the NLB.
2. There are structural problems in the NLB that affect governance, accountability and functioning in respect of grant disbursements.
3. Internal processes for managing, processing and adjudicating grant applications as well as for disbursing funds are ineffective and inefficient, resulting in unreasonable delays.

These findings were combined with findings from the civil society research process to form the basis of interviews that were subsequently conducted with the staff and Board of the National Lottery. Interviews were conducted with:

- Prof. Vevek Ram, Chief Executive Officer of the NLB.
- Jeffrey du Preez, Chief Operations Officer of the NLB and head of its Central Applications Office.
- Dr Teboho Maitse, Chairperson of the Distributing Agency for Charities.
- Gideon Sam, Chairperson of the Distributing Agency for Sports and Recreation.
- Prof. Dorcas Jafta, Chairperson of the Distributing Agency for Arts, Culture and National Heritage.
- Zodwa Ntuli, the Minister's nominee on the NLB.

An interview was also scheduled to take place with the Chairperson of the NLB, Prof. Alfred Nevhutanda, but unfortunately he cancelled on the day the interview was scheduled to take place.

The research team acknowledges the co-operation and openness exhibited by the NLB and Chairs of the DAs towards this research project and expresses its appreciation for their participation, which helped to produce a rich and comprehensive research report.

2.2 Methodology and limitations of the NDA research process

The basis of reporting on the NDA was a literature review which included the founding legislation, NDA annual reports from 2005 to 2009⁶ and NDA strategic plans from 2006 to 2011, media reports, minutes of parliamentary portfolio committee briefings, and research reports that documented the work of the NDA since 2001.

The key findings from the literature review were that:

1. The legislative mandate of the NDA, namely to facilitate dialogue and partnership between the state and CSOs and to include civil society in the determination of a common understanding of development and poverty, has not been met.
2. There has been such a close alignment between the funding strategy of the NDA and the development strategy of the state that it could be said that the Agency's independence is in question.
3. Governance within the NDA is weak, and allegations of fraud and corruption have been made since the early days of the Agency.

4. The NDA lacks transparency and there are no effective accountability mechanisms either to the state or to the public. The Agency has withheld information about its research activities and no detailed accounts of grantmaking or beneficiaries have been made available.
5. The Agency has been unable to disburse funds adequately and its funding practices cannot be described as developmental. The impact of its funding on poverty alleviation is therefore in question.
6. Its budget has been less than the poverty alleviation component of provincial government departments and other state-run institutions, calling into question government's commitment to the NDA.

These key findings, together with the findings from the civil society research process, were intended to form the basis for engagement with the staff and Board of the NDA in what was envisaged to be a solution-driven conversation. However, the NDA Board decided not to participate in the research. The ultimately unsuccessful process of trying to secure NDA participation is briefly outlined in **Box 1** on the next page.

⁶ Reports for the period 2001 to 2004 were not available on the NDA's website.

Box 1: The sustained but unsuccessful attempt to secure the participation of the NDA

On 23 April 2010, members of the Funding Practice Alliance and the research team met with Prof. Ewang, the NDA's Head of Research and Development, and Nkensani Mthembu, the NDA National Grants Manager. The acting Chief Executive Officer (CEO), Rashida Issel, had offered her apologies for not attending the meeting on the grounds that she had to appear before Parliament's Portfolio Committee on Social Development. The purpose of the meeting was to introduce the research project, its aims, objects and approach, and request the NDA's participation in the research project. The FPA was requested to submit an outline of the research project's aim, objectives, approach and ethical clearance to the NDA in writing, which the Alliance did two days after the meeting. Over 20 telephone calls were made and over 20 e-mails were sent to the NDA between the initial engagement on 23 April and the end of August 2010. During that time, the research team and the FPA were told that their request for access to NDA staff and Board was being 'processed'. On one occasion in July 2010, the team was told that the request was being submitted to the NDA Board. When it seemed that the request was taking an inordinately long time to be processed, the research team attempted to speak with the Chairperson of the NDA directly, only to be told by the CEO's personal assistant to go back to the person who was the first point of contact with the NDA, namely Prof. Ewang. In mid-July, Prof. Ewang informed the research team that the NDA had appointed a new CEO, Vuyelwa Nhlapho, that she had not received the research team's request, but that he was about to brief the new CEO about the FPA's research. A follow-up telephone call to Prof. Ewang five days later revealed that he was about to brief Chief Operating Officer (COO) Rashida Issel on the research project and the request for interviews. He said the COO would be the one to brief the CEO. Four days later, the research team received a message to say that the NDA was about to send a letter regarding the request and that the team was not to contact the NDA until the letter had been received. A month later the research team sent several e-mails and made a number of follow-up telephone calls and the COO sent an e-mail stating that the NDA had decided not to participate in the research. No reason or explanation has been provided despite a research team request to the COO. At the end of September 2010, the FPA sent an official letter to the Chairperson of the NDA Board, Bishop Mpumlwana, requesting a meeting to explain the research project, but no response was ever received. During subsequent conversations with the Ministry of Social Development, the Ministry encouraged the FPA to try to re-engage with the CEO of the NDA. In October 2010 the research team sent the new CEO an e-mail requesting an opportunity to meet with her to explain the FPA project. She indicated that she was open to meeting with the FPA and the research team and that her office would be in contact to set up such a meeting. Despite several telephone calls and e-mail follow ups, no meeting ever materialised. At the same time, the research team was in contact with people who were still serving on the NDA Board at the time.

Despite the NDA's decision not to participate in the research, current Board members who have a mandate to represent civil society were approached for an interview. These included the Chairperson, Bishop Mpumlwana, Thokozile Mayekiso, Marcia Manong and David Adler. No response was received from Bishop Mpumlwana and Ms Mayekiso. Ms Manong said the research team ought to be engaging directly with the NDA.⁷ Although Mr Adler

was initially keen to be interviewed once he had stepped down as NDA Board member at the end of October 2010, he subsequently declined to participate, saying 'I am obliged to refuse to answer the questions [your interview guideline poses], because I am bound by the decisions taken by the NDA Board not to participate [sic] in your survey'.⁸ A full account of the FPA's engagement with the NDA appears in [Appendix 1](#).

⁷ Telephone conversation held on 11 October 2010.

⁸ E-mail sent by David Adler on 8 November 2010.

The research team then approached former Board members for interviews, and the following people who served on the NDA Board from 2003 to 2006/7 agreed:

- Annemarie Hendrickz.
- Dr Stephen Rule.
- Dr Temba Masilela.
- A respondent who wished to remain anonymous.

Because the NDA reports to Parliament’s Portfolio Committee on Social Development, e-mails explaining the research project and requesting an interview were sent to every member of the Committee. In addition, the research team liaised with the Secretary to the Committee to have a letter from the research team placed in each member’s in box at Parliament. Letters and e-mails were sent to the following members:

| Party | Representative |
|---|---|
| African National Congress | Ms YR Botha Ms PP Xaba Ms JW Nelson Mr VV Magagula Ms JM Masilo |
| Democratic Alliance | Ms SP Kopane Ms H Lamoela |
| Congress of the People | Ms NP Gcume |
| Inkatha Freedom Party | Ms HN Makhuba |
| United Democratic Movement | Mr NM Kganyago |
| Minority Front | Mr RB Bhoola |
| African Christian Democratic Party | Ms C Dudley |

Of the 12 committee members, only the two members of the Democratic Alliance, Patricia Kopane and Helen Lamoela, agreed to an interview. They were given the interview guidelines beforehand, but on the day of the interview they hesitated to go on record without

having consulted with party leadership. Both agreed to complete an e-mailed questionnaire and return it to the research team within a week of the interview on 12 October 2010. After several follow-up telephone calls and e-mails reminding them to complete the questionnaire, the respondents told the research team on the 8 November 2010 that they were ‘too busy’ to complete the questionnaire. During the course of discussions held with Ms Kopane and Ms Lamoela on 12 October and 8 November 2010, they expressed several opinions about NDA presentations made to the Portfolio Committee.

The NDA’s lack of co-operation with a civil society-led research process should raise alarm bells within the sector. Questions could be asked about whether key stakeholders have been silenced, or whether this could be interpreted as the Agency seeing itself as being above scrutiny and not having to account for how public funds are spent.

Due to the lack of co-operation from the NDA, information on the NDA had to be sourced from other research: Gardner and Macanda 2003, media reports, and briefings by the NDA and DSD to the Portfolio Committee on Social Development. In addition, the annual reports and strategic plans of the NDA were consulted. However, annual reports were only available from 2005 to 2009. Information available from the annual reports was limited to an overview of NDA governance and strategy, a limited description of its achievements compared with its goals, a selection of the projects funded (not the full list of beneficiaries) and its financial statement. The financial statement did not include a breakdown of the funds as committed and disbursed to CSOs, nor was it disaggregated according to disbursements to the provinces. The strategic plans of the NDA were sourced from committee meeting minutes compiled by the Parliamentary Monitoring Group and from DSD.

2.3 Methodology and limitations of civil society research

No existing research covers the experiences CSOs have had in their engagements with the NDA and the NLB. This project aimed to document these experience and fill what, until now, has been a significant gap.

Various research tools were used, including an electronic survey, a sample of in-depth interviews, and focus group discussions. The sample for the survey was drawn from the Civil Society Organisation database on the NDA website.⁹ The NDA database lists 1 805 CSOs from nine provinces, representing a cross-section of the sector. Although the database was comprehensive, including both CBOs and well-resourced NGOs, some of the contact details for organisations were outdated. It also contained many corporate businesses as well as provincial government departments and local municipal governments.

To complement the NDA database and to ensure that the survey also reached under-resourced provinces, the Prodder directory was also used.¹⁰ Although this directory was cumbersome to use, it was possible to make a selection of organisations with networks or which were part of networks in Northern Cape, Limpopo, North West and Free State. These organisations were active in human rights, justice, capacity building and training. A total of 50 surveys were sent to organisations listed in the Prodder directory.

The survey was also placed on the websites of SANGONeT,¹¹ the CIVICUS World Alliance for Citizen participation,¹² Google News Alerts and Bizcommunity.¹³

9 www.nda.org.za

10 www.prodder.org.za

11 The Southern African NGO Network (www.sangonet.org.za).

12 www.civicus.org

13 www.bizcommunity.co.za

It was also placed on the websites of the FPA project partners, namely REAP, SCAT, CDRA and Inyathelo, and disseminated via their e-mail address lists.

A number of organisations were asked to distribute the surveys to their networks and e-mail address lists: Children in Distress Network (CINDI), Yezingane Network (the national children's HIV/AIDS network), Childline, Groundwork, Democracy Development Programme (DDP), Karoo Human Rights Centre, Association of University Legal Aid Institutions (AULAI), Rhodes University Legal Aid Clinic (RULAC), the University of Free State's School of Humanities, the National Alliance for the Development of Community Advice Offices (NADCAO), the Community Law and Rural Development Centre (CLRDC), Black Sash, the Eastern Cape NGO Coalition, the KwaZulu-Natal Network Against Violence Against Women, Masimanyane Women's Support Centre, Activists Networking against the Exploitation of Child Domestic Workers (Anex CDW) and the South African NGO Coalition (SANGOCO).

It is estimated that, together with the NDA and Prodder databases, approximately 3 000 surveys were distributed, excluding those copies of the survey accessed via various websites. The research team assumed that organisations would choose to participate in their own interests. The survey was open to all CSOs, whether they had applied for NDA and/ or NLDTF funding or not. For this reason both the distribution and responses were random. Some organisations in receipt of NDA or National Lottery funds did not want to participate in the research without permission from their donors.

- **Description of civil society survey**

The sample upon which this survey is based comprises a total of 226 respondent organisations. Questionnaires were received from all of nine provinces, although more responses were received from some provinces than others. The majority of responses came from the Western Cape and Gauteng with the smallest number coming from the Northern Cape.¹⁴ The provincial distribution of responses as a percentage of the total sample is indicated in figure 1.

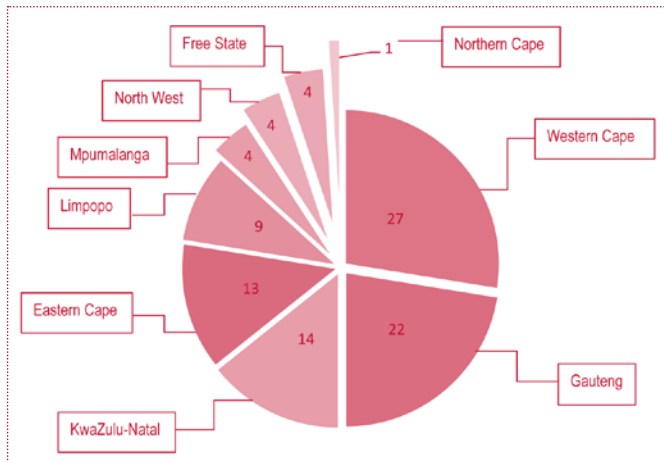


Figure 1: Percentage distribution of survey by province

The majority of respondents (93%) categorised themselves as NGOs/NPOs, 4% described themselves as CBOs, and the balance were tertiary educational institutions, trusts, public benefit organisations (PBOs), or co-operatives.¹⁵

- 14 The Northern Cape is South Africa's most sparsely populated province.
- 15 These categories are not necessarily mutually exclusive. PBOs are organisations that are registered as such with the South African Revenue Service (SARS) for tax and donation purposes. NPOs are organisations that are registered as such with the Department of Social Development. A registered organisation has a legal 'personality' of one kind or another. A trust is one type of legal entity, a non-profit ('Section 21') company is another. An NGO or CBO could have the legal form of a trust, be registered as an NPO with DSD, and be registered as a PBO with SARS, all at the same time.

After analysis, questionnaire responses were placed into nine categories based on the area of work, as follows:

- **Welfare and charity** including hospices, old age homes, disability care, child care and welfare. Respondents in this category included large national and provincial organisations and networks as well as locally-based initiatives.
- **Human rights, advice, and support** including community-based paralegal and advice offices, organisations that provide support to community advice offices and paralegals, and education and training in human rights at a local level.
- **Education and training (E&T) and capacity building** including larger scale and more formalised education and training initiatives, universities and national capacity-building NGOs.
- **Arts, heritage, and culture** including organisations that work in the fields of art, music, dance, indigenous languages and the environment.
- **Local economic development (LED) and community services** including organisations that implement local economic development projects, provide local training and capacity building for service delivery, and facilitate local development resource centres and co-operatives.
- **Advocacy and research** – larger and more formalised NGOs that undertake research and advocacy in relation to socio-economic and human rights issues, including organisations that facilitate development processes at a grassroots level.
- **Public interest law** – organisations which provide free legal services or undertake impact litigation in furtherance of human rights.
- **Sport** – sports clubs and organisations that provide support for people engaged in sport.
- **Other** – grantmaking organisations and youth groups like Girl Guides and Scouts.

Almost a third of the sample (31%) comprises welfare or charity organisations, with approximately 20% comprising organisations with a focus on human rights, advice, and community support services. Education and training, and capacity building institutions make up a further 17% of the sample. The remaining 30% of the sample cut across the remaining six categories. The distribution of organisations across these categories as a percentage of the total sample is indicated in figure 2.

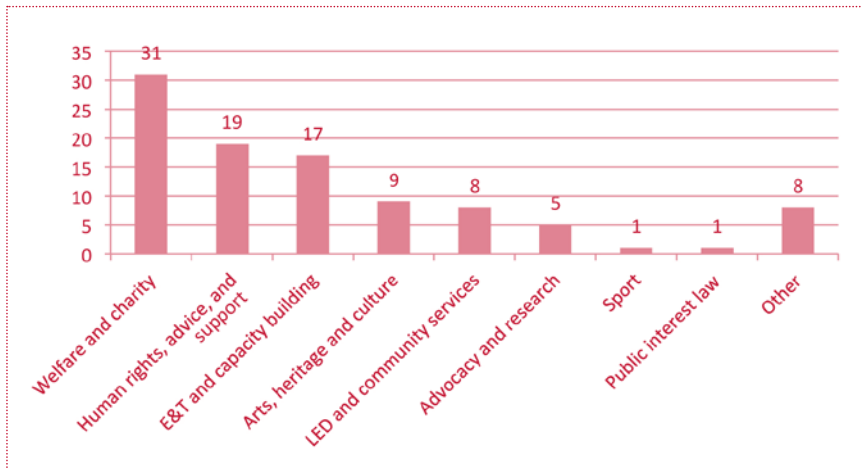


Figure 2: Areas of work

With respect to scale of operation, 53% of the responding organisations sampled operate solely at a local or district level, and 23% operate nationally (figure 3). A further 19% of organisations operate in the provinces in which they are based, with 4% of organisations operating across more than one province. Over 80% of national organisations are based either in Gauteng (43%) or in the Western Cape (39%). The position with respect to organisations operating in multiple provinces was similar – 80% of these organisations are based in Gauteng and the Western Cape (40% in each province).

Figure 3 provides a comparison between the different provinces in terms of the percentage of the total sample operating at national, multi-province, provincial, and local level.

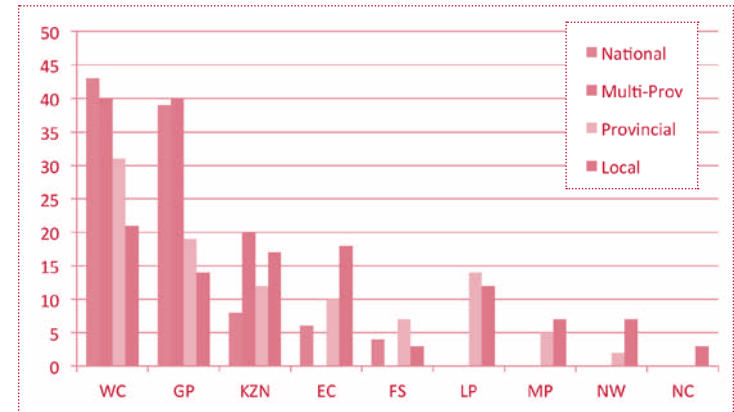


Figure 3: Geographical spread and scope of operation

Sixty-two percent of the organisations in the survey have a staff complement of 15 or less (figure 4). At the other end of the scale, 12% have 51 staff members or more. Two percent have no permanent or temporary staff and depend entirely on volunteers.

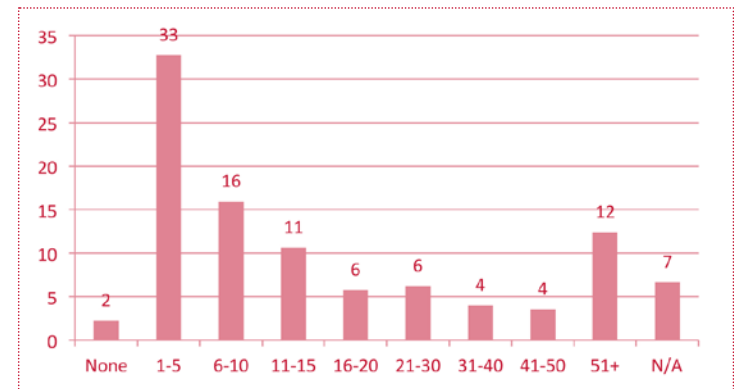


Figure 4: Staff numbers of organisations in the sample

Figure 5 shows a far greater percentage of the organisations surveyed applied to the NLB for support (81%) than to the NDA (37%). Thirty-four percent of the sample applied to both the Lottery and the NDA. Forty-seven percent of the total sample had only applied to the Lottery, whereas only 3% had applied solely to the NDA. Of interest is the fact that 16% of the organisations sampled had applied to neither institution.

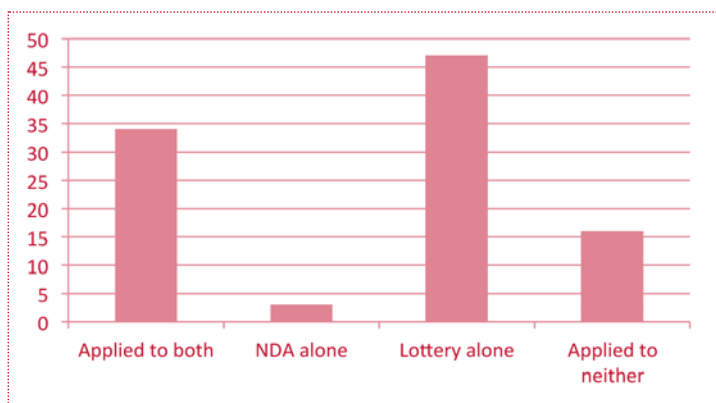


Figure 5: Applications to Lottery and NDA

Organisations that only applied to the NDA said the reason they did not apply to the NLB was either a bad experience with that organisation in the past, or there was another, unspecified, reason. Some of the reasons given for not applying to the Lottery included that it was well known that the Lottery had a ‘huge backlog and delays’ and that many applicants had never received any acknowledgement of receipt for their proposals. Some organisations were still new and could therefore not meet the Lottery requirement that applicants must provide two years of audited financial statements.

Organisations that had only applied to the NLB provided a range of reasons for not applying to the NDA: 19% indicated that they had no knowledge of the NDA and hence had not applied. Other reasons given included bad past experiences of the NDA, a complicated application process, and difficulties in accessing application forms. Some organisations were unsure of what the NDA funded whilst others felt that their work did not fit in with the NDA’s funding criteria. These included environmental, women’s support, educational, welfare, human rights, legal and advice organisations. One organisation felt that the NDA’s funding was not appropriate for the organisation as it was too ‘prescriptive’. Some organisations that had tried to apply for NDA funding either did not receive a response or received responses they felt were rude and unhelpful.

‘I applied for NDA funding years ago...the process was cumbersome, whenever I phoned the NDA office, the staff were unavailable and when they were available they were unhelpful. As a result I never applied there again as putting a funding proposal together is time-consuming and I feel I don’t have time to waste. As with any other NGO we are hard pressed for staff and capacity to do the enormous task we do.’

‘We believed we fitted the [NDA] funding criteria. We could not find an application form on the NDA website and e-mailed [the NDA explaining] we could not find a form on the website and requesting information on how we could apply. We received an abrupt “Please consult our website as indicated”!’

Organisations that did not apply to either institution provided a range of reasons. Almost 30% noted difficulties in accessing application forms. Respondents who managed to obtain forms said that the application process was too complicated. Six percent of these organisations noted that they had no need for additional funding. Some organisations gave other reasons for not applying to either the NDA or the Lottery including:

1. Their work did not fit in with criteria of the Lottery (research organisation) or the NDA (religious, advice organisation).
2. They were still in the process of registering as an NPO.
3. They were in the process of securing a second audited financial statement.
4. They did not actively pursue these two organisations for funding.
5. They did not understand how the two organisations' funding criteria and processes worked.
6. They felt that the funding process was too long and arduous.
7. They felt that the two organisations did not provide support to assist civil society organisations with the difficult application process.

One of the respondents felt that the approach of the two funding organisations did not fit with the developmental approach of its own work:

'If you are a responsive grant maker and work in an asset-based/citizen-led framework, then these two donors are not your match as there is no room for innovation and flexibility and responsiveness to community needs and aspirations.'

The experiences of organisations with the application process and the guidelines for filling in the application forms are discussed in more detail throughout the report.

From the survey sample, a sample of 20 organisations was selected to participate in in-depth interviews. The sample comprised organisations from KwaZulu-Natal, Eastern Cape, Gauteng and Mpumalanga. The purpose of the in-depth interviews was to collect qualitative information that was descriptive of CSOs' experiences and to draw out case studies of experiences through the various funding cycles of the NDA and the NLDTF. The full list of organisations that participated in the in-depth interviews is provided in [Appendix 2](#), but the source of specific comments referred to in the text has been kept confidential.

Five focus group discussions were facilitated in KwaZulu-Natal, Eastern Cape, Gauteng, Limpopo and Western Cape. Focus group participants were drawn from organisations that participated in the survey and were supplemented by organisations that have experience with the broader donor community. The purpose of the focus groups was to have CSOs engage in strategic dialogue around the problems they have experienced with the NDA and the NLB in order to generate potential solutions and make recommendations for the way forward.

South Africa's poverty alleviation framework

FROM WELFARE
TO DEVELOPMENT

3.1 Political and economic context

Prior to 1994 and leading up to the first democratic elections, the African National Congress (ANC) put forward the Reconstruction and Development Programme (RDP) to eradicate poverty and to address the severe social and economic backlogs of apartheid. By 1996, the RDP was replaced by the Growth Employment and Redistribution (GEAR) programme.

Faced with an inherited public debt of close to R190 billion of which foreign debt amounted to some R5.2 billion with about 6.7% of the GDP and 24% of the budget being absorbed annually by interest on this debt, GEAR proposed a more conservative macroeconomic stance of 'fiscal discipline' (Carter & May 1999: 12). Among other things, GEAR proposed cuts in government spending to reduce the deficit, introduced tax concessions for big business, reduced tariff barriers (in the clothing, textile, leather and car manufacturing sectors), privatised government assets, reduced state welfare programmes, and created a more flexible labour market.

Over ten years GEAR succeeded in stimulating some growth in the South African economy and creating a stable monetary environment, but it failed to meet the targets it had set for economic growth and foreign direct investment. The plan was predicated on the assumption that the benefits of economic growth would 'trickle down' to the poor, but the poverty headcount only decreased marginally by 2005.¹⁶

There was a decline in formal employment by about 12% between 1996 and mid-1998 (Carter & May 1999: 12). The loss of jobs was highest in those sectors that largely employed unskilled labour, with the manufacturing sector suffering a 6% loss in the period 1993 to 1998, com-

pared to 21% in construction and 27% in mining (Ibid.). By 2005, unemployment in South Africa was at its highest with just over 40% of the population unemployed¹⁷ (Bhorat & Kanbur 2005: 5). Not only were people losing their jobs, but young people and graduates were finding it difficult to obtain employment.

Studies in poverty and inequality conducted in post-apartheid South Africa have shown that poverty has increased, that people who were poor in 1993 have not been able to escape the cycle of poverty, and that inequality between and within race groups has increased. As Ari Sitas (2001: 31) explains:

'Last year, the same people were designated poor. The same were poor the year before, the year before that and before that, down into a longitudinal graph that spans back before the 1994 democratic turning point, into the apartheid era.'

In 2001, South Africa's per capita GDP placed it as one of the 50 wealthiest nations and among the 35 largest economies in the world. However, it was ranked 17th out of 70 countries in terms of the number of people living on less than US\$2 per day. South Africa also ranked 115th of 175 countries in terms of its Human Development Index (HDI) in 2001 – a decline from its 1992 ranking of 93rd, making it one of a handful of countries which has experienced a decline in the HDI since 1995 (Aguero et al. 2006: 1). Income inequality in South Africa as measured by the Gini coefficient¹⁸ became more severe between 1995, when it stood at 0.565, and 2000, when it stood at 0.577). Between 1996 and 2001 the Gini coefficient rose

17 Using the broad definition of unemployment.

18 The Gini coefficient is a measure of distribution, expressed as a value which falls between a theoretical 0 (perfect equality) and 1 (complete inequality). When used to measure income distribution, 0 would mean everybody receives the same level of income and 1 would mean only one person would earn all the income.

16 See Bhorat and Kanbur (2005), Aguero et al. (2006), Carter and May (1997 and 1999), and Habib and Padayachee (2000).

from 0.68 to 0.73, making South Africa one of the most unequal countries in the world (Bhorat & Kanbur 2005: 4).

Van der Bergh and Burger noted in their 2002 study on poverty and inequality that per capita income of the African elite in South Africa had almost caught up with that of the white population (cited in Agüero et al. 2006: 5). The level of income inequality amongst African households is higher (more severe) than amongst non-African households. Amongst African households, the coefficient moved up from 0.49 in 1970 to 0.59 in 2000; amongst whites it moved from 0.43 to 0.49; among Indians from 0.42 to 0.51 and among coloureds from 0.53 to 0.55 (Landman et al. 2003: 3–7). Using the minimum living level of R1 871 for a household of 4.7 people as the benchmark,¹⁹ Van der Berg and Louw found that in 2000 20.5 million South Africans were living in poverty – about 48% of the national population (cited in Landman et al. 2002: 5). The poverty headcount increased nationally from 32% to 34% between 1995 and 2000 (Bhorat & Kanbur 2005: 4) as did the poverty gap and the severity of poverty (Agüero et al. 2006: 2).

Whilst data for the period 2000 onwards are limited, May, Van der Berg and Meth²⁰ agree that the poverty rate may be on the decline and whilst the poverty headcount index is also on the decline, it is by a very modest degree. However, it has been found that South Africa still shows signs of very high levels of inequality (Agüero et al. 2006: 5). Unemployment increased between 1995 and 2003: the unemployment rate using the broad definition increased from 31% to 42%, and unemployment rose from 18% to 31% by the narrow definition (Bhorat & Kanbur 2005: 6).

To counteract this growing poverty and inequality and to address the growing plight of the poor, govern-

ment initiated a number of poverty alleviation/ reduction programmes to provide assistance for those trapped in poverty and to assist poor households to weather livelihood shocks (Friedman & Bhengu 2008; PSC 2007b). In 2000, the United Nations announced the Millennium Development Goals (MDGs) as a set of indicators for governments to report to the international community on progress in their countries. These goals, which speak directly to the socio-economic well-being of people, aim to halve the proportion of people whose income is less than US\$1 a day and to halve the proportion of people who suffer from hunger. The South African government has used the MDGs to define the goals for its poverty alleviation/ reduction programmes.

3.2 The state's approach to poverty

There are several different approaches to addressing poverty through government programmes. The 'welfarist' approach tends to address the immediate needs of those who cannot fend for themselves; the 'developmental' approach seeks to empower people to better their own circumstances; and the 'transformational' approach seeks to reconfigure the economy and society so that the structural aspects of poverty are minimised or removed (PSC 2007a: 15) so that power in the field is equally distributed.

These different approaches also speak to the kinds of end results that are desired through anti-poverty activities. According to Henriot (2002):

- **Poverty alleviation** projects are aimed at lessening the suffering of the poor by meeting their immediate needs with welfare handouts and social security safety nets aimed more specifically at widows, orphans, the elderly and the handicapped. This could be seen as charitable assistance falling under the welfarist approach to poverty.

¹⁹ The benchmark was set by the Bureau of Marketing Research, University of South Africa.

²⁰ See Agüero et al. (2006), Carter & May (1997 & 1999) and Landman et al. (2003).

- **Poverty reduction** projects are aimed at lowering the numbers of those living below the poverty line and lifting them out of a life of deprivation by engaging in job-creation projects which pay wages above the poverty line, and by providing health and education services, credit for small business enterprises and other opportunities to rise above the poverty line. This is seen as the developmental approach to poverty.
- **Poverty eradication** projects focus on restructuring society so that there is no longer growing structural poverty and the absolute numbers of poor people steadily decrease until there are only minimal exceptional cases. These projects involve planning to set priorities for shifts in power, for restructuring society, and for radical social and economic changes. This involves transforming society through policies based on justice, compassion and inclusiveness which are generally based on building the knowledge and agency of people.

Research done by the Public Service Commission into the South African government's poverty alleviation/ reduction programmes and projects (PSC 2007a) found that, within the state, there were inconsistencies in the way the terms alleviation, reduction and eradication were used. There was, however, an understanding that there are different types of interventions aimed at addressing poverty. The research points to a central distinction in government between 'welfare' and 'development', reflecting a desired movement towards a developmental state and away from a welfare state. This shift in emphasis was clear when the Department of Welfare's name was changed to the Department of Social Development.

South Africa's anti-poverty policy is centred on a three-pillar formulation presented by former President Thabo Mbeki in a speech to Parliament in 2004. He had

earlier drawn a distinction between the 'First Economy', which is the 'modern industrial, mining, agricultural, financial, and services sector of our economy that, every day, becomes ever more integrated in the global economy' and the 'Second Economy' which he called the 'third-world economy' (Mbeki 2003: 2). The former President proposed a strategy which included encouraging the 'growth and development of the First Economy, increasing its possibility to create jobs' and implementing the government's anti-poverty projects and programmes to address the challenges of the Second Economy. He added welfare to the two developmental aspects of his 'three pillar' strategy by stating that government intended to build a social security net to meet the objective of poverty alleviation (Op. cit.: 2–3).

Government therefore combines poverty alleviation and poverty reduction by: 1) providing income support to deal with the immediate needs of the poor; 2) stimulating local economic growth to create jobs; and 3) growing the First Economy in the hope that the benefits of growth and development will trickle down to those in the Second Economy. The long-term objective of stimulating the economy and creating jobs is to wean people off social grants.

This thinking is in line with that of the World Bank's thinking in the 1980s where it emphasised the importance of stimulating economic growth as a means to alleviating poverty and for government to play a supporting role to the market by investing in:

'education, health, nutrition, family planning and poverty alleviation; in addition, investing in infrastructure (e.g. social, administrative, physical, regulatory and legal), mobilising resources to finance public expenditures, intervening to protect the environment and providing a stable macro-economic foundation.' (Slater, cited in Schuurman 1993: 95).

3.3 The state's poverty reduction programmes

Research by the Public Service Commission (PSC 2007a; 2007b) found that, as of 2007, the government had 40 poverty reduction programmes comprising 29 900 projects. These programmes can be grouped as follows (Friedman & Bhengu 2008: 14):

- **Social assistance and grants** such as the Old Age Pension, Disability Grant, Child Support Grant, Foster Care Grant and Grants-in-Aid which are long- and medium-term grants.
- **Employment generating programmes, enterprise development and income support** which includes poverty alleviation projects, the Community-Based Public Works Programme, the Expanded Public Works Programme, learnerships, co-operatives, and some flagship programmes such as the National Youth Service (NYS). These are projects that promote income generation and local economic development and are housed in various government departments.
- **Basic household security** includes subsidised basic services such as water, electricity, education, health care, school nutrition schemes, home-based care, assistance for disabled people, people affected and infected by HIV/AIDS as well as the Consolidated Municipal Infrastructure Programme, Integrated Sustainable Rural Development Strategy (ISRDP), and Urban Renewal Programme and Rural Infrastructure Strategy.
- **Social services** which include adoption, child protection and child welfare.

- **Disaster relief:** These are short-term cash or in-kind cash and in-kind transfers for crisis situations including the Social Relief Fund, the Disaster Relief Fund, the Refugee Relief Fund, the Special Programme for Food Security and in-kind transfers during food crises through the National Food Emergency Fund.
- **Employment-related social insurance** such as the Unemployment Insurance Fund.

The PSC document included reference to government's Land Redistribution programme which included the Settlement and Land Acquisition Grant (SLAG), the Land Redistribution for Agricultural Development (LRAD) sub-programme and the Proactive Land Acquisition Strategy (PLAS).

These programmes are the practical interpretations of the South African government's approach to poverty and underdevelopment. The focus is on providing social security through the social grants, subsidised basic services through the housing subsidy and subsidised water and electricity; and social development by creating jobs through the Expanded Public Works Programme, income-generating projects and local economic development as provided for in the ISRDP and Urban Renewal Programme, both of which are aimed at the Second Economy. The government's land redistribution and support programmes also seek to encourage local economic development and job creation in the agricultural sector. According to the PSC report, the land programme also seeks to address 'asset poverty' (2007b: 17).

In 1997, the Department of Social Welfare moved itself away from a welfarist approach towards one of self-reliance, i.e. encouraging people to be less dependent on state assistance. In accordance with the change in underlying approach, its name changed to the Department of Social Development. DSD's Social Development Programme was one clear example of government's attempt to shift away from its welfarist approach to poverty reduction as it sought not only to implement income-generating projects but also to promote 'development and self-reliance... into the sphere of individual services' (PSC 2007b: 57).

In the 1997/1998 financial year, the new Department of Social Development's Poverty Relief Programme was given R50 million and in 1998/1999 it was given R203 million. DSD funded the initiation of several poverty reduction projects in partnership with CBOs, which were turned into income-generating projects. With the assistance of the Independent Development Trust (IDT), DSD was able to establish many new projects and existing projects were given additional financial support. Through its Poverty Relief Programme, DSD supported 3 691 community projects with over 533 650 beneficiaries (PSC 2007b: 58). Between 2001 and 2003 DSD had, with the support of the IDT, disbursed approximately R300 million to CBOs engaged in poverty reduction projects.

In 2005, DSD replaced the Poverty Relief Programme with its Sustainable Livelihoods Programme and launched a pilot in the Eastern Cape. The Sustainable Livelihoods Programme was intended to make people's livelihoods more secure through co-operatives and 'sweat equity' where 'sweat equity' was defined as the in-kind contribution of people's own labour. The shifts in DSD's poverty programmes were signalling a shift in the state's strategy

away from the welfarist approach to poverty. According to the DSD, it was seeking, through its Social Development Programme, to promote a move away from relying on the state for welfare towards:

'a holistic vision of development... to direct the focus of development thinking towards encouraging clients to use the knowledge and expertise of individuals in their communities and resources available in their environment creatively and innovatively to address their socio-economic need.' (PSC 2007b: 59).

The state tried to adopt the same kind of social development perspective in dealing with unemployment amongst the youth. The youth (defined as those falling between the ages of 18 and 35 years) constitute a third of the population and their inability to find employment has a severe impact on individuals, families and the society at large. Although the extension of the upper limit of Child Support Grant eligibility from 14 years to 18 years significantly increased access of young people to the social safety net, the social and economic crisis facing the youth remains. The Presidency under Thabo Mbeki took on youth unemployment by establishing the National Youth Service as one of its flagship programmes to provide support to government departments to enable them to:

'deliver youth service programmes that meet departmental objectives as well as the broader vision of young people in service [by engaging] young people in a disciplined process of providing a valued and necessary service to the community in which they live, while increasing their own skills, education and opportunities to generate income.' (Friedman & Bhengu 2008: 136).

The NYS aimed to improve employability of youth (18–35 years) by providing opportunities for work experience and skills development in order to improve access to the labour market.

The Umsobomvu Youth Fund (UYF) was established by the Presidency to support the activities of the NYS. The Fund was established in 2001 to promote entrepreneurship, job creation, skills development and skills transfer among South African youth by investing in opportunities for the youth to obtain skills, find job opportunities or establish their own small businesses. It was given R1 billion in start-up funds. However, both the NYS and the UYF had difficulties fulfilling their mandates, both were accused of nepotism (*Mail & Guardian*, 4 February 2009) and the Umsobomvu Fund was reported to have been unable to utilise all of its funds (*Business Day*, 11 May 2004).

In 2009, the UYF and the NYS were replaced by a new entity, the National Youth Development Agency, also based in the Presidency and reporting to Parliament in terms of the National Youth Development Agency Act of 2008. Its mandate is to:

‘advance youth development through guidance and support to initiatives across sectors of society and spheres of government; embark on initiatives that seek to advance the economic development of young people and develop and coordinate the implementation of the Integrated Youth Development Plan and Strategy for the country.’²¹

The tasks of the National Youth Development Agency include the management and administration of the UYF, provision of direct financial support to individuals and youth-owned businesses, provision of mentoring and training programmes, and the creation and administration of databases of employment opportunities.

21 www.youthportal.org.za

3.4 State-civil society relations

The initiatives by government to alleviate poverty are indications of shifts that are happening in the state’s approach to poverty. These shifts have seen government move away from a purely welfarist, poverty alleviation approach to one that tries to reduce the number of poor people trapped in poverty. It has tried to do this through an increase in social expenditure in areas such as education, health, welfare and housing in an attempt to alleviate the historical backlogs that were as a result of apartheid’s segregated service delivery approach.

Swilling and Russell (2002: 72) found that despite the increase in social expenditure by the state this has not been accompanied by correlating expansion in the capacity of state structures or parastatals to channel this increased state expenditure. Rather,

‘increased real expenditures on social development have partly been made possible by NPOs acting as intermediaries, and also by the expanded role of the private sector taking advantage of the state’s commitment to the privatisation of the delivery of certain public services.’ (Ibid.).

Hence a segment of civil society has come to play the role of conduit for delivering services either in place of the state’s function, or in partnership with the state. To facilitate this partnership role, the state has institutionalised state-civil society relationships through a set of institutional arrangements which include:

‘a national registration procedure for NPOs, a new state funding body to raise public, private, and international funding for NPOs, a national lottery for a similar purpose, and an elaborate new tax structure to stimulate grant-making to NPOs.’ (Ibid.).

The NDA and the NLB (in its grantmaking role) are the two state funding bodies that have been set up to provide funding to CSOs to assist the state in its delivery of services so as to contribute to development in the country.

The establishment of the NDA was seen as a progressive step on the part of the state – setting up a government development agency that would seek to build the capacity of CSOs to take on development work by providing services to poor communities. The NDA saw itself as the partner of civil society, the donor community and the state. As innovative as the idea of the NDA was, it struggled to get off the ground. NGOs and CBOs which were dependent on donor aid in the period prior to 1994 found themselves struggling to access donor funding because between 1994 and 2001 international donors shifted their funding patterns from direct arrangements with CSOs to funding government through bilateral country-to-country arrangements. At the time, the NDA presented a possible solution to civil society’s funding crisis as its main purpose was to make grants available to CSOs for poverty alleviation and poverty reduction projects. But the NDA’s purpose was also to facilitate inclusive civil society participation in the development of NDA strategies and its grantmaking priorities. It was intended as a forum for dialogue between CSOs, donors and the state, and the NDA saw itself as the ‘premier partner’ in this arrangement.

In its struggle to establish itself as the partner of civil society, the NDA has become similar in its function to its predecessor, the Independent Development Trust. It grants funds to CBOs and projects that assist government with the delivery of services and assist in stimulating the local economy. As such, the NDA has been perceived as an arm of government rather than an independent development institution. Concerns have also been raised about the impact on CSOs of accepting funds

from government to implement its poverty alleviation strategy because this reduces their independence. (CSOs which depend on the state for funds are less likely to play a critical watchdog role in respect of government action for fear of jeopardising future funding.)

The largest part of the money raised through the National Lottery goes towards the funding of good causes. These moneys go into the NLDTF which vests in and is administered by the NLB. Research into NLB grantmaking by Swilling and Van Breda (2006) comes to the conclusion that the National Lottery has become ‘both a long-term fund raising mechanism and an effective distributor of funds to a wide range of non-profit organisations’. They point out that the National Lottery has been able to remain the least ‘political’ conduit by making grants available mostly to charities with a poverty alleviation agenda. However, despite these conclusions, NGOs and CBOs have voiced their dissatisfaction with the NLB’s inability to effectively disburse National Lottery money. In a June 2009 newspaper article,²² it was reported that 72% of the R8.5 billion made available to the NLB for distribution between 2007 and 2009 had not in fact been disbursed. The same article also pointed to the fact that, in spite of this lack of performance, National Lotteries Board members were paid salaries in the amount of R7.5 million. The NLB has been labelled ‘inefficient’, ‘not well managed’ and the allocations of funds to good causes has been described as being ‘based on luck of the draw’.²³

There have also been complaints from CSOs²⁴ that the NLB’s distributing agencies do not apply a simple and consistent process of acknowledging receipt of applications, considering applications and allocating funds.

22 NGO Pulse, SANGONet.

23 Taken from various newspaper articles from NGO Pulse, SANGONet.

24 This has been documented in interviews conducted with CSOs discussed later in the report and further verified in press statements made by civil society organisations.

Applications have been lost, there have been cases of partial payment of grants, and some applicants have had to wait up to two years for approved funds to actually be disbursed. CSOs have complained that organisations which qualify for grants in terms of the relevant criteria are turned down. CBOs have complained of being marginalised because of the highly technical and demanding application process imposed by the NLB.

Despite the failings of the NDA and NLB, Swilling and Russell's research into the size and scope of the non-profit sector in South Africa (2002: 34) found that in the period 1994 to 2002, government had contributed 42% or R5.8 billion of the total funds received by the non-profit sector. The contribution of the South African government to the non-profit sector was higher than the international average of government contributions to the sector (39%) but lower than Western Europe where the average has been 50%. Private sector donors contributed 21% to CSO revenues and the sector itself was able to generate 34% of its revenue through service fees, dues and other self-generated income (Op. cit. 2002: 37). The study also found that the bulk of government funds given to the non-profit sector over the same period (R4.9 billion of the R5.8 billion total) went to projects that were focusing on social services (R2.1 billion), health (R1.7 billion), and development and housing (R1.1 billion) while projects dealing with culture and recreation received only R50.9 million (Op. cit. 2002: 35), thus making DSD money for social services the main source of funds to the non-profit sector.

The fact that government is the main source of income for NPOs raises critical questions about the role of civil society in a post-apartheid South Africa. Whilst a strong, vibrant, active and effective civil society that holds government and its structures accountable is a necessary feature of functioning democracies, does funding from the state reduce the effectiveness of civil society?

Friedman (2002: 4) is of the opinion that if the state has an overly centralised style of government that is focused primarily on 'delivering goods and services and far less on hearing citizens and encouraging their participation in democratic institutions' and if it is unable to deliver these goods and services effectively relying on the strength of civil society to do this, then this will serve to dilute the power of CSOs to hold the state accountable by steering such entities into more of a service delivery role.

This kind of compromise of civil society has happened in Hungary where, in an attempt to play a vital role in the consolidation of democracy, NGOs accepted state funds to perform service delivery functions on behalf of the state. This was a shift from that country's post-democratic transition period, when civil society was fundamentally anti-state in its approach. This approach has been replaced by a view that recognises the necessity of a symbiotic relationship between the state and NGOs in the creation and sustenance of a just civil society (Osborne et al. 2005). While the relationship between NGOs and state has its shortcomings, it is clear that building a civil society in opposition to, or the exclusion of, the state is not a possibility. A positive NGO-government relationship was a prerequisite to developing and consolidating social space in Hungary. While CSOs in Hungary required independence from the state, civil society in the widest sense required the state to provide an essential service. In Hungary, this apparent conflict was partially resolved through the passing of laws which provided an institutional framework for NGOs to do service delivery on behalf of the state. The downside of an increasing number of NGOs being drawn into public service delivery on behalf of the state is that the CSO sector has become less able to act as an independent and critical watchdog.

In Hungary, two-thirds of government funds earmarked for NGOs are going to the service delivery NGOs that make up one-third of the sector. The other

two-thirds of NGOs in that country are oriented towards civil society functions which include mediating between civil society and the state; holding the state and the market accountable to the public; helping citizens participate actively in decision-making processes; ensuring some citizen autonomy; promoting cultural diversity; developing local information networks; and educating citizens. These receive only one-third of the resources (Osborne et al. 2005). The service delivery function of the first type of NGO developed as a response to the initial shortages and inequalities in the public welfare system and these entities were usually established to address a specific need. Recently, the government has been establishing dedicated public foundations to specifically take on the provision of public services previously provided by the state. The skewing of government funds to service delivery-type NGOs and its establishment of public foundations to provide public services has seen the sector grow in terms of service provision and weaken in terms of advocacy and social justice work.

The forms of co-operation between government and NGOs in Hungary include a wide range of tools and mechanisms, both at national and local levels (Bullain 2004). Firstly, there is the legal framework. In early 2000s, Hungary was considered a leader in legislation affecting non-profit organisations in the European region. Successive governments introduced laws and programmes that encouraged and supported NGO activity. The so-called One Percent Law (adopted in 1996), the 1997 Law on Public Benefit Organisations (PBOs) and the recently adopted National Civil Fund Program were all mechanisms to channel state support to CSOs.

Secondly, there is direct government support which constitutes 34% of the non-profit sector's total income (Ibid.). This is less than the Western European average of 50%, but is among the highest in Europe as a whole. Even if one considers that much of this support actually

goes to government-established public foundations and other quasi-NGOs, Hungarian NGOs receive a significant amount of support from central and local government (Ibid.).

Thirdly, NGOs can generate income through taking on government contracts. As part of the financing described above, NGOs in Hungary have been increasingly involved in the provision of public services in the fields of education, social welfare, and health care. In terms of the 1997 law, PBOs are non-profit organisations that undertake state or local government responsibilities, and are contracted by a state organ to provide the services in question. Although only about 6–8% of Hungarian NGOs have this status (Ibid.), they represent good examples of NGO-government partnership that rarely existed before.

Finally, a Parliamentary Committee for the Support of Civil Organisations, which used to grant budget subsidies to national associations, has existed since the early 1990s. More recently it has taken on responsibility for legislative policy concerning the sector, while its grant-giving role will be transferred to the National Civil Fund.

The institutionalisation of state-civil society relationships as well as state-funded NGO initiatives in Hungary has raised critical issues, including how laws, financing and co-operation mechanisms are being implemented. Bullain (2004) identifies four areas of concern.

The first is a lack of transparency. The State Audit Office Report found that 80% of central state (government and ministry) support to non-profit organisations was given based on individual decisions (as opposed to open grant competitions) and 50% of the funds of public foundations were distributed without grant announcements (Ibid.). The majority of NGOs which had received public funding did not account for it correctly. Also, many organisations submitted applications to 'various sources of funding for the same project and then fiddled with the money' (Ibid.).

The second major area is the lack of accountability. For example, NGOs that were named in the annual budget adopted by the Hungarian Parliament received annual support without submitting a budget request, simply because they had received support in the previous year. Ministries have not held their grantees accountable either. In fact, only 70% of grant support, and only 40% of non-grant support was contracted in the first place (Ibid.).

The third major area of concern is that NGO-government co-operation has always been unduly politicised. The politically divided nature of society between followers of right-wing and left-wing parties is also reflected in the non-profit sector. Under different governments, a different pool of NGOs received more state support than others; a different pool of NGO experts were involved in helping to shape policy in certain areas; and even at local level, a different pool of NGOs were contracted to provide state services. Unfortunately Hungarians, even NGOs, consider this extreme level of political division as a given; as commonplace. The few NGOs that tried to stay free from political pressures had difficulty not only financing their activities, but also getting acknowledgment from their peers.

Finally, the increased interest and financial support on the part of government to support CSOs has been a double-edged sword. It helped the work of several NGOs, but

it also resulted in an increase in government pressure on the non-profit sector as a whole. While the sector grew in terms of service provision, its advocacy functions have been weakened. The proportion of quasi-NGOs has also increased dramatically with a reduction in the number of NGOs that are involved in non-service delivery work such as advocacy. This increased government influence has led to an unhealthy NGO dependence – regardless of the political orientation of the current government.

Bullain (2004) concludes that co-operation between NGOs and the Hungarian government over the past decade has been based on paternalism, favouritism, providing mutual advantage and the building of loyal clientele, rather than professionalism, mutual respect and a common interest in advancing social development. In recent years, however, an increasing number of government officials and more and more leading NGOs have adopted new, professional norms and are trying to introduce real improvements in this evolving state-civil society relationship.

The Hungarian experience raises critical questions for South African CSOs in terms of what their role is in relation to a post-apartheid government and the implications for social justice (which requires independence) and receiving state funds to conduct service delivery work (which results in dependence).

4.1 Background and context

Prior to 1994, gambling was illegal in South Africa, including betting on sports events other than horse racing. Because gambling was allowed in certain former ‘homelands’, there were many casinos in those parts of the country. There were many illegal and underground gambling operations around the rest of the country in spite of the prohibition (Louw 2002: 4).

During the early 1990s, a few privately-established organisations like Community Chest, Ithuba and Viva ran gaming operations to raise money for good causes (Louw 2002: 5). Ithuba, established in 1989, was one of the most successful. It ran public fundraising events, collected corporate and private donations, and gave all of the money raised to Ithuba Trust which disbursed all of the money to other organisations (Matube 2005: 16). In 1992, Ithuba launched a scratch card competition and by 1997 it had gathered R150 million through this, its most successful fundraising method. Community Chest and Viva also made use of scratch cards to raise funds for disbursement to other organisations.

When the ANC came into power in 1994, it was faced with a burgeoning underground gambling industry (Louw 2002: 5) due to loopholes in the 1965 Gambling Act (Matube 2005: 22). Government commissioned a number of inquiries into the gambling and lotteries industries to inform future policy. The Gambling Board’s view was that gambling was a social reality that should be permitted, and was an opportunity for black economic empowerment. It said government should seek to regulate the industry, counteract the negative social impact of gambling, and ensure that profits would be used to benefit the poor (Louw 2002: 5). Channelling the profits to good causes was a way of overcoming religious and moral opposition to a government-sanctioned lottery.

The Lotteries Act 57 of 1997 provides for the regulation of lawful lotteries, sports pools and promotional competitions, and the prohibition of others. The Act made scratch card competitions illegal rather than recognising their value as proven mechanisms of support for poverty alleviation efforts. The scratch card industry collapsed, leaving a gaping hole in the finances of organisations like Ithuba, Community Chest and Viva.

Ithuba Trust, Kagiso Trust, Viva Trust, United Community Chest of South Africa, World Wide Fund for Nature, the South African National Sports Council and the South Africa Red Cross established the Ubuntu National Welfare and Development Trust (Ubuntu Trust) in an attempt to position themselves to be appointed as the distributing agency which makes decisions about National Lottery funds for charities (Matube 2005: 23). The South African Grantmakers’ Association, Charities Aids Foundation and SANGOCO joined the Ubuntu Trust, bringing the number of CSOs under a single umbrella to about 10 000 (Ibid). However, the Ubuntu Trust was not appointed as the DA for charities and it subsequently disbanded.

In a Carte Blanche television documentary aired in 2000, Alec Erwin, Minister of Trade and Industry at the time, was asked why the government chose to close down Viva, Ithuba and the KwaZulu-Natal Lotto when it knew that this would cause a delay in the disbursement of much-needed funds for good causes.²⁵ Erwin replied, ‘because the success of the main lottery depends on the fact that it’s got a monopoly ... quite simply’.

The government’s policy choice in this matter caused heavy financial hardship to a range of existing grantmakers with proven capacity, and demonstrated scant recognition of the valuable work that CSOs had been doing for many years before it came to power. It could have

²⁵ ‘Lotto loot delayed’, Carte Blanche, 27 November 2000.

appointed the Ubuntu Trust as a DA, thereby forming a partnership with all the member organisations and benefiting from their years of experience in channelling funds to good causes, but it chose to appoint other DAs. According to Louw (2002: 2), this showed

‘complete disregard for the necessary institutional and social factors needed to make legislation work and is, sadly, indicative of the increasing inability of the South African government to match social commitments with actual delivery’.

4.2 Legislative mandate

The Lotteries Act established the National Lotteries Board, which, among other things: 1) regulates the National Lottery and all other lotteries, promotional competitions and sports pools; and 2) administers the National Lottery Distribution Trust Fund. The NLDTF is the repository of the money raised through the National Lottery for good causes. The Fund vests in and is held in trust by the NLB. The National Lottery and the NLB fall under the jurisdiction of the Department of Trade and Industry.

Funds in the NLDTF must be allocated and disbursed to non-profit projects in four categories: reconstruction and development; charities; sport and recreation; and arts, culture and national heritage. Funds in the first category were to be administered by the Minister responsible for the RDP, but the Ministry no longer exists and no allocations have been made. Applications for funds in the other three categories are adjudicated by DAs appointed by the Minister of Trade and Industry, in consultation with the ministers responsible for those functions in national government. The Minister of Trade and Industry, acting in consultation with the Minister of Finance and the NLB, has the power to make grants from Lottery funds earmarked for distribution in a fifth category – the ‘miscellaneous’ category.

4.2.1. The National Lotteries Board

The first area of concern is the composition of the NLB. The Act merely states that the Chairperson must be someone who has applicable knowledge or experience with regard to matters connected with the functions of the Board (section 3(1)(a)). It does not provide for the independence of the Chairperson. The legislation specifies that at least four of the seven members of the Board may not be in the service of any sphere of government (section 3(2)). It is notable that both chairpersons of the NLB so far have been high-ranking government officials.²⁶ The Chair and all board members are appointed on a part-time (non-executive) basis and are paid an hourly rate and reimbursed for expenses for attending meetings or performing other duties.²⁷ The CEO is not a member of the Board.

The second area of concern is the role and function of the NLB in relation to the NLDTF. All of the NLB’s functions are both regulatory and administrative. It is required to administer the NLDTF and hold it in trust (section 10(c)). Section 10(b)(ii) states that the Board must ensure that the interests of every participant in the National Lottery is adequately protected. ‘Participant’ is defined as the holder of a valid lottery ticket. Section 26 states that ‘every sum that is paid to the fund shall be appropriated for expenditure by the board...’. The Board is therefore responsible for ensuring that grants are effectively disbursed to good causes.

The NLB is in control of: 1) the Central Applications Office, which is responsible for receiving and processing grant applications and for liaising with applicants; 2) the Compliance Office, which is responsible for issuing grant agreements and for monitoring the compliance of grantees with their grant contracts; and 3) the Finance Office

²⁶ This issue is discussed in detail in the section about the structure and function of the Lottery.

²⁷ E-mail correspondence with NLB CEO Prof. Vevék Ram, 10 January 2011.

which is responsible for making payments to grantees. The core of the grant process, with the exception of adjudication of proposals which is the function of the DAs, falls under the management of the NLB. The NLB is therefore in a key position to exercise oversight of DAs and ensure that the processing of applications takes place efficiently and timeously.

Given the wording of the Act, it is disappointing that the NLB and the Minister seem to have taken a very narrow interpretation of their responsibility in respect of the grantmaking function of the Board. The NLB has opted to stay on the periphery of how funds are allocated and distributed, and says it has no oversight of the distribution of funds by DAs.²⁸

The NLB is required to report to Parliament on how funds in the NLDTF are spent. However, the Board has made submissions to the Minister in which it has complained of the lack of accountability mechanisms for DAs, a gap which it says reduces its power to influence the distribution of funds – how much and to whom grants are given.

CSOs have complained about long grant processing turnaround times; long delays in payments of approved grants; shoddy treatment at the hands of the CAO; and the lack of adequate explanations for why certain applications have been rejected. These complaints have been aimed at the NLB rather than at DAs, because the Board is the public face of National Lottery funding. The DAs have remained largely invisible. The NLB considers its hands to be tied when it comes to overseeing the work of the DAs:

‘the present legal framework does not allow for the NLB to engage with applicants, and it is also limited to how proactive the staff of the National Lottery can be in their engagement with applicants as the National Lottery’s staff should not be seen as trying to influence the decisions which, according to the Act, lies solely with the DAs.’²⁹

The NLB asked the Minister to amend the legislation to address these shortcomings and recommended the establishment of an oversight committee made up of the chairperson and two NLB members. The oversight committee was intended to have the power to scrutinise any award listed in the DAs’ schedule of awards as well as any rejection to ensure compliance with due process and applicable standards (Louw & Ronald-Louw 2008: 65). However, the DAs opposed the oversight committee, so the Minister dismantled it.

4.2.2. The distributing agencies

The Act gives the Minister the authority to appoint distributing agencies, but very little thought has been given to how the DAs will be managed, to whom they are accountable, what staff support they will be given, or how their expenses will be covered.

The first area of concern is that there is no accountability mechanism in place to oversee the efficiency of the DAs’ processes and the degree of professionalism in their allocation decisions. Whilst the NLB has to account for how National Lottery funds are spent, it says it has no oversight of the DAs. There have been instances where members of the DAs have awarded grants to organisations with which they have an association. In addition, the Auditor-General has found cases of irregular expenditure because DAs did not follow correct procedures.

²⁸ But the SAEP judgment has now determined that DAs are committees of the NLB.

²⁹ Interview with Prof. Vevek Ram, 11 August 2010.

The NLB's Audit Committee has expressed the following sentiment:

'Disbursement of grants are [sic] made on terms, conditions and the authority of the Distributing Agencies (DA's) [sic]. These grants are made at the discretion of the DA's [sic] and it remains a concern of the Audit Committee that these decisions are not specifically audited by any Authority.' (NLB 2009a: 18).

DAs are required to report to the Minister because the Minister appoints them. However, the DAs and the NLB CEO have indicated that these report-back sessions seldom happen and are not regularly scheduled.³⁰ This is a cause for concern as this is the only governance mechanism currently in place for DAs.

The second area of concern in the legislation is that while the Act makes provision for the staffing of the NLB, no such provision has been made for DAs. To get around this legislative shortcoming, the Minister decided that the staff of the NLB would provide support to the DAs to enable them to fulfil their obligations. The NLB responded to this directive by establishing the Central Applications Office which falls under its management; made available the services of its Operations and Compliance Office to deal with grant agreements and compliance with these agreements; and made available the services of its Finance Office which ensures that payments of grants are made to grantees. In a legal opinion, Adv. Geoff Budlender (2003) says because the Act requires the regulator to exercise oversight of the distributor, the staff of the regulator and the distributor should not be the same people.

30 Interview with Prof. Vevek Ram, 11 August 2010, and interviews held on 6 August 2010 with Prof. Dorcas Jafta, Chairperson of the Distributing Agency for Arts, Culture and National Heritage; Gideon Sam, Chairperson

By contrast, the NLB's CEO sees no problem with NLB staff performing both NLB functions and DA functions.

A third area of concern is that, while the Act makes provision for the NLB's expenses to be covered by the NLDTF, it makes no such provision for the DAs. To make up for this shortcoming, the Minister decided that the costs of running the DAs should also be borne by the NLDTF. Because the NLDTF is a statutory fund it may only make payments that are authorised in law. Since the expenses of the DAs are not specifically mentioned in the legislation, the NLB has no legal basis for drawing money from the NLDTF to cover these expenses.

The abovementioned gaps in the legislation and the vagueness in respect of reporting mechanisms and how the various mechanisms for grant distribution relate to one another has resulted in disarray in the National Lottery's grantmaking function, which is outlined in [figure 6](#).

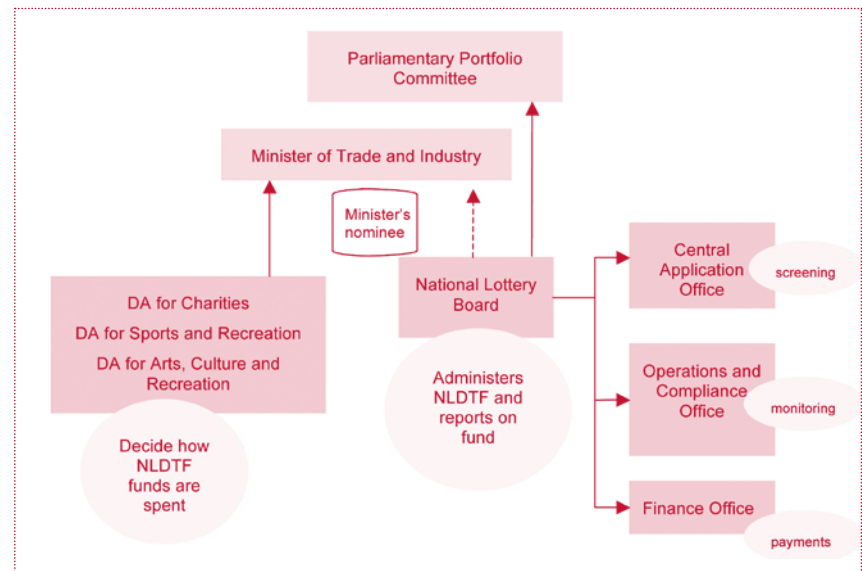


Figure 6: Current structure, functions and accountability of NLB grantmaking mechanism

4.2.3. Proposed changes in legislation

The NLB has said that changes to the Lotteries Act are being proposed, and that the DTI has requested input from the NLB and the DAs on this matter. A number of key suggestions have been made by the NLB and the DAs:³¹

- The gaming side and the grantmaking side of the National Lottery should become separate entities, as is the case in many countries, e.g. the United Kingdom.
- With regard to the National Lottery, the NLB should only be the regulator of the gaming side of the business, and it should have the necessary skills and expertise to govern that business.
- The DAs should be separated from the other parts of the National Lottery and should have to account for their decisions directly to a proposed separate grantmaking entity. In this way, the structure and function of each component will become more focused. If the components are separated as proposed, the Auditor-General will be responsible for overseeing the compliance of each entity.
- Because the funding areas of the DAs are too broad for one structure to cope with, each DA should have its own board with in-depth expertise of the relevant field, and its own administration unit dedicated to servicing the applicants (successful and prospective) and the DA itself. These boards should monitor the turnaround times for processing applications.

31 Sources: Prof. Ram (interviewed 11 August 2010); NLB COO and CAO head Jeffrey du Preez (interviewed 5 August 2010); and Dr Maitse (interviewed 6 August 2010).

- The criteria for assessment of the applications should be part of the legal framework to provide clear guidance to DAs on which proposals to fund. At the moment decision making in the DAs is not very transparent. The lack of assessment criteria in the Act increases the possibility that DAs will make grants to organisations they are close to.
- DAs should have full-time staff employed by the National Lottery.

The Minister's NLB nominee is opposed to separating the grantmaking function from the gaming function of the Board:

*'The National Lottery [must be seen] as a chain in which one part is focusing on gaining revenue from lotteries and the other part of the chain distributes the funds to good causes. As such the National Lottery is not more diverse than other businesses with boards which oversee both purchase of raw materials, production, marketing, sales and customer care. It is the Board's role to oversee the entire chain and it would not be optimal to look at each part of the chain in isolation.'*³²

32 Interview with Zodwa Ntuli, 8 October 2010.

4.2.4. A state lottery?

Another issue that is being discussed in the Ministry is the possibility of a state-run lottery. According to the NLB CEO, as part of its investigation into ways of addressing the current shortcomings in the legislation regarding the licensing of the Lottery,

‘government will be exploring other models of lottery operation before amending the Act. A state operated lottery is one of many options.’³³

The USA is one country where states run their own lotteries and where revenue from these state-run lotteries is earmarked for government projects. In the late 1990s, ten states in the US earmarked lottery revenue exclusively for education (National Gambling Impact Study Commission, undated). These states included California, Illinois, Florida and New Jersey (McGowan 1994). Earmarking of funds has directed significant sums of lottery revenue towards education. For example, as of 2002, New York had raised \$21 billion through the lottery for education since 1967, Michigan had gathered over \$10 billion for education since 1972, and California’s lottery had raised approximately \$14 billion for education since 1985 (Fisher 2010). It is important to note that these funds are not supplements to build new schools, for example, but are used to fund day-to-day operations of existing schools (McGowan 1994). Thus lottery revenue may actually have only replaced funds previously being put towards education (Fisher 2010). The fungibility of funds is often due to federal withdrawal of educational funding and leaves little accountability at the state level (Fisher 2010). Nonetheless, on average, lottery revenues increased per capita spending on education between 1977 and 1997. Specifically, Georgia’s lottery revenue, which is earmarked

for education, provided the means for high increases in educational spending. From 1993 to 2005, Georgia’s lottery generated \$6 billion towards college funds and other educational programmes. In 15 other cases, it is directed toward uses as varied as tourism, parks and recreation, economic development, medical care, local government and construction of public buildings. Lotteries are no longer one-time events; instead they are a critical component of state revenue able to provide states with consistent sources of revenue in order to fund activities that constituents expect and demand.

According to Fisher (2010) a major flaw with earmarking is the fact that money directed towards a department such as education does not raise the overall budget of the department because it merely replaces money now being diverted to other areas. Despite this shortcoming, earmarking is still a productive way of managing lottery revenue. Fisher (2010) cites a 2002 study of 16 states to see if switching to earmarking funds for education increased the educational budget. The study also analysed states where earmarking was already in place, to see if increased lottery sales correlated with rising educational spending. The results showed that in states earmarking revenue, education spending increased by 60–80% of lottery revenue, compared to only 40–50% in states not earmarking revenue, and 30% in states which earmarked lottery revenue for other causes. This study indicated that earmarking lottery funds can make significant progress towards raising the budget of certain departments (Fisher 2010).

However, critics charge that the earmarking of funds is misleading in that lottery proceeds used for a specific programme, such as public education, in fact simply allows the legislature to reduce by the same amount the appropriations it would otherwise have had to allot for that purpose from the general fund. The money ‘saved’

³³ E-mail correspondence with Prof. Ram, 6 October 2010.

remains in the general fund, to be spent on whatever purpose the legislature chooses. Critics add that, as there is little or no evidence that overall funding has increased for the targeted recipients of lottery revenues, the only result has been to increase the discretionary funds available to the legislature, which may be a key reason for the popularity of lotteries in the state houses (National Gambling Impact Study Commission, undated).

A state-run lottery will most likely impact negatively on South African CSO revenues. Changes in funder preferences over the last 15 years have meant a loss of funding to South African CSOs, and many of these organisations have struggled to survive. The government set up the NDA and the NLB on the premise that state support for CSOs would help ensure the survival of a strong, capable sector which would assist the state to achieve its poverty alleviation objectives. With the NDA failing to deliver on its mandate to effectively provide funding to CSOs, and with the private sector focusing its corporate social investment on service delivery with BEE points, the creation of a state lottery may divert much-needed funds away from CSOs which would have a crippling impact on the sector.

4.2.5 SAEP and Another v The National Lotteries Board and Others³⁴

The South African Education and Environment Project (SAEP) and Claremont Methodist Church Social Impact Ministry, Sikhula Sonke are NGOs which assist needy people on the Cape Flats by providing early childhood development services, childcare, pre-school education and the training of workers in these disciplines.

SAEP had made seven applications for National Lottery funding for this work between 2003 and 2009, and

³⁴ *South African Education and Environment Project and Another v National Lotteries Board and Others*, Western Cape High Court, case 22352/2009 [2010] ZAWCHC 220 (26 August 2010)

Sikhula Sonke had made one in 2007 and another in 2008. None of these applications had been successful. These organisations accused the NLB of administrative bungling, and they asked the Western Cape High Court to order the NLB to reconsider some of these applications under the Promotion of Administrative Justice Act (PAJA). The judge ordered the NLB to reconsider three of the applications within 60 days, and if it turned down the applications again, to provide the applicant with written reasons for its decision.

The judgment established several key issues of law around National Lottery funding of good causes:

- DAs are not juristic persons in their own right, they are committees operating within the NLB. Their members are appointed by the Minister and they are remunerated by the NLB (para. 20).
- Once deserving organisations are identified by the DAs and awarded a grant, the NLB is responsible for making the requisite payment and ensuring that all conditions are met and continue to be met (para. 21).
- Applications for funding to the NLB and the DAs constitute ‘administrative action’ in terms of the Constitution and PAJA. Decisions are therefore reviewable by a court, and any failure to make a decision is also reviewable (para. 23).
- Only the Minister and other members of the Cabinet have the power to make rules about applications (para. 34).
- DAs have no statutory or regulatory power to make rules which are binding on applicants for funding (para. 32); DA guidelines are non-legislative ‘guiding policies’, they are not peremptory³⁵ (para. 38).

³⁵ That is, non-compliance with the guidelines is not enough of a reason to refuse an application.

- The powers of the DAs are limited to receiving and considering applications, and suggesting conditions to be imposed when money is granted.³⁵ They do not have the power to call for applications, decide how much money should be made available, or distribute money (para. 34).

Because DAs are committees of the NLB, they are accountable to both the Minister and the NLB. This overturns the NLB's long-held position that it is not responsible for calling the DAs to account for their performance because, being appointed by the Minister, they are accountable only to the Minister.

Judge Gamble expressed strong criticism of the NLB's management of its grantmaking function:

'...the NLB holds the public's money... in trust for purposes of it being allocated for socially worthy projects. As this application has demonstrated there are many such projects who [sic] are simply being deprived of the opportunity to deliver much needed social services by the inability to speeding [sic] [speedily] access lottery funds.' (para. 86).

'It is simply unacceptable that needy NGO's [sic] and other agencies in civil society should have to wait for more than a year (up to eighteen months in certain cases...). Furthermore, in an era of transparency where fair and administrative action is entrenched in the Constitution, there is no reason why applicants for funding have to partake in a game of administrative snakes and ladders, where the slightest non-compliance with self-imposed peremptory criteria means that one has to return to the start.' (para. 87).

4.2.6. Concluding remarks

The NLB and the DAs have recognised that there are critical gaps in the Lotteries Act that are hindering effective grantmaking. Proposed amendments to the Act are a welcome intervention. The SAEP judgment is important because it makes the NLB wholly responsible for the grantmaking function, determines that the DAs are merely committees of the NLB, and determines that the powers of the DAs are limited to deciding who may get a grant and suggesting conditions that may apply to such a grant. Since the court determined that PAJA applies to NLB grantmaking, the Board has started implementing timeframes for processing grant applications.

4.3 Structure and function of the National Lottery

The National Lottery has a gaming purpose and a grantmaking purpose. The grantmaking aspect of the National Lottery is aimed at providing a sustainable source of funding for non-profit organisations engaged in sporting, arts, cultural, social and environmental projects that would assist in improving the lives of South African citizens. Thirty percent of the sale of Lotto tickets and scratch cards, after VAT, is made available for distribution to good causes through the NLB's distributing agencies, 50% goes to people who have won Lotto or scratch card prizes, and 20% goes to Gidani, the licensed operator of the Lottery (Louw 2002: 3).

4.3.1 The National Lotteries Board

• *Role and function*

The NLB is established by the Lotteries Act and its members are appointed by the Minister of Trade and Industry. The Board is made up of seven members who serve a term of five years and may be eligible for a second five-year term. Its composition is as follows:

- A Chairperson, for whom the public may submit nominations and who is appointed after public consultation in all nine provinces and following the recommendation of the relevant committee of the National Assembly;³⁶
- One member designated by the Minister of Trade and Industry (the Minister's nominee); and
- A maximum of five additional members who must have the necessary business acumen, knowledge and experience for the Board to function well. One of these members must be a legal practitioner and one must be a chartered accountant. At least four of these members must be independent from any sphere of government to ensure that the NLB functions as a neutral regulator acting in the public interest (Louw & Ronald-Louw 2008: 49).

The functions of the NLB are stipulated in Section 10 of the Act:

- Advising the Minister on the issuing of the licence to conduct the National Lottery and any other matter relating to other lotteries and the rules that apply (as specified in Section 14(2)(g));

³⁶ Currently the Portfolio Committee on Trade and Industry.

³⁷ The money in the fund comes from the National Lottery, interest income and other money paid lawfully into the fund (Section 23). Money in the fund not required immediately may be invested with the Public Investment Commissioners or a financial institution approved by the Minister of Finance (Section 25).

- Ensuring that the National Lottery and sports pools are conducted with all due propriety and in accordance with the Constitution and all other relevant legislation together with the licence for the National Lottery;
- Ensuring that the interests of every participant in the National Lottery are protected adequately;
- Ensuring that the net proceeds of the National Lottery are as large as possible;
- Administering the NLDTF and holding it in trust;
- Monitoring, regulating and policing lotteries of all kinds as well as promotional competitions;
- Advising the Minister on percentages of money to be allocated to the different categories of good cause for distribution through the distributing agencies;
- Advising the Minister on the efficacy of legislation pertaining to lotteries and ancillary matters;
- Advising the Minister on establishing and implementing a social responsibility programme in respect of lotteries;
- Administering and investing the money paid to the NLB in accordance with the Act and the licence for the National Lottery;³⁷
- Performing such additional duties in respect of lotteries as the Minister may assign to the NLB;
- Making such arrangements as may be specified in the licence for the protection of prize moneys and sums for distribution; and
- Advising the Minister on any matter relating to the National Lottery and any other lotteries or any other matter on which the Minister requires the advice of the NLB.

The functions of the Board are a combination of regulatory, in terms of the National Lottery; advisory, in terms of aspects of the legislation and its implementation; and administrative, in terms of the NLDTF. These are very different functions which may come in conflict with one another:

‘Acting as the regulator and inspectorate of illegal activities requires different skills and capacity to administer the NLDTF.’ (Louw & Ronald-Louw 2008: 54).

When NLB Chairperson Joe Foster was asked on television about the delays in the distribution of NLDTF funds to organisations, he replied:

‘It’s not us – we’re not responsible for appointing the distributing agencies unlike everybody who is trying to say it’s our responsibility... the Board has to act as a watchdog and police Uthingo’s work.³⁸ It also looks after the good causes’ money, but distribution is up to the Department of Trade and Industry.’³⁹

The Lotteries Act requires the NLB to ensure that NLDTF moneys are ‘appropriated for expenditure’ (section 26), making these funds available for allocation for distribution and ensuring that the requisite payments and all requirements are met.⁴⁰ The NLB is therefore not simply on the periphery of the distribution, it is central to the effective functioning of the NLDTF. This has been confirmed in the SAEP judgment.

38 Uthingo was the licensed Lottery operator at the time.

39 Interview with Derek Watts on ‘Lotto loot delayed’, Carte Blanche, 27 November 2000.

40 See the SAEP’s heads of argument in its case against the NLB.

• *Membership*

The members of the National Lottery Board are appointed by the Minister of Trade and Industry. The NLB reports to the Parliamentary Portfolio Committee every year but ‘the Minister does not necessarily attend these briefings’.⁴¹ According to Zodwa Ntuli, ‘the Minister’s nominee does not represent the Minister but is nominated and appointed by him or her to bring knowledge, skills or expertise which the Minister believes will be beneficial for the NLB’.⁴² While she does not necessarily report back after every Board meeting, she alerts the Minister about key risks, policy issues and regulatory issues as well as important issues relating to both the gaming and grantmaking side of the National Lottery.

Membership of the NLB has been very stable over the years. There have been few resignations and changes, with the exception of the Minister’s nominee who has changed four times since 2000. In 2003, the Minister re-appointed five of the seven members of the Board. Gideon Sam expressed the opinion that the first Board, which was in place for seven years, sat ‘longer than it should have sat’, and described the year-long delay in making new Board appointments in 2009 as an indication of ‘the lack of priority given to [the National Lottery] by the various Ministers of Trade and Industry’.⁴³ The current Board has six new members, with one re-appointment (George Negota).

Some of the people who have been NLB members since 1999 have had strong connections with the ruling party and its associated organisations. Before being appointed as the first Chair of the NLB, Joe Foster represented the ANC in the National Council of Provinces. Patricia

41 Interview with Prof. Ram, 11 August 2010.

42 Interview with Zodwa Ntuli, Minister’s nominee on the NLB, 8 October 2010.

43 Interview with Gideon Sam, Chairperson of the Distributing Agency for Sports and Recreation, 6 August 2010.

Fakude-Nkuna was a member of the ANC in Mpumalanga.⁴⁴ George Negota worked at the ANC Department of Manpower in the period 1990–1992, and served as a non-executive director at Palabora Mining Group, making him the second executive of that corporation to serve on the Board.⁴⁵ Henry Makgothi had a long association with the ANC, serving as President of the ANC Youth League in his youth and on the National Executive Committee of the ANC. Makgothi was also Chief Whip of the National Council of Provinces.⁴⁶

The new Board appointments under the Presidency of Jacob Zuma appear no different: the new chairperson, Alfred Nevhutanda, was the former chairperson of the ANC in Limpopo and was one of the key fundraisers for the ANC's 2009 election campaign in Limpopo. At present, Nevhutanda, as Executive Director of Coal of Africa – a mining company that is planning to mine in the Mapungubwe world heritage site, is in the midst of a conflict between the mining company and the Venda community. Part of the conflict involves Nevhutanda's association with the King of the Venda, Khosi Ramabulana, which will see him personally benefit from the coal mining deal by getting a share of the investment.⁴⁷ Despite all of this, Prof. Nevhutanda's appointment has been welcomed for the dynamism he is seen to bring.⁴⁸

Obed Shabangu was on the ANC's election list for the 2004 election. Portia Loyilane is currently a non-executive director of the Amathole Economic Development Agency, the economic development arm of the Amathole District Municipality in the Eastern Cape.⁴⁹

The appointments of the two licensed operators of the Lotteries have been controversial. The first licence was awarded to Uthingo. Naledi Pandor, who was Minister of Education at the time, was a shareholder in Black Management Forum Investments which owned 10% of Uthingo. Cyril Ramaphosa, a member of the ANC National Executive Committee, was executive chairperson of Shanduka and a trustee of Mabinda which held a 26% stake in the company that would provide the gambling infrastructure for the National Lottery (Louw and Ronald-Louw 2008: 102). Gidani, the second licensed operator of the Lottery has 'considerable current and past ANC leadership as well as persons closely connected to the South African state' (Ibid.). Beneficiaries of the deal include Bongani Khumalo (former CEO of Eskom and chairperson of Transnet), Chris Nissen (former leader of the ANC in the Western Cape), Cyril Ramaphosa, Max Sisulu (Chairperson of the ANC's Economic Transformation Committee and Speaker of Parliament) and Brigalia Bam (Chairperson of the Independent Electoral Commission) (Ibid.).

It is difficult to determine whether members of the Board have the necessary skills to play the regulatory and advisory role, in respect of managing grant disbursements, that is legally expected of them. This is because their full curriculum vitae have not been made public. The Board's performance in relation to governance over the National Lottery grant disbursement function has been poor. Some of this lack of performance can be attributed to the narrow way the Board has interpreted its legislative mandate in relation to grant disbursement.

44 *Sunday Times*, 21 August 2005 accessed at www.armsdeal-vpo.co.za/articles08/key_players.html

45 www.negotassh.co.za/george-negota/, accessed 7 March 2011. The other Palabora executive is Shelley Thomas.

46 www.sahistory.org.za/pages/people/bios/makgothi_hg.htm, accessed 7 March 2011.

47 'New twist in mine saga', *Mail & Guardian*, 26 March 2010.

48 Interview with Gideon Sam, 6 August 2010.

49 Amathole Economic Development Agency annual report, 2006–2007; Amathole District Municipality Annual Report 2007–2008.

Table 1: National Lotteries Board Members 1999–2009

| 1999-2003 | 2003-2008 ⁵⁰ | 2009 ⁵¹ |
|---|---|---|
| Chairperson | | |
| <p>Joe Foster</p> <ul style="list-style-type: none"> ANC member of the National Council of Provinces Chairperson of the Select Committee: Labour, Public Enterprises and Telecommunications Former trade union leader | <ul style="list-style-type: none"> Joe Foster reappointed | <p>Prof. Alfred Nevhutanda (Non-executive Chairperson)</p> <ul style="list-style-type: none"> Member of Arts and Culture Distribution Agency Served on Transport MinMEC⁵² as advisor to the Minister of Transport (Jeff Radebe) Executive Director of Coal of Africa mining company |
| Minister's nominee | | |
| <p>Dr Zavareh Rustomjee</p> <ul style="list-style-type: none"> Former Director-General, Department of Trade and Industry Special advisor to the Minister of Trade and Industry <p>Dr Alistair Ruiters</p> <ul style="list-style-type: none"> Director-General, DTI (replaced Dr Rustomjee after he resigned in 2000) | <p>Astrid Ludin</p> <ul style="list-style-type: none"> Deputy Director-General, Consumer and Corporate Regulation Division, DTI <p>Brian Muthwa</p> <ul style="list-style-type: none"> Director of Legislative Drafting, DTI (replaced Ms Ludin after she resigned in 2007) | <p>Zodwa Ntuli</p> <ul style="list-style-type: none"> Deputy Director-General: Consumer and Corporate Regulation Division, DTI |
| Other members | | |
| <p>Shelley Thomas, chartered accountant</p> <ul style="list-style-type: none"> Non-Executive Director, Palabora Mining Company Group Financial Manager for Ubambo Investment Holdings Former partner at Ian Pierce and Partners Inc | <ul style="list-style-type: none"> Shelley Thomas reappointed | <p>Mathukana Mokoka</p> <ul style="list-style-type: none"> African Women Chartered Accountants |

⁵⁰ The Board's term was extended until 2008 until a new Board was nominated. During this time the Minister's nominee resigned again.

⁵¹ There was a one year delay in appointing the 2009 Board.

⁵² The joint meeting of the Minister for a particular portfolio and the Members of the Provincial Executive Committees (MECs) responsible for that function.

Table 1 cont.: National Lotteries Board Members 1999–2009

| 1999-2003 | 2003-2008 | 2009 |
|--|--|--|
| Other members continued | | |
| <p>Adv. Nceba Dukada</p> <ul style="list-style-type: none"> • Advocate of the Supreme Court of Transkei • Member of the Road Accident Fund • Acting Judge on several occasions • Legal representative for the State Attorney at the Truth and Reconciliation Commission hearings | <p>Adv. Dukada was replaced by George Negota after his term expired.</p> | <p>George Negota</p> <ul style="list-style-type: none"> • ANC Department of Manpower (1990-1992) • Owner: Negota SSH [legal practice] • Non-executive board member of Palabora Mining Company |
| <p>Norman Axten</p> <ul style="list-style-type: none"> • Fellow of the Institute of Bankers • Former President of the Institute of Bankers, Association of Mortgage Lenders • Former CEO of Banking Council | <p>Norman Axten reappointed</p> | <p>Obed Shabangu</p> <ul style="list-style-type: none"> • Experience with National Home Builders Registration Council, South African National Civic Organisation and conservation bodies |
| <p>Nora Fakude-Nkuna</p> <ul style="list-style-type: none"> • Chairperson of Bohlabela Wheels (first black-owned company to be accredited by Armscor) | <p>Nora Fakude-Nkuna reappointed</p> | <p>Ms NEP Loyilane</p> <ul style="list-style-type: none"> • Masters in Philosophy in Disability Studies • Non-executive Director of Amathole Economic Development Agency |
| <p>Henry Makgothi appointed as 7th member of the Board in 2000.</p> <ul style="list-style-type: none"> • Former President of ANC Youth League • Founder of Chancellor House Holdings, ANC business arm • Director of Ukwanda Investments • Chairperson of Zonkikizwe Investments | <p>Henry Makgothi reappointed</p> | <p>Prof. Govin Reddy</p> <ul style="list-style-type: none"> • Professor and Director of the Sol Plaatje Media Leadership Institute at Rhodes University • India Country Manager of the International Marketing Council of South Africa |

- **The Chief Executive Officer**

Prof. Vevek Ram was appointed as CEO of the NLB in 1999 and still holds the position. The Lotteries Act (section 7(1) (a)) stipulates that the CEO is accountable to the Board for the performance of all financial, administrative and clerical functions of the Board. However, performance in respect of grant disbursements from the NLDTF does not appear to form part of the measurement of the CEO's performance for reasons given above. Together with the Board, Prof. Ram has made recommendations to the Minister on how to improve the functioning of grant disbursements especially in relation to the funding strategy and approach that the National Lottery ought to take, governance and accountability of the DAs, as well as restructuring the NLB to make the grant disbursements process more effective.

The Board and the CEO set up an organisational structure in 2000 which included departments to manage the funds, operations and compliance, personnel, player services and other lotteries (figure 7).

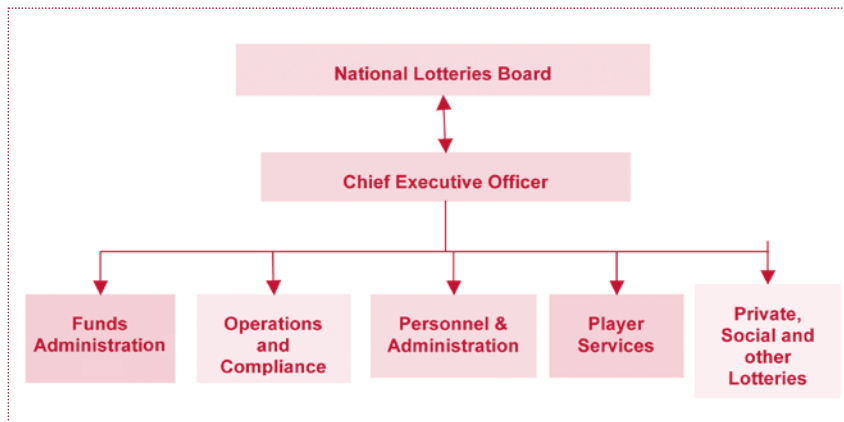


Figure 7: Organisational structure of the NLB⁵³

53 NLB 2000.

The Operations and Compliance department of the NLB is responsible for legal issues such as contractual arrangements including grant agreements and monitoring actions of both the gambling and grant disbursement functions of the NLB. With respect to grantmaking, the Operations and Compliance department is responsible for reading funding reports to assess compliance with grant agreements.

Since 2001, the number of NLB staff members grew from 17 to 107 in 2009. It currently has 120 employees.

4.3.2. The National Lottery Distribution Trust Fund

The NLDTF is established by Section 21 of the Act to distribute the net proceeds of the National Lottery. Section 21(1) stipulates that the NLDTF will be managed by the NLB, that the NLDTF will ‘vest in and be administered by the board’ (section 22(1)) and that the fund will be held in trust by the board for distribution to good causes and to cover the expenses of the NLB (section 22(2)). The legislation also provides that the NLB is responsible for reporting to Parliament on the NLDTF.

The biggest part of the money generated through ticket sales by the licensed operator of the National Lottery is paid into the NLDTF as well as any other funds owing to the National Lottery, for example licensing fees and penalties that have to be paid by the licensing operator.⁵⁴ The NLDTF then disburses money to cover the expenses of the Board – less than 2% of its annual income (Louw & Ronald-Louw 2008: 54) – after consultation with the Minister. The balance of the money in the NLDTF is then distributed for ‘good causes’ in five categories:

54 Uthingo paid 30% of its ticket sales although it had a complicated sliding scale arrangement with the NLB in respect of the percentage it paid into the NLDTF. Gidani pays a flat rate of 34% of ticket sale revenue into the NLDTF.

charities; sport and recreation; arts, culture and heritage; reconstruction and development; and ‘miscellaneous’.

In 2000, the Minister determined that at least 10% of the NLDTF funds would have to be allocated to each of the following: the RDP fund; charities; sports and recreation; and arts, culture and the national historical, natural, cultural and architectural heritage. No more than 10% could be allocated for any other purpose that the Minister determined would qualify for funding.⁵⁵ These minimum amounts are set by the Minister in consultation with the NLB. Data on funds allocated to the DAs since 2003 in the various categories is presented in table 2.⁵⁶

Table 2:
Percentage allocated to funding categories*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|------|------|------|------|------|------|------|
| RDP | 15% | 15% | 0% | 0% | 0% | 0% | 0% |
| Charities | 36% | 36% | 45% | 45% | 45% | 45% | 45% |
| Arts, culture and national heritage | 22% | 22% | 28% | 28% | 28% | 28% | 28% |
| Sports and recreation | 22% | 22% | 22% | 22% | 22% | 22% | 22% |
| Miscellaneous | 5% | 5% | 5% | 5% | 5% | 5% | 5% |

* NLB Annual reports 2000-2009; Louw and Ronald-Louw (2008: 24)

In December 2004, the Minister set the percentage allocation for charitable expenditure at not less than 45%, arts, culture and heritage at not less than 28%, and sports and recreation at not less than 22%.

Funds were not distributed to the funding categories between 1999 and 2001 because the distributing agencies were only up and running by 2002, two and a half years after the establishment of the National Lottery and a year after the sale of the first Lotto ticket. In 2001, the Minister directed the NLB to make a call for applications for funding from organisations that had been affected by the prohibition on scratch card lotteries. The once-off criterion used to select organisations was that they had

to show that they were in ‘imminent danger of closing down because of a lack of financial support’ (NLB 2001: 8). The Minister made use of the Emergency Fund to make over R4 million worth of grants to 80 organisations.

The RDP category has been problematic for the NLB as no distributing agency has ever been appointed to distribute funds in this area and no criteria for funding were ever defined. In 2003 and 2004 15% of funds were made available to the RDP fund but never distributed and no call for applications was made. In 2003, the NLB made a submission to the Minister proposing an amendment to the Lotteries Act which would allow the reallocation of funds from the RDP programme to ‘special purpose expenditure’ which would include funding to projects involved in education, health and crime prevention (Louw and Ronald-Louw 2008: 61). Five years later, the DTI had not yet responded to the request.

The new Minister of Trade and Industry finally responded by publishing a notice in July 2010 to say that the RDP fund would not be allocated any further funds for disbursement.⁵⁷ Instead he identified the priority areas for funding in this category as development needs, enhancement of ‘social and moral responsibility’,⁵⁸ and economic viability of programmes. The Minister determined that at least 50% of these funds would have to include the expansion of home-based care services; training and infrastructure development for the aged, the sick, orphaned and rehabilitation facilities; the provision of educational facilities focusing on literacy, early childhood development; vocational training and mentoring; and the promotion of local economic development.⁵⁹ The Minister stated that funds would be made available to address rural development and educational needs.⁶⁰

57 Government Gazette 33398, 20 July 2010.

58 A highly loaded and controversial turn of phrase.

59 Government Gazette 32802, 11 December 2009, reiterated in Regulation 33398.

60 ‘Lottery Fund regulations issued’, News 24, 22 July 2010.

55 Regulation 1070, Government Gazette 21696, 27 October 2000.

56 No data in the form of a percentage was available for 2002.

According to Prof. Ram, the new regulations that highlight rural development are not intended to focus on infrastructure development or other areas which ought to have been covered by the inactive RDP fund, but more on providing support to sustainable food production.⁶¹

4.3.3. The distributing agencies

DAs are set up in terms of sections 28, 29 and 30 of the Lotteries Act. The legislation defines a distributing agency as ‘a person appointed by the Minister to distribute money but not any department in the national or a provincial sphere of government’. The Minister appointed the members of the three DAs. The SAEP judgment makes it clear that DAs are not juristic persons, they are committees of the NLB.

According to the Act, the Minister appoints the distributing agencies in consultation with the relevant government department responsible for the sector the DAs allocate funds to. These appointments are made from nominations put forward by the public in response to advertised calls for nominations.⁶² The individuals who make up the three DAs are part-time members who occupy full-time positions in the sectors they represent.

The Minister also issues directives to the DAs on the funding priority areas which are established in consultation with the relevant government departments. Section 32(3) of the Act gives the Minister the power to also give direction to the DAs as to who to make grants to, the purpose for which a grant is to be made, and the conditions attached to the grant. The Minister, in consultation with the NLB, can also impose conditions on the allocations of grants and can also prohibit the paying out of the allocation if he or she believes that the allocation does not com-

ply with the conditions that have been set. The DAs have no regulatory or statutory powers to make any rules or issue any legally binding guidelines and their function is:

‘limited to receiving and considering applications, and suggesting conditions to be imposed when money is granted. They do not have the power to call for applications, decide how much money should be made available for different causes or to distribute money.’⁶³

The chairpersons of the three DAs have said that the DAs put out calls for proposals.⁶⁴ The DAs also provide the CAO with instructions on the size of grants given and how payments should be structured, i.e. once-off or in tranches.⁶⁵

There is no specific mention in the legislation about who the DAs account to and, until the outcome of the SAEP case, the NLB’s practice was informed by the view that, since the DAs act on the instruction of the Minister and are appointed by the Minister, they are accountable to the Minister. As mentioned above, the Lotteries Act makes no mention of how the expenses of the DAs are to be covered. At the moment the NLB is taking money from the NLDTF for this purpose, and with the Board being responsible for the remuneration of the DAs. The Act also does not provide for staff support of the DAs and to deal with this, the Minister has prescribed that the staff of the NLB also provide staff support to the DAs thus making the staff of the regulator the same as the staff of the distributor (Budlender 2003).

61 Interview, 11 August 2010.

62 Interviews with Dr Maitse, 6 August 2010; Jeffrey du Preez, 5 August 2010; and Prof. Ram, 11 August 2010.

63 Paragraph 34, SAEP and Others vs. The National Lotteries Board and Others.

64 Interviews with Gideon Sam, Prof. Jafta and Dr Maitse, 6 August 2010. The SAEP judgment has now made it clear that DAs have no power to issue calls for proposals.

65 Interview with Jeffrey du Preez, 5 August 2010.

The DAs that were appointed in 2001 were the Charities DA; the Arts, Culture and National Heritage DA, and the Sport and Recreation DA. No allocation has ever been made from the RDP fund and the RDP Ministry, which was responsible for administration of such moneys, was disbanded many years ago. The disbursement of moneys from the fund for ‘miscellaneous purposes’ is administered at the discretion of the Minister of Trade and Industry, with the Minister of Finance.

Although funding priorities are set by the Minister, acting on the advice of the NLB, in reality, the NLB invites the DAs to make submissions on what the funding priorities should be and these are forwarded to the Minister (Louw and Ronald-Louw 2008: 56). Once the Minister approves the funding priorities of each DA and has consulted with the sector departments associated with each DA, a call for funding applications is made. The DAs meet for two days in the year to discuss their funding priorities and once consensus is reached, this is then forwarded as a proposal to the NLB.

The DAs generally meet for 3–5 days every two weeks to adjudicate funding applications,⁶⁶ but this depends on the need. The DAs are remunerated for each meeting they attend. In 2009, the NLB paid R3.374 million to the DAs (NLB 2009a). Whilst it is not evident from the NLB annual report how many meetings each DA member attended in the year, it is possible that each of the 24 DA members received between R80 000 and R140 000 a year.

According to Louw and Ronald-Louw (2008: 56), the Charities DA and the Sports and Recreation DA have been relatively well-managed and are able to reach consensus on their priority areas for funding. The Sports and Recreation DA has a far more diverse membership than the Charities DA where the members share similar NGO

backgrounds. There have been numerous problems in the Arts, Culture and National Heritage DA and members have been less able to come to consensus on what the priority areas should be. It has been alleged that there have been ‘bitter personal conflicts’ (Ibid.) within this DA due to the vastly different issues, sectors and activities that fall within the ambit of its funding area. This DA requires members who are scientists to make decisions about the orchestra or the ballet and artists to apply themselves to issues of national heritage and environmental issues. Louw and Ronald-Louw (2008: 57) believe that there are enormous structural problems in the Arts, Culture and National Heritage DA.

- *The Charities Distributing Agency*

The Charities DA is responsible for receiving grant applications and allocating funds to the charity and welfare sector. The members of the DA are appointed by the Minister of Trade and Industry in consultation with the Minister of Social Development. The first Charities DA established in 2001 had 10 appointed members that were drawn from the charity and welfare sector. The second DA appointed in 2006 had seven members. DA members are appointed for a five-year period although the Chairperson, Dr Maitse, is currently serving her second consecutive appointment. The current members of the DA are:

- Dr Teboho Maitse (Chairperson);
- Dr Joyce Matube (Deputy Chairperson);
- Penelope Beck;
- Margaret Grobbelaar;
- Musa Madonsela;
- Arthur Magerman and
- Gordon McDonald.

⁶⁶ Interview with Jeffrey du Preez, 5 August 2010.

According to Dr Maitse, the majority of the members have worked in the NGO sector with three members being social workers, one with financial skills, one being a lawyer and the Chairperson with extensive experience in the social sciences. She feels that the DA ‘contains a good combination of skills and qualifications necessary to assess the very different funding proposals’. Most of the DA members are from Gauteng but make use of their vast experience and access to other provincial networks to know what is going on in the charities sector all over the country.⁶⁷

Since its inception the Charities DA has received the lion’s share of NLDTF allocations with its percentage allocation increasing from 36% in 2004 to 45% in 2005. The increase of percentage allocation to the Charities DA was as a result of a ‘public outcry over a perceived neglect of charities’ (Louw & Ronald-Louw 2008: 25). This is also in keeping with government’s shift in approach to dealing with poverty; one which has seen government programmes being aimed at moving people away from reliance on the state to becoming more self-reliant. With the Charities DA, the state is making grants to organisations engaged in welfare work, thereby shifting its own welfare obligations on to the shoulders of welfare and charitable organisations.

- *Sports and Recreation Distributing Agency*

The Sports and Recreation DA is appointed by the Minister of Trade and Industry in consultation with the Minister of Sport and Recreation after nominations made by the public. The first Sport and Recreation DA had five members appointed in 2001. The second DA, appointed in 2007, had nine members, namely:

- Dr Joe Phaahla;
- Edwin Bennet;
- Danny Jordaan;
- Hajera Kajee;
- Motlatsi Keikabile;
- Gideon Sam;
- Jappie Sibanyoni;
- Kedi Tshoma (now deceased); and
- Célest van Niekerk.

By 2010, the DA had 11 members with Gideon Sam as Chairperson. A sports activist for 40 years with an NGO background, Mr Sam has been a member of this DA since it was first established ten years ago. He describes his function as Chairperson as adjudicating proposals, signing off on progress reports and final reports and approving the release of tranche and final payments.⁶⁸

This category of funding drew much criticism from people who felt that addressing South Africa’s very severe poverty situation was more of a priority than providing support for rugby and football, among other things. Louw (2002: 12) raises some questions about the role of the NLDTF and the types of causes it should fund. Should its funding be restricted to only poverty alleviation welfare projects, or do the arts and sports deserve funding because they address the welfare of people in a more holistic way? Louw has not tried to provide an answer, and rightly so: ‘it is the responsibility of all organisations and interested parties to develop their own answers to this’ (Ibid.).

67 Interview, 6 August 2010.

68 Interview, 6 August 2010.

According to Mr Sam,

‘the National Sports Council urged for the National Lottery funds to be distributed directly via the sports movement, but in the end the South African government took the lead and established [the Sports and Recreation DA].’⁶⁹

The allocation to Sports and Recreation has remained at 22% of NLDTF funds for the past nine years. The DA makes it clear that its focus is on the provision of equipment and the renovation and upgrading of existing infrastructure, not for new construction, and it also funds capacity building in sport. It encourages municipalities to include local-level sports and recreation facilities in their IDPs.⁷⁰

- *Arts, Culture and National Heritage Distributing Agency*

The Arts, Culture and National Heritage DA was appointed in 2001 by the Minister in conjunction with the Minister of Arts and Culture with 12 members. In 2006, the second round of appointments saw the number of members reduced to eight. They are:

- Prof. Dorcas Jafta (Chairperson);
- Dr Tanya Abrahamse;
- Nicola Danby;
- Pumla Madiba;
- Eddie Mballo;
- Fundisile Mketeni;
- Doreen Nteta; and
- Dr Razeena Wagiet.

Two of these are no longer serving as members of the DA. Prof. Jafta has served two terms as Chairperson.

⁶⁹ Interview, 6 August 2010.

⁷⁰ Public Hearing on the Budget Vote 17, Department of Sport and Recreation, 21 May 2008.

According to Jafta, the reduction of the number of DA members has ‘put additional pressure on the remaining members to attend meetings in order to achieve the necessary quorum to take decisions’.⁷¹

This DA has been fraught with internal tensions because of the complex nature of the three disparate areas of endeavour that have been brought together under one umbrella. In this DA artists sit across the table from scientists who sit across from historians and architects and environmentalists each being asked to make funding decisions about areas they know little about.

The Arts, Culture and National Heritage DA was allocated 22% of funds when it was first established. By 2005, its allocation had increased to 28%. However, it remains one of the least effective DAs when it comes to distribution of funds. This has been attributed to the internal tensions within the DA. Because of the vastly different areas that have brought together under this one DA, it has become nearly impossible for the DA to reach consensus on funding priorities, let alone who to grant funds to. The internal conflict and its inability to reach consensus has caused long delays in allocating and then disbursing funds. As a result, some organisations have been threatened with closure and others like the Johannesburg Festival Orchestra took this DA and the NLB to court.

The Annual Report of the NLB (2007a: 12) offers by way of explanation for the delays in this DA:

‘This sector might be seen to take longer periods in adjudicating and finalising applications. This can be attributed to the fact that the projects funded in this sector are larger and therefore requiring greater scrutiny and time in making decisions.’

⁷¹ Interview, 6 August 2010.

There have been reports that the DA has been embroiled in a conflict over a grant that was made to an organisation that was headed up by a DA member who also invited in adjudicating the application in question (Louw & Ronald-Louw 2008: 57). The NLB laid fraud charges against the DA member and he was suspended.⁷²

- *Other funding categories*

The reconstruction and development category has remained dormant since the Lotteries Act was passed. The idea for this category came after the government abandoned the Reconstruction and Development Programme but, in the absence of the RDP, there is no longer a clear basis for decisions to be made on how money earmarked for this can be allocated (Louw 2002: 10). The Minister of Finance was supposed to identify a fund into which money from the RDP category would be paid and, although the idea of this money being moved to the NDA has been mooted, no decision has been taken (Ibid.). The R63.92 million that has been allocated to the RDP category has not as yet been distributed. In the meantime, submissions have been made by the NLB to the Minister in 2003 on how best to use the RDP category. As of July 2010, the Minister has taken the decision to keep this fund dormant.⁷³

The Miscellaneous category is the ‘emergency fund’ that is allocated at the discretion of the Minister of Trade and Industry, in consultation with the Minister of Finance. At the beginning of 2001, this fund was used to allocate about R4 million to 80 organisations affected by the closure of the scratch card industry. Between April 2001 and March 2002, R21.96 million was allocated to the Miscellaneous category but not distributed. Between 2002 and 2003, R3 million was given to the South African

Sports Commission for the Commonwealth Games and R6.6 million was disbursed to the United Cricket Board for the World Cup opening ceremony. The following year, R17.42 million was given to the Children’s Hospital Trust. Between 2004 and 2005, R633 000 was given to the Commission for Gender Equality – a Chapter 9 institution; between 2006 and 2007 R4 million was disbursed to the Disabled People of South Africa, and R30 million to the National Research Foundation. Between 2008 and 2009, R950 000 was given to the Association of Social Work Education Institute. Recently, the National Lottery donated R40 million to the National Youth Development Agency to hold its World Youth and Student festival in December 2010.⁷⁴

Whilst it is good to have an emergency fund, concerns have been raised that this could be used arbitrarily or for political reasons. The use of the public’s money to fund state bodies (such as the Commission on Gender Equality, the National Research Foundation and the National Youth Development Agency) is cause for concern. The 2010 grant to the National Youth Development Agency has given rise to severe criticism from the Democratic Alliance and COSATU [the Congress of South African Trade Unions], with both organisations calling for an audit on how these funds were spent. Concern has also been raised that diverting funds to state bodies in this way means that less funding is available to civil society organisations. The Democratic Alliance questioned whether such an allocation was ‘fair and equitable’ given that the R40 million was ‘greater than the entire annual budget for the Cotlands orphanage’.⁷⁵

72 Interview with Prof. Ram, 11 August 2010.

73 Government Gazette 33398, 20 July 2010.

74 *Mail & Guardian*, 15 December 2010.

75 Ibid.

The statement made by the CEO of the NLB that money in the NLDTF's emergency fund could be used, for example, to give the Department of Education the means to acquire portable classrooms is of equal concern.⁷⁶ The NLDTF holds public money in trust; this is not government money to be used to fill gaps in standard budgets that should be financed by ordinary sources of government revenue.

The poor functioning of the DAs has been identified as one of the problem areas in the grantmaking process. Part of the problem is that DA members are not full-time employees adjudicating proposals. Rather, they meet for approximately 10 days a month. The Charities DA receives more than 4 000 applications per call; the Arts and Culture DA, which has only six active members, receives about 800 applications per call; and the Sports and Recreation DA with 11 members receives up to 3 000 applications per call.⁷⁷ According to Dr Maitse, the Charities DA can 'adjudicate approximately 120 applications in two days when the adjudication [process] has been properly prepared'.⁷⁸ However, the head of the CAO indicates that 'on average the DAs can adjudicate approximately 100–200 applications per month and it therefore takes a significant number of months before all applications have been adjudicated'.⁷⁹

A second problem has been the fact that the DAs operate autonomously in that, if there are delays in the adjudication process, they are not held accountable. They are also not held accountable for how and to whom they grant funds. The Chairpersons of the three DAs have indicated that they report to the NLB at least quarterly or

when requested to report on the decisions made and the amounts that have been distributed.⁸⁰ The DAs are required to report to the Minister directly but the general consensus among all those interviewed from the National Lottery is that these meetings seldom happen and are not scheduled on a regular basis. The NLB has described the autonomy of the DAs in terms of there being

'no review, appeal or oversight procedure in which the Board can oversee this distribution by the DAs to ascertain that the DAs have followed due process as prescribed by the PFMA [Public Finance Management Act] in their adjudication and allocation process.' (Louw & Ronald-Louw 2008: 64).

4.3.4. The Central Applications Office, Compliance Office and Finance Office

The CAO has been headed for the last two years by COO Jeffrey du Preez, a former employee of the Department of Labour. The Office is responsible for receiving funding applications in terms of each call for proposals. Staff members screen applications to ensure that they are accompanied by the necessary support documents and meet all other requirements, e.g. that they have been signed and that the correct number of copies of documents have been submitted. The CAO prepares files on each application the DAs need to adjudicate.

The NLB employs approximately 120 employees, 80–90 of which work in the CAO. The COO reports on the CAO at least once a quarter and, when necessary, monthly.

Those applications that have been approved by the DAs for funding are sent to the Operations and Compliance division where grant agreements are drawn up. This division is also responsible for reading through progress

76 Presentation to the Portfolio Committee on Trade and Industry, 3 February 2010.

77 Interview with Jeffrey du Preez, 5 August 2010.

78 Interview, 6 August 2010.

79 Interviews with Jeffrey du Preez, 5 August 2010 and Prof. Ram, 11 August 2010.

80 Interviews on 6 August 2010 with Prof. Jafta, Dr Maitse and Gideon Sam.

and final reports of grantees to ensure compliance with the grant agreement. In addition to its grant functions, the Compliance Division is also responsible for overseeing and monitoring the gaming side of the National Lottery. The Compliance Division has 10–12 employees.

The Finance division of the NLB is responsible for processing grant payments after grant agreements have been approved and grant payments have been authorised by the Board. Staff members in this division are also responsible for making tranche payments after interim progress reports have been approved by the Compliance Division, the DAs and the NLB. The Finance Division has six to seven employees.

The Compliance Division and the Finance Division are separate from the Central Applications Office.

The functioning of the CAO has been identified as one of the problem areas in the National Lottery grantmaking process. Some of the problems experienced by CSOs have been long turn-around times in processing grant applications, loss of documents that have been submitted, and having to deal with people who do not know the sector or the process very well. The Minister's nominee has identified high staff turnover in the CAO and unskilled staff as contributing factors to the problems that applicants have reported.

The new Chief Operations Officer has been making changes in the CAO in an attempt to streamline the process and ensure efficiency in screening and processing grant applications. This is discussed below.

4.4 Grantmaking

4.4.1. Funding criteria

The Minister is required (section 32(4)(b) of the Lotteries Act) to provide directives to the DAs on the criteria for funding. He or she must take into account the general development of the country with specific reference to regional, economic, financial, social and moral interests as well as the enhancement of the standard of living of all people in the country. The Minister is also required to take into account, when setting the funding criteria, the provincial and local interests including the number of tickets sold in each province, the population of each province, and the financial requirements of each province.

- *Charities Distributing Agency*

In 2001, the focus of the Charities DA was on organisations that were working with children, youth and socially vulnerable groups (women, elderly people, disabled people and people living with HIV/AIDS). In that same year, the Charities DA was the only DA that specified that organisations that were applying for National Lottery funds had to show that they were at risk of scaling down or closing down if their applications were unsuccessful.⁸¹ This meant that proposals that were submitted in this call for funding could not be assessed on the merits of the content of the proposals or the impact that the projects would have once implemented; rather they were assessed in terms of their financial situation.

⁸¹ The SAEP case has made it clear now that DAs have no power to make rules which are binding on applicants. Only the Minister, acting in consultation with the Minister of the relevant portfolio (Social Development in this case), has the power to do this.

According to Louw (2002: 11):

'This all but excluded from consideration any applicant with reserve funding or investments of its own, regardless of the type of service they provided and flew in the face of government's general insistence that non-profit organisations put measures in place to help secure their sustainability.'

For 2002–2003, the funding criteria for the Charities DA were still focused on receiving applications from organisations working with children, youth and socially vulnerable groups and with people living with HIV/AIDS. The focus shifted to community and residential programmes, capacity building and poverty alleviation in under-resourced and under-served areas. It set another condition on organisations applying for funds, stating that registered and established organisations were required to assist unregistered organisations or organisations without audited financial statements with their applications by entering into a formal working agreement with them.⁸² This was in light of the fact that the DA had moved away from expecting applicants to be registered NPOs with audited financial statements in order to make the application process more accessible to CBOs. In 2010, the Minister issued a new directive to make the funding application process easier for first-time applicants by doing away with the requirement for audited financial statements and putting in its place a requirement for financial statements signed by a registered accounting officer.⁸³

82 The SAEP judgment in respect of DAs making rules may apply here too.

83 'Lottery fund regulations issued', News24, 22 July 2010; interview with Jeffrey du Preez, 5 August 2010.

Dr Maitse has also noted that smaller, less experienced organisations have difficulty in accessing Lottery funds and, although the new regulations on financial statements will help to open up the application process, the Charities DA continues to promote partnerships and mentorships 'where stronger, more experienced organisations partner with smaller ones' although not all partnerships work well 'because the bigger, more well-established organisations end up benefitting more than the smaller partners which was not the original intention behind the partnership'.⁸⁴

From 2004 to 2005 the focus areas, priority groups and the special condition of working partnerships remained. In 2006, numeracy and literacy in ABET [adult basic education and training], development of under-resourced service organisations, and early childhood development were added as focus areas. The special conditions and priority groups remained the same for that period. In 2007, with the new DA in place, new funding criteria were set. The new focus was on social welfare development programmes, ABET, after-school care programmes, and schools operating in poor rural areas for the building of toilets, classrooms and fencing, provided the applying organisation could submit substantiated proof that funding was not available from the relevant provincial departments of education.⁸⁵ The DA maintained the working partnership clause for new applications. In 2009, the call for applications for funding provided the same set of funding priorities but included 'government schools in the Inner City, Informal Areas, Townships and Rural areas' that needed classrooms, toilets, fencing, social work, psychologists or school nurses and it made it possible for schools to submit applications for funding.

84 Interview, 6 August 2010.

85 The SAEP judgment makes it clear now that DAs may suggest conditions, not impose them.

The Minister's most recent determination in July 2010 directed that at least 50% of funds available for good cause funding must go to projects that include expansion of home-based care services; development of facilities for disabled persons and substance rehabilitation and treatment services; and education focused on early childhood, adult literacy and vocational training.⁸⁶ There is also a focus on rural development. The directive also provides for funds to be granted to philanthropic organisations which have been identified as conduit organisations and trusts in addition to the usual charitable and benevolent organisations. The philanthropic organisations are to grant funds to projects which improve the quality of life of elderly, disabled people and children as well as provide facilities for the under-privileged.

- *Sports and Recreation Distributing Agency*

The Sports and Recreation DA's funding priorities are sport development; team delivery; hosting events; high performance programmes; training of technical officials, coaches and administrators; provision of equipment and sports kits; and upgrading of existing facilities.

According to the 2003 Annual Report, the Sports and Recreation DA also specified that the activities and projects of applicant organisations had to benefit people in rural areas and vulnerable groups such as women, people with disabilities, the elderly and the youth. The funding priority areas for this DA have not changed since the DA was first established.

The Sport and Recreation DA targets macro sporting bodies; national, provincial and regional federations; provincial academies of sport; municipalities; and schools, tertiary institutions and clubs for applications for funding.⁸⁷ In support of the 2010 FIFA Soccer World Cup initiative,

⁸⁶ Government Gazette 33398, 20 July 2010.

⁸⁷ NLDTF Sport and Recreation presentation, International Centre for Civil Society Law (www.iccsl.org).

the Sports and Recreation DA granted R187 million, as part of a legacy project, to fund the building of football fields in local areas identified by the government and approved by FIFA and the National Lottery.⁸⁸

This DA has been noted as being one of the more efficient DAs because it adjudicates proposals quickly (Louw & Raymond-Louw 2008) and allocates most of its money, as described below. Its success can be attributed to its approach. According to the Chairperson of the Sports and Recreation DA, the DA members are proactive in that they actively seek proposals from parts of the sports movement and from stakeholders in geographical areas where they know there is a need for funding. The Chairperson has thorough knowledge of the various partners in the sports movement as most of these are members of the South African Sports Confederation and Olympic Committee (SASCOC). He travels extensively around the country and uses the opportunity to encourage organisations to submit proposals for National Lottery funds. He notes that

*'this is a fundamentally different approach to the one followed by the other DAs and an attempt to compensate for the funding being channelled through government which is not the most effective way.'*⁸⁹

One of the challenges experienced by the DA for Sports and Recreation is that many of the project proposals are very small because many of the stakeholders in the sports sector are not comfortable with having to manage big projects. It is relatively time-consuming for the DA to assess any proposal, however small. Mr Sam indicated that the DA would like to encourage the submission of larger proposals which fit into a bigger, long-term plan. This would have more long-term impact than supplying a lot

⁸⁸ Interview with Gideon Sam, 6 August 2010.

⁸⁹ Ibid.

of smaller organisations with smaller amounts for equipment. The impact of smaller grants could be enhanced through mentorships, but this would require the CAO to proactively engage in facilitating such mentorships. Another approach to mentorship could be encouraging stronger organisations to include mentoring and collaborating with smaller organisations in needy areas as part of their proposals. Organisations (or external project managers) providing such a service would expect to be remunerated for this, and Mr Sam said National Lottery funding should allow for management fees to be part of applications where appropriate.

- *Arts and Culture*

Within this DA there are three sub-sectors: Arts, Heritage (which includes cultural and natural heritage) and Environment. Its priority areas include:

1. Projects of national significance, inter alia tours, exhibitions, infrastructure development and the restoration and acquisition of South African works.
2. Development of the arts, heritage, indigenous knowledge and environment in the more rural areas of the country.
3. Creative development and the production of new works with a strong South African flavour.
4. Festivals where there is support and partnership with the local community.
5. Film production.
6. Public art linked to urban renewal.
7. Architectural, archaeological and living heritage conservation/ preservation; indigenous knowledge systems and the development of heritage sites.
8. Biodiversity conservation; waste management; planting of indigenous plants and trees; youth environmental education; and youth activities that encourage partnerships.

The DA for Arts and Culture only approves partial funding in response to applications if the applicant has indicated that funding has been secured from other sources. If some of the requested funding is earmarked to be spent on luxury items, the DA can then decide not to fund such luxury items. Otherwise this DA approves full funding. The understanding of the DA is that the Lottery funding should be enabling for the applying organisation, so partial funding is not ideal unless the balance has been secured from other sources.

4.4.2. Funding requirements

Funding applications to the National Lotteries Board are open to organisations that are registered as non-profit organisations in terms of the Non-Profit Organisations Act. The Sports and Recreation DA accepts applications from local municipalities and schools in addition to sports clubs and sports organisations; the Charities DA accepts applications from charitable and benevolent organisations that work with women, children, disabled and elderly people; and the Arts and Culture DA accepts applications from art, environmental and cultural organisations as well as orchestras and universities.

In 2010, the Minister issued a directive that, for the Charities DA, applications will also be accepted from philanthropic organisations (conduit organisations and trusts); the Sports DA will accept applications from organisations which promote the involvement of disadvantaged communities in sports and recreation; and the Arts and Culture DA will accept applications from organisations that promote the arts, culture or the national historical, natural, cultural or architectural heritage of South Africa.⁹⁰

⁹⁰ Government Notice 644, Government Gazette 33398, 20 July 2010.

Applications have to be made by filling in an application form which organisations can download from the NLB's website after calls are made through advertisements placed in newspapers. These applications have to be made in English. Mr Sam notes that requiring the application to be made in English makes it difficult for rural organisations to apply for funds:

*'Language plays a big role, and English quite often works as a hindrance, both in terms of applying for funding, but also when it comes to submitting the necessary reports to release the next payment.'*⁹¹

The Chairpersons of both the Arts and Culture DA and the Charities DA agree that language is a barrier to the application process:

*'It is problematic that the National Lottery does not in practice acknowledge the 11 official languages which are reflected in the South African Constitution. This is problematic because it prevents certain groups from effectively applying, and because the National Lottery funds are public funding, it [these] should be accessible to all South Africans. The issue around language barriers should be addressed to ensure that all deserving and qualifying organisations have a fairly equal opportunity to access funding.'*⁹²

The accessing of application forms from the NLB's website also prevents under-resourced and rural organisations from participating in the National Lottery funding process.

To make the application process more accessible to a wider section of civil society, the NLB has recently established regional offices in Polokwane (Limpopo), East London (Eastern Cape) and Nelspruit (Mpumalanga) with four staff in each office. The idea behind the regional offices is to decentralise the funding process and streamline the operational model, and the approach will be piloted with the smaller grants.⁹³ The longer-term plan is for the regional offices to offer all the services which are being offered by the national office in Pretoria, thereby moving the services closer to CSOs. The NLB is planning to have fully-functional regional offices in all provinces between 2011 and 2012. Some of the offices may be set up in conjunction with other regional DTI-linked offices such as SETAs [sector education and training authorities] and the Companies and Intellectual Property Registration Office (CIPRO) to keep set-up costs low.

Another new initiative to make the process more accessible was the launch of road shows in October 2010 to raise awareness, provide information, and provide support to applicants. The aim is to improve access to National Lottery funding and to ensure a better geographical spread of beneficiary organisations. The COO is aware that the initiative will only be successful if it is able to reach rural areas.⁹⁴ Dr Maitse feels that the road shows will only manage to target a fragment of the areas in need, and the concept will have to be expanded for it to really reach all needy areas.⁹⁵ It is therefore important that the services which will be offered in connection with the road shows have the necessary breadth and depth to address the current imbalances.

⁹¹ Interview with Gideon Sam, 6 August 2010.

⁹² Interview with Dr Maitse, 6 August 2010.

⁹³ Interview with Jeffrey du Preez, 5 August 2010.

⁹⁴ Ibid.

⁹⁵ Interview, 6 August 2010.

Application forms must be accompanied by the following documents:

- The organisation’s constitution, articles of association or trust deed;
- Signed, audited financial statements for the previous two years;
- A copy of the organisation’s registration certificate;
- A detailed budget; and
- A business or implementation plan.

Every application made by an organisation has to be accompanied by these above documents, even if nothing changes in the organisation between applications.

The SAEP judgment noted that in some instances the requirements of the National Lottery are illogical. If the aim of requesting the constitution, articles of association or trust deeds of an organisation is to assess whether the aims and objectives of the applying organisation meet the funding criteria of the relevant DA, then this must be gleaned from all the other supporting documents, such as annual reports which will give a better picture of what the organisation does. Mr Sam agrees:

‘the CAO hides behind the letter in [of] the Act in the sense that it does not engage at all with assessment or content issues...[with] the CAO [playing a] more proactive [role] in engaging with applicants.’⁹⁶

The Judge found that the NLB applies the requirement for audited financial statements inconsistently and only appears to require this for applications requesting in excess of R750 000, and found the NLB’s ‘dogged insistence upon “audited” financial statements was unduly rigid and consequently unreasonable’ and unfair.⁹⁷

⁹⁶ Interview, 6 August 2010.

⁹⁷ SAEP case, paragraph 49.

In his press statements on the new funding directives, the Minister indicated that the compulsory requirement for first time applicants to produce audited financial statements when applying for Lotteries funds had been dropped.⁹⁸ The CAO describes this in more detail as follows:

‘The new regulations (and new accompanying guidelines) which came into operation from 30 July 2010 mean that first time applicants from now on do not need to submit two years of audited financial statements, but can submit financial statements which have been signed by a registered accounting officer. This amendment to the regulations has been done in an attempt to make it easier and less costly for smaller organisation to apply for NL [National Lottery] funding. The Call for Proposals in the Sports sector will be the first to use the new regulations and it is expected to have a positive impact, especially for the success rate of smaller organisations. The new regulations also state that applicants which have been previously funded by the Lotteries only need to submit one year of audited financial statements, as the Lotteries would have already received the audited financial statements for two years as part of the first successful application. Also, previously funded applicants do not need to resubmit founding documents unless these have been amended since the last successful application, as the Lotteries should have these documents in the previous application file. It is important to make the distinction between a previously funded applicant and [a] previously [previous] applicant who [which] has not been successful in its application.’⁹⁹

⁹⁸ ‘Lotteries fund regulations issued’, News 24, 22 July 2010.

⁹⁹ Interview with Jeffrey du Preez, 5 August 2010.

Smaller organisations that do not submit audited statements as per the new requirement will have to go through ‘thorough checks... including site visits and reference checks’.¹⁰⁰ However, the internal systems do not appear to have kept pace with these changes. The checklist that accompanies funding applications still lists audited financial statements as one of the requirements.

- **The Charities DA¹⁰¹**

Before it can consider an application, the Charities DA first checks that the following mandatory requirements have been met:

- Does the organisation have a proper constitution?
- Has it submitted a valid registration certificate?
- Has it submitted appropriate financial statements?

These requirements are set in the Act and are therefore not determined by the DA itself. Once the mandatory requirements have been met, the DA then looks at the motivation for the proposed application:

- Why does the organisation need the funding?
- What difference will the funding make?
- What are the governance structures in the organisation? Are these adequate?
- Some organisations only require two signatories to release funds. Is this appropriate or is it a reflection of an organisation which is not sufficiently strong in terms of governance?

¹⁰⁰ ‘Lotteries fund regulations issued’, News 24, 22 July 2010.

¹⁰¹ Interview with Dr Maitse, 6 August 2010.

- **Arts and Culture DA¹⁰²**

The Arts and Culture DA uses various criteria to assess whether an application should receive funding or not. The criteria are based on the instructions coming from the Minister which reflect the priorities of the government.

The DA for Arts specifically looks for the following in an application:

- Is the organisation a registered non-profit organisation?
- Does the organisation fulfil the requirements with regard to financial statements?
- How strong is the motivation?
- What is the organisation planning to do and who will benefit?
- How big is the budget, how specific is it, does it contain an adequate level of detail? Has the organisation submitted a work plan which speaks to and supports the proposed budget? Has the applicant submitted the necessary quotes for bigger items (such as orchestra instruments, etc)?
- What would be reasonable payment instalments?

A further criterion is whether the organisation can provide sufficient assurance that it can handle big sums of money.

*‘[This] important issue... is often overlooked when the public criticises the time it takes for the NLDTF to assess applications. As the NL funding is public funding, it is important that the DA is certain that the money will be put to its intended use’.*¹⁰³

¹⁰² Interview with Prof. Jafta, 6 August 2010.

¹⁰³ Ibid.

According to Prof. Jafta, the Arts and Culture DA does not automatically decline an application if something is missing. It may be that the application fulfils the basic requirements but that some detail is missing. The DA can then decide to suspend the application and request the CAO to ask the applicant to complete the information, after which the application will be adjudicated again.

- *Sports and Recreation DA*¹⁰⁴

The Sports and Recreation DA takes a similar, flexible approach. In some instances the Chairperson has approved an application where minor details were missing, such as a signed constitution, with a note requesting the CAO to obtain the missing document before the grant agreement is drawn up. This helps to cut down the number of times an application is sent to the DA for adjudication.

4.4.3. Processing applications

Applications are received by the CAO where they are pre-screened and a check list applied to ensure that all required supporting documents are present. The checklist, application and supporting documents are put into a file and bar-coded. The file is sent to an external service provider for scanning. Although this increases the risk of documents being lost and slows down processing, the CAO does not have the capacity to do in-house scanning. The file comes back in CD format which makes it easier for both the CAO and the DAs to further process the application.

After applications have been scanned, they are referred to the relevant sector team – charities, arts or sports. There is a sector manager for each application type, and each sector has a team of junior grant officers headed by a grant co-ordinator. The junior grant officer in the team prepares an executive pack for the DAs

outlining the application and documents received. The grant co-ordinator makes an assessment of the executive packs which are signed off by the sector manager and sent to the DAs for adjudication. The addition of a sector manager and sector teams headed by grant co-ordinators has recently been put in place to streamline the processing of applications. It is hoped that over time the sector teams will become more knowledgeable about their sectors.

The DAs receive between 800 and 4 000 applications per call and they meet for between six and ten days per month to adjudicate applications. To speed up adjudication and deal with this bottleneck in the system, a proposal has been made to appoint the DAs as full-time National Lottery staff. Prof. Ram has expressed doubt about whether certain DA members who currently hold full-time jobs in other organisations will agree because it may mean a loss of income for them, but the chairpersons of all three DAs have welcomed this suggestion.¹⁰⁵

Once applications have been adjudicated, the successful applications are sent to the Operations and Compliance division for grant agreements to be drawn up. Once these are signed by the Chair of the relevant DA and by the successful applicant, the Finance Division ensures that payment is made to the grantee. The Compliance Division checks progress reports against the grant contract and the Finance Division continues to make payments, if there is more than one instalment.

The new regulations stipulate that an applicant must be informed about whether an application has been successful within 30 days of the DA making its decision. The COO does not foresee any difficulty in adhering to this timeframe as long as the DAs inform the CAO promptly about their decisions. The new regulations also state that,

¹⁰⁴ Interview with Gideon Sam, 6 August 2010.

¹⁰⁵ Interview with Prof. Ram, 11 August 2010.

when grants have been approved, payments to organisations must be made within 60 days of the approval. This will not be a problem for the NLB as long as there are no delays caused by the DAs. Tranche payments have to be signed off by the DAs when they have received feedback from the Compliance Division after they have checked the progress reports against the grant contract. There is a possibility of delays at that point in the process.¹⁰⁶

The COO and head of the CAO says that it is difficult to control and implement an overall timeframe for the processing of applications including preparation of grant agreements and payments since the Finance Division and the Compliance Division do not fall under the control of the CAO. This means that even though the CAO has improved its functioning, there may still be delays caused by other divisions.¹⁰⁷ The CEO agrees with this analysis and points to the structure of the grantmaking process as being the key problem. The separation of the various mechanisms involved in the applications and funding process makes committing to a clear timeline difficult, including the fact that the DAs plan their work independently of the other divisions.¹⁰⁸

It is also problematic that the Compliance Division, which has 10–12 employees, oversees and monitors the gaming side of the National Lottery. It is also meant to draw up grant agreements, do site visits to grantees (though this does not happen regularly) and check progress reports against grant agreements. Site visits are currently not part of the tasks of the CAO. In an attempt to make the CAO more effective, the COO has suggested that the responsibility for site visits and the drafting of grant agreements be located in the CAO. This would make it easier for the COO to control the factors which determine turnaround times for the processing

of applications. According to the COO, the new Board is aware of the need to improve structures and changes are happening, though not always as quickly as he would like to see.¹⁰⁹

According to the Act, only the DAs can decide whether a proposal is successful or will be rejected. To achieve a quicker turn-around time in the processing of applications, the NLB is considering allowing the CAO to fast-track applications to the DAs in cases where applicants have met all the mandatory documents. At the moment applicants who have satisfied all the requirements are required to wait in the same queue as those whose applications are incomplete.

Whilst these changes are positive and constructive in that the NLB is responding to civil society's plea for a better functioning grantmaking institution, much more needs to be done to improve the operations of the CAO before more functions such as monitoring compliance can be added on to its responsibilities. The Minister's previous nominee on the NLB, Nomfundo Maseti, observed that a critical problem in the funding application process lay in the CAO. She identified the high staff turnover of those responsible for screening applications as being a contributing factor, leading to a situation where people involved in screening were often new on the job and therefore did not have the necessary knowledge and proper training to do the work.¹¹⁰ As a result DAs ended up with incomplete applications or organisations being turned down because unskilled people were making decisions on what documentation was required. The lengthy turn-around time, sometimes up to two years, has contributed to the CAO losing application documents, at which point applicants have to resubmit

¹⁰⁶ Interview with Jeffrey du Preez, 5 August 2010.

¹⁰⁷ Ibid.

¹⁰⁸ Interview with Prof. Ram, 11 August 2010.

¹⁰⁹ Interview with Jeffrey du Preez, 5 August 2010.

¹¹⁰ Presentation to the Portfolio Committee on Trade and Industry, 3 February 2010.

documents, causing even lengthier delays.¹¹¹ The combination of a high volume of applications and unskilled people in the screening process has resulted in a bottleneck in the funding application process and could be an explanation for the disarray that seems to characterise the application and distribution process.

Against this background, it would make sense to put in place a strategy for staff retention before committing to the training and capacity building of CAO staff. The addition of sector management teams will only work to speed up the process if they become specialists in the sectors they are serving. COO Jeffrey du Preez is currently lobbying for the sector teams to be given the task of monitoring grants through site visits.

The Chairperson of the Sports and Recreation DA says there is also a need to

*'change the attitude among big parts of the staff employed in the National Lottery to service applicants (prospective and successful). Most of the staff lacks passion in what they do and they do not understand the difference they can make to communities if they do their job well. For most of the staff, the work is just a job but nothing which they are passionate about.'*¹¹²

He has proposed that each sector be staffed by people who have a passion for the sector they are dealing with, for example, the Sports and Recreation sector team should be staffed by sports activists – people with a passion for sports and recreation.

4.4.4. Fund disbursements

A percentage of the proceeds of lottery ticket sales is paid into the NLDTF by the licensed operator. Uthingo had a sliding scale arrangement which averaged out to 30% of ticket sales while Gidani pays a flat rate of 34% of ticket sales into the NLDTF. Between 2000 and 2007, the NLB had over R6 billion of National Lottery funds at its disposal (Louw & Ronald-Louw 2008: 21):

- R10 281 278 in 2000
- R428 524 367 in 2001
- R834 459 258 in 2002
- R1 030 379 875 in 2003
- R991 332 353 in 2004
- R1 037 438 000 in 2005
- R1 263 036 000 in 2006
- R1 290 961 000 in 2007

In 2008, R553 million was paid into the NLDTF and in 2009, the figure was R1.4 billion. This brought the total amount available for disbursement to around R8 billion.

Table 3 breaks down funds allocated to each DA between 2000 and 2009 and the amounts that were actually disbursed during this time.

¹¹¹ Ibid.

¹¹² Interview with Gideon Sam, 6 August 2010.

Table 3: NLDTF distribution by sector¹³

| Year/DAs ¹⁴ | | Amount available for distribution | | Number of Beneficiaries | Amount allocated | |
|------------------------|-------------------------------------|-----------------------------------|------------|-------------------------|------------------|------------|
| | | R million | Percentage | | R million | Percentage |
| 2002 | Arts, Culture and National Heritage | 99 | 26 | 742 | 48.1 | 49 |
| | Charities | 155 | 41 | 2 254 | 102.8 | 66 |
| | Sports and Recreation | 22 | 6 | 0 | 0 | 0 |
| | Miscellaneous | 99 | 26 | 535 | 71.7 | 72 |
| | Total | 375 | 100 | 3 351 | 222.6 | 59 |
| 2003 | Arts, Culture and National Heritage | 225 | 26 | 220 | 170.7 | 76 |
| | Charities | 368 | 42 | 1 325 | 344.2 | 94 |
| | Sports and Recreation | 225 | 26 | 407 | 211.1 | 94 |
| | Miscellaneous | 51 | 6 | 2 | 9.6 | 19 |
| | Total | 869 | 100 | 1 954 | 735.6 | 85 |
| 2004 | Arts, Culture and National Heritage | 364 | 26 | 287 | 375.4 | 103 |
| | Charities | 595 | 42 | 1 142 | 613.1 | 103 |
| | Sports and Recreation | 364 | 26 | 389 | 252.4 | 69 |
| | Miscellaneous | 83 | 6 | 1 | 17.4 | 21 |
| | Total | 1 406 | 100 | 1 819 | 1 258.3 | 90 |
| 2005 | Arts, Culture and National Heritage | 474 | 28 | 265 | 310.4 | 65 |
| | Charities | 762 | 45 | 955 | 505.0 | 66 |
| | Sports and Recreation | 373 | 22 | 750 | 389.2 | 104 |
| | Miscellaneous | 85 | 5 | 1 | 0.6 | 0.7 |
| | Total | 1 694 | 100 | 1 971 | 1 205.2 | 71 |
| 2006 | Arts, Culture and National Heritage | 507 | 28 | 192 | 228.8 | 45 |
| | Charities | 815 | 45 | 1 051 | 625.6 | 77 |
| | Sports and Recreation | 398 | 22 | 795 | 409.6 | 103 |
| | Miscellaneous | 91 | 5 | 1 | 9.3 | 10 |
| | Total | 1 811 | 100 | 2 039 | 1 273.3 | 70 |

Table 3 cont.: NLDTF distribution by sector¹¹³

| Year/DAs ¹¹⁴ | | Amount available for distribution | | Number of Beneficiaries | Amount allocated | |
|-------------------------|-------------------------------------|-----------------------------------|------------|-------------------------|------------------|------------|
| | | R million | Percentage | | R million | Percentage |
| 2007 | Arts, Culture and National Heritage | 598 | 28 | 117 | 235.0 | 39 |
| | Charities | 962 | 45 | 689 | 428.2 | 45 |
| | Sports and Recreation | 470 | 22 | 55 | 117.7 | 25 |
| | Miscellaneous | 107 | 5 | 2 | 34.0 | 32 |
| | Total | 2 137 | 100 | 863 | 814.9 | 38 |
| 2008 ¹¹⁵ | Arts, Culture and National Heritage | 586.5 | 28 | 46 | 170.3 | 29 |
| | Charities | 942.5 | 45 | 362 | 380.2 | 40 |
| | Sports and Recreation | 460.7 | 22 | 613 | 422.4 | 92 |
| | Miscellaneous | 104.7 | 5 | 0 | 0 | 0 |
| | Total | 2 094.4 | 100 | 1 021 | 972.9 | 46 |
| 2009 | Arts, Culture and National Heritage | 949.8 | 28 | 77 | 263.8 | 28 |
| | Charities | 1 526.5 | 45 | 653 | 565.3 | 37 |
| | Sports and Recreation | 746.3 | 22 | 139 | 596.6 | 80 |
| | Miscellaneous | 169.6 | 5 | 1 | 1 | 1 |
| | Total | 3 392.2 | 100 | 870 | 1 426.7 | 42 |

113 Adapted from Louw & Ronald-Louw 2008: 24.

114 Figures for 2008 and 2009 are drawn from the NLB's annual reports.

115 Because of the suspension of the National Lottery in the first half of 2008, a decision was taken to make only 70% of the total amount allocated to each DA available for distribution.

Since 2002, only 62% of NLDTF funds have been distributed for good causes, and there was a steady decline between 2005 to 2009. Table 4 presents a disaggregated picture of the performance of the three DAs for the period 2002 to 2009.

Table 4: Breakdown of fund distribution 2002-2009¹¹⁶

| Arts, Culture and National Heritage DA | | | |
|--|-------------------------|------------------------------|----------------------|
| Year | Number of Beneficiaries | Amount allocated (R million) | Percentage allocated |
| 2002 | 742 | 48.1 | 49 |
| 2003 | 220 | 170.7 | 76 |
| 2004 | 287 | 375.4 | 103 |
| 2005 | 265 | 310.4 | 65 |
| 2006 | 192 | 228.8 | 45 |
| 2007 | 117 | 235 | 39 |
| 2008 | 46 | 170.3 | 29 |
| 2009 | 77 | 263.8 | 28 |
| Total | 1 946 | 1 802.5 | 54 ave |
| Charities DA | | | |
| 2002 | 2 254 | 102.8 | 66 |
| 2003 | 1 325 | 344.2 | 94 |
| 2004 | 1 142 | 613.1 | 103 |
| 2005 | 955 | 505 | 66 |
| 2006 | 1 051 | 625.6 | 77 |
| 2007 | 689 | 428.2 | 45 |
| 2008 | 362 | 380.2 | 40 |
| 2009 | 653 | 563.3 | 37 |
| Total | 8 431 | 3 562.4 | 66 ave |

116 In 2002, R99 million was made available for the Miscellaneous Fund and R71.7 million was actually distributed.

| Sports and Recreation DA | | | |
|--------------------------|-------------------------|------------------------------|----------------------|
| Year | Number of Beneficiaries | Amount allocated (R million) | Percentage allocated |
| 2002 | 0 | 0 | 0 |
| 2003 | 407 | 211.1 | 94 |
| 2004 | 389 | 252.4 | 69 |
| 2005 | 750 | 389.2 | 104 |
| 2006 | 795 | 409.6 | 103 |
| 2007 | 55 | 117.7 | 25 |
| 2008 | 613 | 422.4 | 92 |
| 2009 | 139 | 596.6 | 80 |
| Total | 3 148 | 2 399 | 71 ave |

While the Sport and Recreation DA has performed well, the other two DAs have shown a marked decline in both percentage of funds distributed and number of beneficiaries receiving grants. The Arts, Culture and National Heritage DA has been set back by internal tensions and difficulties, some of which are related to the way this DA has been structured, although this is no excuse for its persistent poor performance in respect of disbursing funds. In its eight years, it has only managed to disburse 54% of its allocated funds, making it the least efficient DA. Whatever its internal problems, be they personal or structural, the fact that this DA was not disbursing funds adequately did not appear to ring alarm bells with various Ministers of Trade and Industry. Since the appointment of the new DA, the situation appears to be deteriorating with a decline in percentage distributed but, interestingly, the number of beneficiaries has increased, meaning that smaller grants are being made to a larger number of organisations and projects. The Charities DA, which appears to be one of the better run DAs, has only disbursed 66% of available funds in its eight-year life span. This DA receives the largest amount of applications, is allocated

45% of the NLDTF's funds for disbursement, but has only been able to disburse a fraction of its total budget. Its disbursements have also been on the decrease since 2006 with the Charities DA only being able to disburse 37% of its funds. It is understandable that the Sport and Recreation DA disbursed funds more rapidly in the run-up to the 2010 FIFA Soccer World Cup when South Africa's attention was focused on preparing the country to host this event.

The Chairperson of the Charities DA believes that CSOs add unreasonably to the delay in processing applications:

*'some organisations for instance take up to four months to return the grant agreements, sometimes because their immediate funding need has been solved or because key staff has left the organisation leaving little capacity to implement the Lotteries-approved project. However once the organisation's need for funding re-emerges, the organisation fails to understand that the Lotteries then takes time to process the application after the organisation has delayed the process itself.'*¹¹⁷

She also says that some organisations appear to have a

*'very strong and distorted culture of entitlement from which they simply expect to receive government funding as and when required, without feeling the need to give appreciation back to the government. The Lotteries funding is government funding and the recipients ought to at least acknowledge this and not only take it for granted. There are examples of organisations which year after year receive very substantial amounts in funding from the Lotteries but which do not even mention the Lotteries as a significant contributor in its annual reports or financial statements.'*¹¹⁸

117 Interview with Dr Maitse, 6 August 2010.

118 Ibid.

Dr Maitse said this adds to the sometimes tense relationship between the Lotteries and some parts of civil society. However, some of the tensions between civil society and the NLB could be as a result of components of the NLB, such as the DAs, holding the incorrect view that these funds are government funds when in fact these are public funds which come from the purchase of lottery tickets. The tension is further compounded by the fact that the NLB does not disburse these public funds efficiently.

The head of the Arts and Culture DA says some delays in disbursing funds have been the result of high staff turnover in beneficiary organisations, with the associated loss of continuity, impact and organisational management:

*'there are quite a number of organisations which have unclaimed funding sitting in the Lotteries and when the CAO enquires as to why the funding is not being claimed it appears that the organisations are unaware of the unclaimed funds due to the previously responsible staff member having left without proper handover. This is not only a problem for the organisations (which risk losing out on the funding) but also for the Lotteries as it reflects badly on its ability to disburse funding.'*¹¹⁹

Prof. Ram says another obstacle to achieving a higher disbursement rate is the DAs having to process applications that fall outside what the NLB funds, such as loans or funding for profit-making activities. Even though these applications will always be rejected, they slow down processing because they have to be dealt with in the same way as any other application.¹²⁰

119 Interview with Prof. Jafta, 6 August 2010.

120 Interview, 11 August 2010.

- *Provincial allocations*

Each of the nine provinces is allocated a certain percentage of each DA's budget. The allocation is determined by the Minister, taking into account ticket sales by province, provincial population and the degree of need in each province. The wealthier provinces of Gauteng and the Western Cape have higher ticket sales because they have higher levels of disposable income. Although the figures show these provinces are better off than the others, aggregated statistics hide pockets of poverty in their urban townships, informal settlements and rural areas. A complicating factor from a grantmaking point of view is that CSOs are not evenly spread across provinces. Gauteng, the Western Cape and KwaZulu-Natal have more CSOs than, for example, Limpopo and Mpumalanga.

Gauteng and the Western Cape have the largest ticket sales, followed by KwaZulu-Natal. Table 5 shows the allocation per province in the period 2005–2009 was more in line with ticket sales than financial need.

Table 5: Provincial allocations 2005-2009¹²¹

| | Arts DA R million | Charities DA R million | Sport DA R million | Miscellaneous R million | Total |
|---------------|----------------------|---------------------------|-----------------------|----------------------------|-------|
| 2005 | | | | | |
| National | 76.7 | 78.3 | 139.4 | 0.6 | 295 |
| Eastern Cape | 13.4 | 55.2 | 26.4 | 0 | 95 |
| Free State | 11.5 | 27.1 | 1.9 | 0 | 40.5 |
| Gauteng | 73 | 120.3 | 34.1 | 0 | 227.4 |
| KwaZulu-Natal | 32.7 | 56.6 | 35.4 | 0 | 124.7 |
| Limpopo | 11.2 | 13.6 | 30.9 | 0 | 55.8 |
| Mpumalanga | 0.2 | 21.9 | 9.9 | 0 | 31.9 |
| Northern Cape | 3 | 22 | 20.4 | 0 | 45.4 |
| North West | 8.6 | 17.5 | 41 | 0 | 67.1 |
| Western Cape | 80 | 92.4 | 49.9 | 0 | 222.3 |
| 2006 | | | | | |
| National | 0.8 | 132.2 | 155.6 | 9.3 | 297.9 |
| Eastern Cape | 30.3 | 54.6 | 21.3 | 0 | 106.2 |
| Free State | 2.6 | 29.8 | 37.2 | 0 | 69.6 |
| Gauteng | 94.7 | 165.2 | 49.4 | 0 | 309.3 |
| KwaZulu-Natal | 31.5 | 53.2 | 20.4 | 0 | 105.1 |
| Limpopo | 5.9 | 17.1 | 26.7 | 0 | 49.7 |
| Mpumalanga | 4.3 | 22.3 | 11.6 | 0 | 38.2 |
| Northern Cape | 11.6 | 15 | 23.4 | 0 | 50 |
| North West | 2.8 | 45.5 | 35.5 | 0 | 83.8 |
| Western Cape | 44.3 | 90.7 | 28.5 | 0 | 163.5 |

121 Source: Louw and Ronald-Louw, 2008: 27 and NLB annual reports for 2008 and 2009.

Table 5 cont.: Provincial allocations 2005-2009

| | Arts DA R million | Charities DA R million | Sport DA R million | Miscellaneous R million | Total |
|---------------|----------------------|---------------------------|-----------------------|----------------------------|-------|
| 2007 | | | | | |
| National | 8.9 | 87.9 | 67.2 | 34 | 198 |
| Eastern Cape | 8.4 | 37.2 | 5.1 | 0 | 50.7 |
| Free State | 1.7 | 14.9 | 0 | 0 | 16.6 |
| Gauteng | 127.4 | 112.7 | 21.8 | 0 | 261.9 |
| KwaZulu-Natal | 26.3 | 47.8 | 3.7 | 0 | 77.8 |
| Limpopo | 7.3 | 15.9 | 5.3 | 0 | 28.5 |
| Mpumalanga | 7 | 27.1 | 3.4 | 0 | 37.5 |
| Northern Cape | 2.4 | 16.5 | 3.1 | 0 | 22 |
| North West | 6.7 | 11.1 | 3.2 | 0 | 21 |
| Western Cape | 38.9 | 57.1 | 4.9 | 0 | 100.9 |
| 2008 | | | | | |
| National | 11.5 | 146.4 | 126.9 | 0 | 284.8 |
| Eastern Cape | 13.1 | 8.5 | 25.8 | 0 | 47.4 |
| Free State | 0 | 0 | 38.4 | 0 | 38.4 |
| Gauteng | 62.4 | 38.5 | 43.8 | 0 | 144.7 |
| KwaZulu-Natal | 30.8 | 95.5 | 31.6 | 0 | 157.9 |
| Limpopo | 16.8 | 4.3 | 24.8 | 0 | 45.9 |
| Mpumalanga | 15 | 25.9 | 33 | 0 | 73.9 |
| Northern Cape | 0 | 7 | 30.4 | 0 | 37.4 |
| North West | 0 | 37.8 | 18.6 | 0 | 56.4 |
| Western Cape | 20.7 | 16.3 | 49.1 | 0 | 86.1 |
| 2009 | | | | | |
| National | 46.6 | 41.8 | 376.9 | 1.0 | 466.3 |
| Eastern Cape | 36.1 | 63.9 | 17.4 | 0 | 117.4 |
| Free State | 9.3 | 36.6 | 17.1 | 0 | 63 |
| Gauteng | 41.8 | 224.9 | 105.1 | 0 | 371.8 |
| KwaZulu-Natal | 19.3 | 12 | 19.7 | 0 | 51 |
| Limpopo | 3.1 | 36.5 | 2.7 | 0 | 42.3 |
| Mpumalanga | 18 | 7.9 | 7.9 | 0 | 33.8 |
| Northern Cape | 2.5 | 15.8 | 8.9 | 0 | 27.2 |
| North West | 8 | 13.8 | 20.1 | 0 | 41.9 |
| Western Cape | 79.1 | 112.1 | 20.8 | 0 | 212 |

In this period, Gauteng, Western Cape and KwaZulu-Natal have been the top three provinces in terms of the size of total disbursements, except in 2006 and 2009, when the Eastern Cape made it into the top three. The poorer provinces have received considerably less, even though their lack of infrastructure and organisational capacity means they have a greater need.

The amount allocated to national organisations over this period has been larger than the allocation to any single province in every year except 2007. In 2009, when DA funding allocations were at an all-time low, national organisations received more than twice the amount allocated to the Western Cape.

The NLB has recognised that the section of the Lotteries Act that requires the provincial distribution of funds to be linked to the sale of tickets is not addressing the needs of poorer, less well-resourced provinces. It has therefore proposed that the Act be amended to direct the Minister to take provincial and local interests into account (Louw & Ronald-Louw 2008: 63).

According to the head of the Charities DA, the imbalance in provincial allocations is a result of the majority of applications coming from organisations in Gauteng, Western Cape and KwaZulu-Natal. This, she feels, is partly because:

- these provinces have the highest population density;
- many national NGOs have their head offices in one of these provinces; and
- there is an imbalance in the access to funding in general.¹²²

¹²² Interview with Dr Maitse, 6 August 2010.

At present, the National Lottery tends to fund already strong and well-established NGOs.

*'Many of the traditionally strong and well-established NGOs stem from the Dutch Reformed Church and many are still very dominated by white people. There is therefore still not a good enough reflection of the racial composition of the population in South Africa in the applications received by the NL. This picture becomes even more distorted if one looks at the successful applications.'*¹²³

Dr Maitse said the Charities DA has very little scope to actively rectify this issue, as the Agency has been given 'the very reactive role of assessing and deciding on received applications'.¹²⁴ In her view, it is necessary that the Minister, who carries overall responsibility for the distribution of Lottery funds, makes a concerted effort to make the funds more accessible to the previously and still disadvantaged part of the population.

Prof. Jafta believes that the poor provinces do not have easy access to knowledge and information and the media should be used to spread knowledge about the Lotteries so that all provinces can get its fair share of the funds.¹²⁵ The road shows intend to achieve this objective.

¹²³ Ibid.

¹²⁴ Ibid.

¹²⁵ Interview, 6 August 2010.

There are three key problem areas in respect of National Lottery's grantmaking function.

1. The autonomy of the DAs means that they are not held up to scrutiny by anyone. Although they are required to report to the Minister, these meetings are not scheduled regularly and seldom take place at any time. The SAEP case has established that the DAs are committees of the NLB, that they are appointed by the Minister and remunerated by the NLB, and that their powers are limited to adjudicating grant applications and suggesting conditions on grants. *The recommendation made by the CEO and COO and agreed to by the Chairpersons of the three DAs has been to employ the DAs on a full-time basis. This is expected to alleviate delays in adjudicating funding proposals and will facilitate issuing more than one call for proposals a year.*
2. Delays in the application process have been partly due to problems in the CAO, including poor process management and a lack of skilled staff. The judge in the SAEP case expressed strong criticism of NLB's management of its grantmaking. *The head of the CAO has initiated systems within the CAO to streamline the process. The appointment of sector teams is a positive step towards streamlining the process and holds potential for each DA to be served by staff with specialised knowledge of the sector. However, the head of the CAO should consider what can be done to retain staff, build their skills and knowledge, and find ways to improve their knowledge of the sectors they are working in.*
3. The disconnected way in which the various grantmaking mechanisms function has caused problems in their planning and implementation. The fact that NLB staff members provide support to both the grantmaking as-

pect and the gambling aspect of the Lottery is causing delays in both functions. The Compliance and Finance divisions operate independently of the CAO and they play a critical role in the grantmaking cycle which falls outside the control of the CAO. Further compounding the lack of co-ordination is the fact that the DAs operate autonomously. *The SAEP judgment has determined that an application for funding to the NLDTF is an administrative action and is therefore subject to the provisions of the Promotion of Administrative Justice Act. The NLB has already put timeframes in place in respect of communicating decisions on grant applications and on grant disbursements, but adherence to these timeframes requires a high level of collective planning and inter-departmental co-ordination.*

The CEO, the CAO and the chairpersons of the DAs are in favour of providing support for the development of specialist staff members who are knowledgeable about the sector they work in and feel passionately about its issues. It is possible that sector-specific staff may also do site visits in future.

A widely-held opinion expressed in interviews was that there is too much distance between the Minister of Trade and Industry and the NLB. This might be seen as positive in that the Minister does not exert political influence over the Board and its decisions. However, as long as the DAs report to the Minister and seldom have meetings with him, they are not being held accountable for their part, hampering the effective disbursement of Lottery funds. The fact that the use of NLDTF moneys in the Miscellaneous fund is subject only to the discretion of the Minister of Trade and Industry, in consultation with the Minister of Finance, is a matter of serious concern. Another problem is locating the grantmaking function of the NLB in the Department of Trade and Industry where it is a low priority.

4.5 Civil society's experiences of the NLB

4.5.1. Description of applicants for National Lottery funds

Of the 226 organisations covered in this survey, 183 organisations (or 81% of the total sample) applied to the Lottery for funding. The majority of funding applications to the Lottery were for longer term projects (55%) or projects of 7–12 months in duration (36%). Only 6% of applications were for one-off events. The bulk of applications were seeking Lottery support to complement other sources of funding. Of all of the applicants to the Lottery, only in 18% of cases was this the only source of funding sought.

Eighty percent of applications came from organisations in four sectors, with the biggest share coming from welfare and charity organisations (36%), followed by education and training organisations (17%), human rights, advice and support organisations (16%), and those working in heritage, arts and culture (11%). The distribution of organisations by sector is shown in figure 8.

As indicated in figure 9, almost 55% of all applicants come from the Western Cape and Gauteng (30% and 24% respectively). A further 35% of applicants come from the Eastern Cape (12%), Limpopo (9%), and KwaZulu-Natal (14%). The remaining 11% come from Mpumalanga, North West, Free State and the Northern Cape.

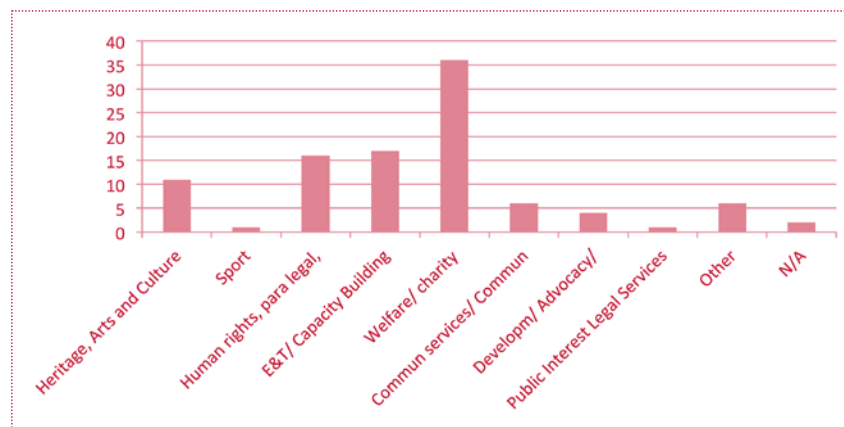


Figure 8: Sector in which applicant organisations work

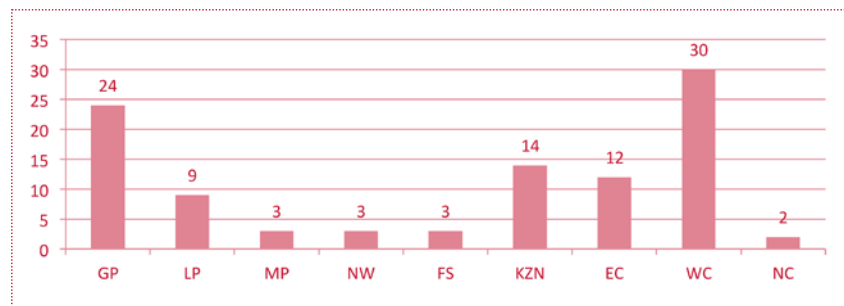


Figure 9: Provincial distribution of applicants

4.5.2. CSOs' experiences of the application process

Of the organisations that applied for National Lottery funds, 31% of these were successful in all of their applications, and a further 42% successful in some of their applications. As indicated in figure 10, 21% were unsuccessful in all of their efforts. Four percent of organisations noted that they had only recently applied, and had not yet been informed as to whether their applications were successful or not. Two percent of the 183 organisations provided no response to this question.

Approximately 25% of Gauteng and the Western Cape organisations were successful in all of their applications (figure 11). In KwaZulu-Natal the figure stood at just under 20% of applicants. In the remaining provinces the figure was much lower. A similar trend was evident in relation to organisations that have been successful in some of their applications.

As indicated in figure 12, organisations working in the welfare and charity sector were by far the most successful with just over 40% of organisations being successful in all or some of their applications. This may be accounted for by the fact that 45% of NLDTF funds are allocated to the Charities DA. The heritage, sport, human rights, and education and training sectors trail far behind.

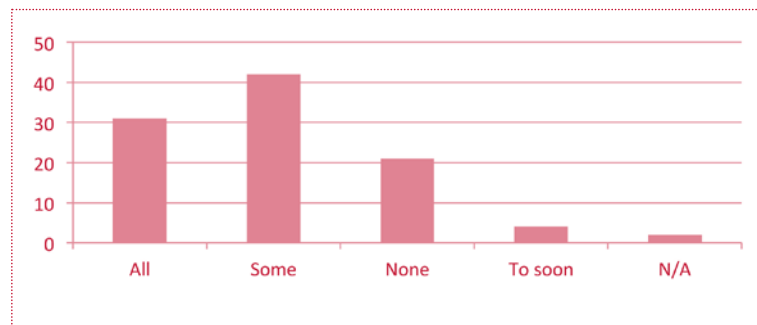


Figure 10: Outcome of applications to the Lottery

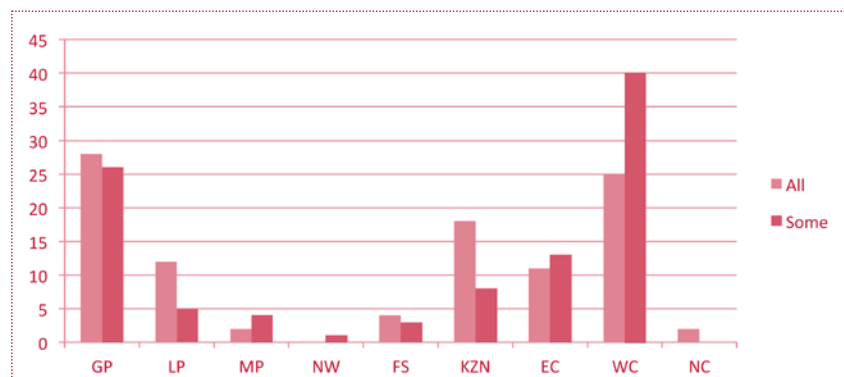


Figure 11: Provincial distribution of successful applicants

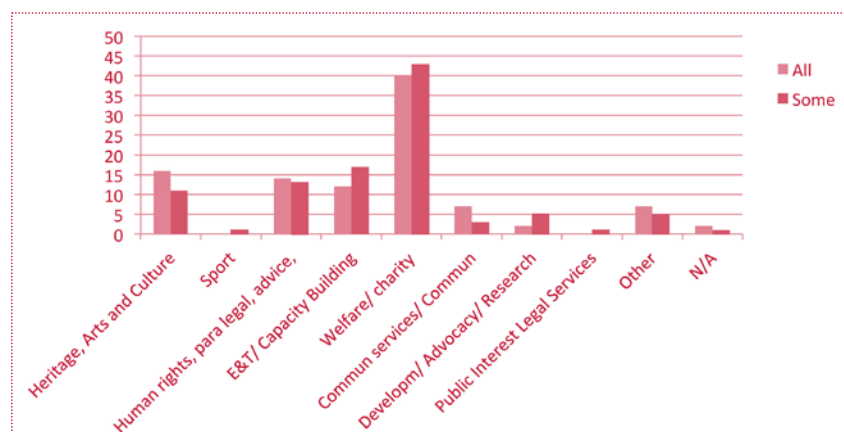


Figure 12: Sector in which successful applicants work

Of the organisations that were successful in all of their applications, almost 50% operate at a local level (figure 13). The rest of the organisations that have been successful in all of their applications are split between national organisations and provincial organisations.

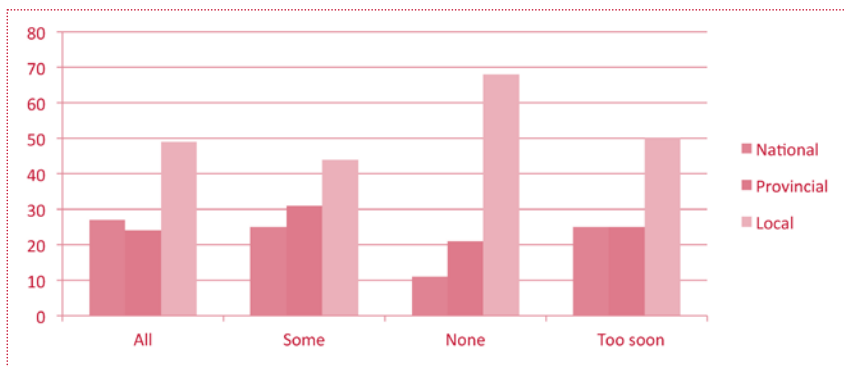


Figure 13: Organisations which have been successful in all applications, disaggregated by scale of operation

Local organisations seem to be at a disadvantage compared to national organisations. Although a significant percentage of organisations that were successful in all or some of their applications operated locally, almost 70% of organisations whose applications were unsuccessful operate locally. By contrast, national organisations only made up 10% of those which had been unsuccessful. Almost 40% of national organisations that applied for Lottery funding were successful in all applications and almost 50% were successful in some of their applications. Only 10% of national organisations were unsuccessful in all applications. This might mean that the Lottery is biased towards national organisations, or it may simply be a consequence of national organisations being better resourced to write successful funding proposals.

Just over 60% of applicants found the application process to be easy or of medium difficulty (figure 14). Twenty seven percent of applicants found the process to be difficult and just over 10% found the process very difficult.

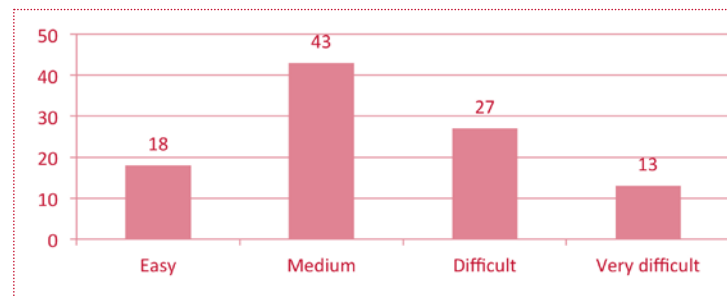


Figure 14: How difficult is the application process? (All applicants)

However, if this is disaggregated by the level of success (figure 15), less than 10% of organisations that have been successful in all or some of their applications found the process very difficult, as compared to close to 30% of organisations that have been unsuccessful on all occasions. Between 40% and 50% of organisations that have been successful in all or some applications found the process easy as compared to just over 30% of organisations that have been unsuccessful on all occasions.

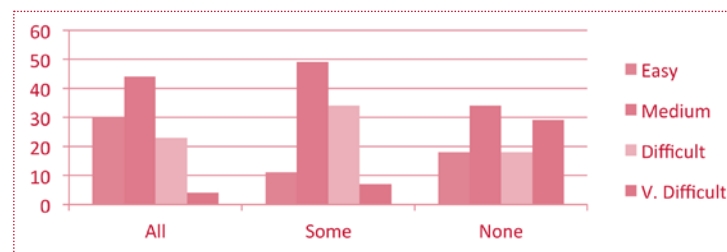


Figure 15: How difficult is the application process? (By level of application success)

Organisations that were interviewed said that they accessed application forms either from the NLB website or asked the call centre to post or e-mail application forms. Application forms accessed by both means were accompanied by guidelines for completing the forms. Smaller, under-resourced organisations with no internet access found accessing application forms from the website to be difficult. Some of these organisations requested the forms telephonically and found that it took the NLB a minimum of two weeks to fax through the forms and guidelines. This delay put these applicants at a disadvantage because the NLB works on a first-come first-served basis.

Organisations were split in their views as to whether the guidelines were useful or not. Some felt that the guidelines were easy to understand but those whose applications were unsuccessful in spite of using the guidelines disagreed. The standard, generic nature of the guidelines was also problematic for some organisations who felt that the guidelines ‘had not been adapted to take into consideration the specifics of the field in which funding is sought’.¹²⁶ Some organisations felt that the language was too technical and difficult to understand and said that making the guidelines available only in English disadvantaged people whose first language is not English, particularly people in rural areas. Some expressed the view that the guidelines failed to indicate what the criteria for a successful application were and ‘the manner in which the guidelines are phrased makes it difficult to get a proper grasp of what the NLB requires in an application’.¹²⁷

¹²⁶ Interview, 19 May 2010.

¹²⁷ Interview, 20 May 2010.

Some organisations which had experienced difficulty in completing the Lottery application forms contacted the call centre. Some of these had positive experiences of the call centre, and reported receiving good and useful advice. One stressed the importance of forming relationships with people at the call centre:

‘We found the call centre staff helpful, especially where a relationship has been built with a specific call-centre employee... Otherwise you end up speaking to a number of different people every time you call... One of these employees with which a relationship has been created has even gone to the trouble of calling the director to update her on the progress of an application. The call centre can assist with administrative issues but cannot provide assistance when it comes to content matters.’¹²⁸

However, some organisations had very different experiences with the call centre. One said:

‘We tried to get assistance from the call centre but have several times been urged to travel to the call centre in Pretoria because the call centre person was unable to help over the phone. Our co-ordinator has on a number of occasions travelled to Pretoria to move an application forward... to hand in an application to make sure documents were not lost... to get a reference number.’¹²⁹

Another organisation said that the structure of the NLB is a problem because applicants are only allowed access to unhelpful call centre staff, and there is no access to anyone who adjudicates applications.¹³⁰

¹²⁸ Interview, 25 May 2010.

¹²⁹ Interview, 26 May 2010.

¹³⁰ Interview, 20 May 2010.

The opinion was expressed that the call centre staff are not able to offer specialised advice on specific funding focus areas as:

*'they are supposed to be generalists and able to help everybody who calls; instead, they don't seem to be able to offer much help at all.'*¹³¹

From the in-depth interviews, most of the organisations that had applied to the NLB for funding found the application forms easy to access and to complete, but frustrations were expressed around the cumbersome nature of the application form:

*'The application form is awful to work with as it is not possible to save the file on your computer with the edits you have made. This means that you have to print each section every time you have made edits and you have to start all over again if you want to make additional edits. The application form is easy to access but extremely time-consuming and frustrating to work with.'*¹³²

One organisation interviewed had positive experiences with the application process saying that it required a medium level of effort. It approached the first application process as a learning process and, now that they have experience in filling in the forms, it has become easier. Because this organisation knows what information is required, it has the information on hand, and this has made the application process easier. It received a funding grant from the Lottery every year between 2002 and 2007.¹³³

131 Interview, 4 June 2010.

132 Interview, 4 June 2010.

133 Interview, 20 May 2010.

One of the organisations interviewed made the following observation in respect of its applications to the Arts, Culture and Heritage DA:

*'The form is generic and is not adapted to the realities of the specific fields from which projects are called for. Some of the development outcomes requested by the NLDTF [NLB] cannot be transposed to the visual arts industry... this means that the information in the proposals is not as detailed, precise and relevant as it should be if the application requirements had been adapted to the specific categories of projects called for.'*¹³⁴

One organisation spoke about its anxiety around filling in application forms:

*'The NLDTF [NLB] form and the guidelines are ambiguous in some sections but you get conflicting responses when you call the call centre for clarification. The applicant, on the other hand, is worried about filling in the form incorrectly as this could lead to a rejection...'*¹³⁵

Organisations that found the application form easy or requiring medium effort spent up to a week filling in the form, indicating that the cumbersome nature of the form was more time-consuming than it was difficult. For under-resourced organisations, it took up to a month to complete the application form.

*'...it seems unnecessary to require from organisations to repeatedly submit standard documents that do not change over time such as trust documents. Does the NLDTF [NLB] not keep a file on us, given that we have received numerous grants over the years?'*¹³⁶

134 Interview, 20 May 2010.

135 Interview, 4 June 2010.

136 Interview, 26 May 2010.

Of all of the organisations that applied to the Lottery, over 50% were required to submit additional information (figure 16). In about a quarter of the cases this was information that the organisations had already submitted.

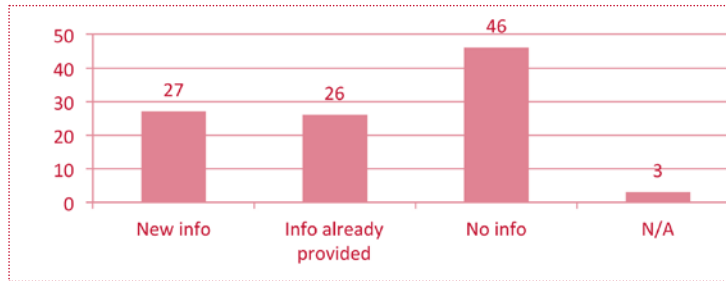


Figure 16: Organisations required to submit additional information

4.5.3. Screening and processing of applications

While 40% of applicants received an application number within 2–6 months of submission, one quarter of applicants only received application numbers within 7–12 months, and a further 16% in 12 months or more (figure 17). Almost 10% did not receive an application number at all.

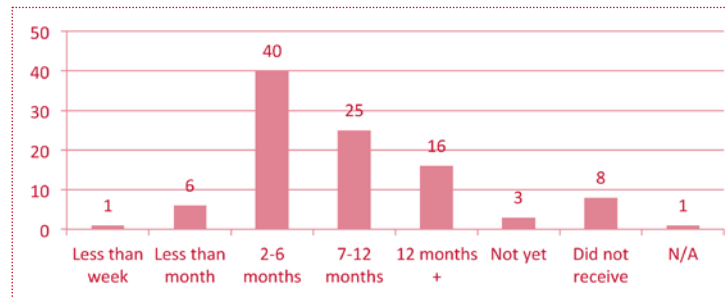


Figure 17: Time taken to receive an application number

Following receipt of an application number, in over 65% of applications it took a further seven months or more to receive a decision from the Lottery on whether the application was successful or not (figure 18). Less than 25% of applicants received notice of a decision in less than six months.

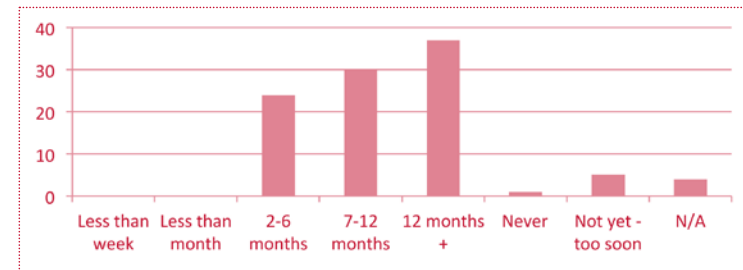


Figure 18: Time taken for communication of a decision after receipt of application number

From the organisations interviewed, it was found that in some cases organisations received acknowledgement of receipt between one and three months after submitting an application and waited the same amount of time to receive a reference number. However in some cases organisations have waited up to 12 months and more for a reference number and some have not received one at all.

‘Sometimes the process of getting a reference number is very quick but in some instances it has taken more than a year... In November 2008 we put in an application for Charities funding in response to a call for proposals. Despite follow ups, the organisation received no news for one and a half years. In April 2010 it received a letter from the NLDTF [NLB] saying it had been granted R8 million of the R20 million it had asked for.’¹³⁷

Some organisations that have been applying to the NLB for many consecutive years have found that since 2007, there has been a deterioration in the Board’s response time. One organisation that had received National lottery funding between 2002 and 2007 reported that there has been a long delay in its most recent application. Another organisation received a quick response to its application in respect of the NLB’s special FIFA Soccer World Cup call for proposals in 2009, but reported delays in formalising the grant agreement.¹³⁸

¹³⁷ Interview, 28 May 2010.

¹³⁸ Interview, 20 May 2010.

Box 2: A FIFA Soccer World Cup application

The NLB published a call for proposals during the 2nd quarter of 2009 for projects related to the 2010 FIFA World Cup. Considering the normal NLB response time, the call was published very late, giving applicants very little time to put their proposals together as well as to implement the proposed activities if their applications were successful. In July 2009, our organisation submitted a proposal for project funding. Building on our experience with the NLB, we included two timelines for the implementation of the project: one if the funding were to be made available in September 2009, and another if funding were only to become available in November 2009. The two timelines were included to give the NLB an indication of the consequences of taking a long time to make its decision. Within two months we received a reference number. This was quick, compared to our two previous experiences of applying for National Lottery funding. As September 2009 was approaching we followed-up telephonically to make the NLB aware that it would have a serious impact on the project if implementation could not start in September 2009. We were asked to wait. In November 2009 we received a letter from the NLB with a request to provide more detail in our budget. We provided the requested detail the same day. We made regular follow up telephone calls to the NLB to emphasise that the proposed project needed sufficient time for implementation prior to the start of the World Cup. If the funds could not be granted by November 2009 the project, as it had been proposed, could not be implemented successfully. In the months following, we made follow-up calls to the NLB, only to realise that the urgent information we had provided in November 2009 had not been logged on the system. In March 2010 we received a confirmation from the NLB that our organisation had been granted nearly R2 million, 100% of the funds requested. We received, signed and returned a set of grant agreements. The payment was to be made in two tranches, and we would have to submit quarterly reports. Within three weeks of having submitted the grant agreement, we received the first tranche of R1.5 million. The five deliverables which we proposed in our original project proposal had been included in the grant agreement and we therefore had to deliver on the full set of deliverables, even though the timeline had been pushed out by several months due to the NLB’s tardiness in approving the project. Our plan is to implement the project as fast possible without jeopardising the quality, but the project will not be finalised by the end of the World Cup. We will have to continue implementation into the second half of 2010, after the tournament has ended, so that all the funding can be spent this year.

The survey revealed that 90% of applicants followed up their applications with the NLB (figure 19) with varying degrees of success. Approximately 50% of applicants had a positive experience of follow up, with 10% receiving a good response on making contact, and just under 40% being promised a response and receiving one. However, almost 50% of applicants did not receive satisfactory service. Almost 40% were promised a response but did not receive one, and in just over 10% of cases the telephone was not answered.

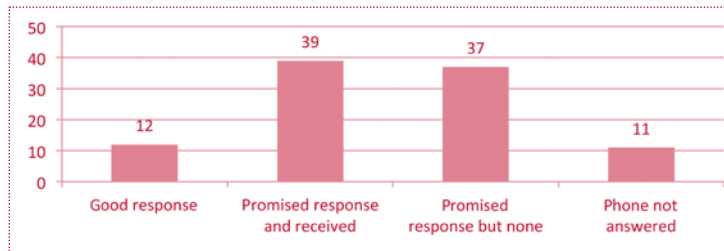


Figure 19: Lottery response to applicants following up on progress with proposals

Some organisations expressed frustration with the NLB’s lack of response to their applications and the fact that they had to follow up several times with the call centre. Many organisations that tried to follow up were dissatisfied with the response received:

‘We do try to follow up as the process becomes drawn out without any news. Our application covers January to December 2010 yet by late May we don’t know what is going on. Sometimes there is [even] no answer when we call. And no returned calls when we leave messages. This is frustrating and high maintenance processes even before we get the funds.’¹³⁹

139 Interview, 19 May 2010.

Organisations interviewed expressed the view that the NLB is disconnected from civil society and the whole application process can be alienating and daunting. One of the organisations noted that there was no willingness on the part of the NLB to engage with applicants from the point of submitting an application to the point of the grant agreement being signed.

‘This unwillingness and disinterest of the NLDTF to engage gives the Fund an air of “high-handedness”.’¹⁴⁰

4.5.4. Disbursement of funds

Where organisations were successful in their applications, in just over 50% of cases the first disbursement of funds was received within 2–6 months (figure 20). In approximately 40% of cases disbursement of funds took between 7–12 months or more than a year to materialise.

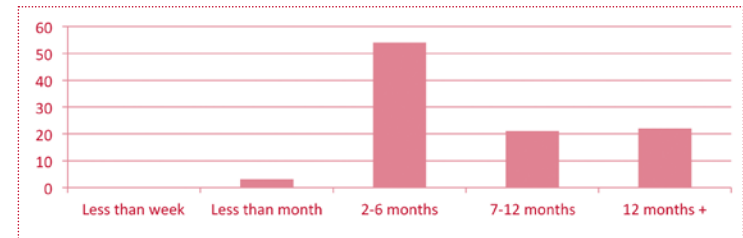


Figure 20: Time taken for funds to be disbursed after a successful application

What is clear from the data on timeframes for processing applications is the fact that in most cases it takes the NLB over a year to process applications. This impacts negatively on the ability of organisations to plan and implementation work, and undermines the sustainability of CSOs.

140 Interview, 28 May 2010.

Many of the organisations that were interviewed had applied to the NLB for large sums of money, ranging from R500 000 to R20 million. Whilst some of the organisations' funding applications were to support the running costs of projects and programmes, including the salaries of people running the programmes or projects, others applied for top-up funds. Some applied to the NLB for funding for a one-off event. Most of the well-resourced organisations have diverse sources of funding whilst the small, under-resourced organisations relied on the National Lottery for up to 90% of their funding. Those that rely heavily on the National Lottery for funds or who have been affected by a decline in international and corporate funding see the NLB as a key local donor that 'could provide steady funding to sustain the organisation'.¹⁴¹

141 Interview, 20 May 2010.

The delays in funding have sometimes been caused by the NLB losing documents and having to request the resubmission of lost documents. The implications of delays in disbursement of funds from the NLB has meant that organisations have had to dig into their reserves to support the organisation,¹⁴² others have lost staff,¹⁴³ some have had to suspend their programmes,¹⁴⁴ whilst for all the organisations, the anxiety of insecure funding has been debilitating, with some organisations considering shutting down. One university department has had an extremely bad experience (box 3). However, despite the time-consuming and at times frustrating and cumbersome application process, 95% of organisations that had applied for Lottery funds said that they would apply again.

142 Interview, 28 May 2010.

143 Interviews held on 20 May 2010, 25 May 2010 and 26 May 2010.

144 Interviews held on 18 May 2010 and 27 May 2010.

Box 3: One university's experience of seeking National Lottery funding for student bursaries¹⁴⁵

The university responded to an Arts, Culture and Heritage DA call for proposals in 2005 by submitting an application for bursaries for drama students in 2005/06. In 2006 the university received confirmation from the NLB that the project had been approved. The grant agreement number and grant documents were sent to the university, and these were duly signed and returned.

In June 2007 the university received a telephone call to say that there was 'an outstanding issue'. In August 2007 the NLB told the university it could not find the signed grant agreements. A second set of grant agreements were signed and submitted in 2007. No funds were forthcoming, despite university follow up. In 2008 the university submitted a third set of grant agreements because the NLB said it could not find the first or second set of signed grant agreements. The grant officer who had been dealing with the project left in 2008 which added to the uncertainty about the status of the grant agreement and who in the NLB was dealing with the matter. In 2009 the university was requested to redo the budget, twice. It was also asked to submit a cancelled cheque to verify the university's bank account details. The NLB then sent a fourth set of grant agreements, but to the wrong department. When the fourth set of agreements finally arrived in the correct department, the university signed the documents and submitted them to the NLB. After follow-ups in March and May 2010, the university was informed that the documents were being prepared for payment, but it has still not received any funds. Four different NLB grant officers have been involved in the handling of the proposal so far.

The result of the NLB's administrative bungles is that the bursary project has never been implemented. The 2005/06 budget of R426 000 was prepared in 2005 but the NLB still expects the university to deliver the same outcomes despite the fact that several years have elapsed and costs have increased. Two other university applications submitted to the NLB have been rejected on the grounds that it has not received a report on the drama bursary project, and on the grounds that the project documents were not included in the applications. The university has appealed, after having informed the NLB on numerous occasions that the funds are yet to be received, but this has made no difference. At one stage NLB records showed that the grant had been paid to the university but this is not the case. Due to the administrative setup at the NLB, it seems impossible to raise these issues with anybody who is in a position to sort out the problem.

145 Interview, 19 May 2010.

4.5.5. Reporting processes

The majority of successful organisations (86%) found the narrative reporting process easy or of medium difficulty (figure 21). Only 12% of successful applicants found narrative reporting difficult or very difficult.

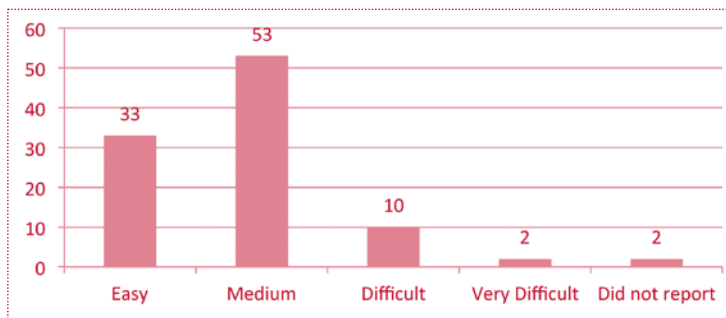


Figure 21: Grantee experiences of narrative reporting

Eighty percent of successful applicants found the process of financial reporting easy or of medium difficulty (figure 22). Only 18% found the process difficult or very difficult.

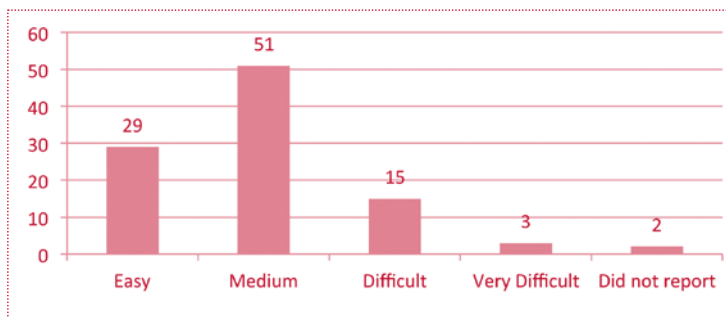


Figure 22: Applicant experiences of financial reporting

Some of the organisations interviewed felt that the reporting requirements of the NLB were reasonable or easy to comply with. However, organisations spoke about the lack of feedback from the NLB on their reports:

‘submitting the report to the [NLB’s] requirements is just one step in a complicated set of steps which remain obscure... but which affects the length of the [payment] process.’¹⁴⁶

4.5.6. Rejection of proposals and appeals

With respect to organisations that were unsuccessful in their applications, 88% sought to find out the reasons for the rejection of their proposals. In 28% of cases the Lottery claimed that necessary documentation was not submitted when in fact it had been (figure 23 overleaf). This was substantiated by interviews. Some of these organisations that had their applications rejected were told that their applications were missing audited financial statements, organisational constitutions or project documents, even though they had submitted these. Applications were thus rejected by the NLB for reasons related to the Board’s own inefficiency and poor administration. One problem raised was that when applications were physically handed in to the NLB, organisations are given an acknowledgement of receipt for the application form, but not for the supporting documents. Another problem is the fact that there is high staff turnover in the Central Applications Office, making it difficult for organisations to track the progress on their applications and supporting documents.

¹⁴⁶ Interview, 27 May 2010.

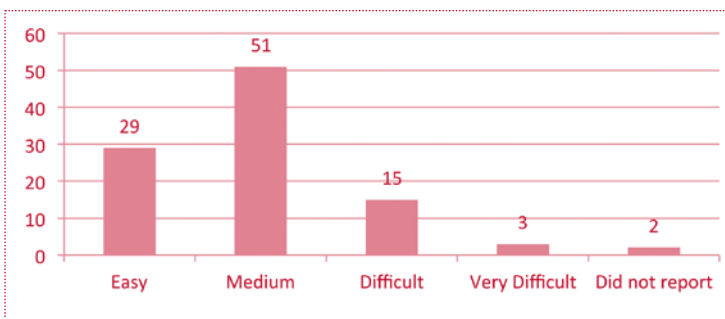


Figure 23: Reasons for rejection

A substantial number of organisations (46%) were given a range of other reasons for why their applications were rejected. The most common reason was that organisations had not submitted audited financial statements. Organisations described the NLB's reasons for rejections as illogical, for example rejecting an old application, or stating that the organisation did not qualify for additional funds because it had not reported on its previous grant when that grant was still operational only because the NLB had delayed the payment. One organisation's application was rejected because the NLB said that it had a problem with the organisation's accountability structure and the fact that operational staff were part of its management.¹⁴⁷ This, the organisation said, was untrue because there were only three staff members in the main office of the organisation and the operational staff members were out in the rural areas of KwaZulu-Natal.

¹⁴⁷ Interview, 20 May 2010.

Fifty four percent of organisations whose applications were rejected appealed the NLB's decision. The appeal process is, however, very lengthy with the process taking longer than a year in more than half of the cases (figure 24). The NLB told one organisation its appeal was delayed because 'there [were] not enough appeals to bring the Oversight Committee together.'¹⁴⁸ Its appeal was finally rejected by the NLB with no explanation. Over 80% of organisations which appealed expressed their dissatisfaction with the outcome of their appeals.

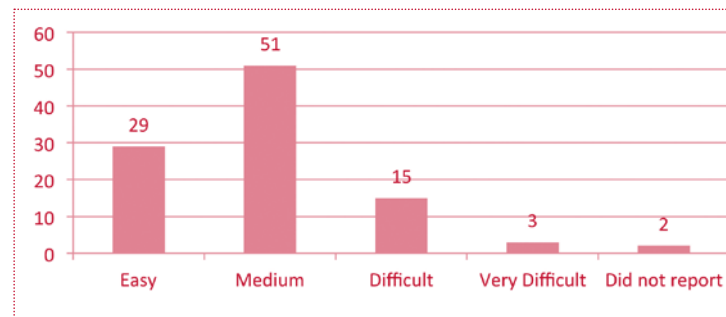


Figure 24: Duration of appeals process

One well-established NGO with several donors on its books put in a proposal to the NLB and was turned down. Despite appealing the rejection, the organisation was turned down again for same reasons as were given the first time (box 4).

¹⁴⁸ Interview, 4 June 2010

Box 4: Rejection, appeal, rejection for the same reason¹⁴⁹

In 2004 our organisation put in an application in response to a call for proposals. The proposal was developed in collaboration with Department of Social Development (DSD) in Mpumalanga, KwaZulu-Natal and North West. The departments identified three communities where we could do capacity building and training of rural youth organisations. We made sure that the communities in all three sites were on board and had participated in the development of the project proposal.

The NLB rejected our proposal on the grounds that the core objectives named in our trust deed were not in line with the focus of the proposal, and because a signature was missing from one page in the submitted documentation. In our appeal, we explained that our board was busy updating the trust deed from 1994 to ensure that the deed reflected our core activities. While updating the trust deed, the Trust had been requested by the authorities to update its tax exemption status. The process of formally amending the trust deed had to wait for this tax exemption process to be finalised. Due to a backlog at the SARS Tax Exemption Unit, this was taking longer than expected. Our appeal included excerpts from the new trust deed which was still being processed by the Tax Exemption Unit to show that the deed was indeed being updated. One year after having lodged our appeal, the NLB rejected the appeal again on the same grounds.

In 2006 we submitted another project-specific application to the NLB. The Trust had in the meantime hired a previous employee of the NLB who regularly checked on the status of the application. This way we heard through the grapevine that the 2006 proposal had been rejected due to one signature missing in one of the supporting documents in the application. There were also rumours that the proposal was rejected because the NLB was under the impression that the Trust was a profit-making entity, despite the NPO certificate having been submitted as part of the application. In 2007 our Director requested a meeting with the NLB in an attempt to move the application forward. During the meeting the Director was informed that the NLB was experiencing certain difficulties with Board members which slowed down the processing of applications. The Director has had no feedback from the NLB since that meeting.

149 Interview, 24 May 2010.

One organisation took the extreme step of taking the NLB to court to get its grant paid (box 5).

Box 5: The Johannesburg Festival Orchestra takes the NLB to court⁵⁰

150 Interview, 24 May 2010.

- November 2004: The Johannesburg Festival Orchestra submitted an application for National Lotteries funding in the amount of R6 million. The essence of the proposal was a request for funding for a series of children's concerts which targeted previously disadvantaged communities and identified ten black South Africans for training as professional orchestra musicians.
- February 2005: The Director called the NLB to follow up on the application as he had not had an acknowledgment of receipt. He was informed that the application did not have a reference number yet, but he would be informed shortly. Within a week the Orchestra received a letter with the reference number.
- July 2005: The organisation received a set of grant agreements informing it that the NLB had granted the full amount of R6 million.
- August 2005: The organisation signed and returned the set of two grant agreements to the NLB as requested. The grant agreement which was supposed to be signed by the NLB was never returned.
- September 2005: The Orchestra received a letter from the NLB informing it that a representative of Ernest & Young would do a site visit. The representative made a visit and the organisation was requested to increase the number of financial signatories from two to three, which it immediately did. The NLB also required a cancelled cheque to verify the organisation's bank account details. This was a challenge as the organisation did not make use of cheque payments. The representative from Ernest & Young signed off on the visit and the organisation was informed that all was in order. No formal NLB feedback was received during the remaining part of 2005.
- 2006–2007: The organisation sent letters to the NLB every three months to follow up on the grant. The NLB had not provided a signed grant agreement and no payment had been received. The Director heard a rumour that the delay was being caused by the NLB's belief that the organisation was not a Section 21 company, despite it having submitted its registration certificate as part of the application documentation. The organisation was never formally informed by the NLB about these concerns, or any other concerns. It also heard from one of the operators in the NLB call centre that the Arts Distribution Agency would contact the organisation to obtain full audited accounts for the 'previous grants from the NLB', despite the fact that it had not received any funding from the NLB before. The organisation sent a letter to the NLB to clarify these issues but did not receive a response.
- July 2008: The Director called Marjorie Letoaba, Manager in the Central Applications Office, who informed him that the grant had been rejected, despite the fact that it was initially approved and that the organisation had returned the signed grant agreements. No reasons were given for the rejection apart from the fact that the application had been re-adjudicated and rejected. This information put the organisation under great strain as it had been waiting to receive the full grant from the NLB and had signed grant agreements to this effect. The Orchestra identified a lawyer who was willing to take the NLB to court. The Director had to take a bond out on his private property to pay for the case, knowing that there was no guarantee that the organisation would win.
- June 2008: The organisation's lawyer approached the court to book a date. The earliest available high court date was in September 2008. During this time the NLB sent a new grant agreement to the organisation for the amount of R3 million. The grant agreement included conditions not included in the original grant agreement for R6 million, namely that the payments would be done in stages and that the payment could not be used to cover lawyer's fees. The organisation refused to sign the amended grant agreement.

Box 5 cont.: The Johannesburg Festival Orchestra takes the NLB to court

- 15 September 2008: An out-of-court settlement for R3 million was reached on the day of the court case. A court order was issued demanding that the NLB pay the organisation the full amount of R3 million by no later than 15 October 2008. No grant agreements were signed so the only documentation that described the terms and conditions for the R3 million was the court order.
- 15 October 2008: No funds were received from the NLB despite the court order. The lawyer acting on behalf of the organisation (who was also waiting for payment from the organisation which it could only pay once the funding had come through) arranged for all the NLDTF bank accounts to be frozen on the grounds that the NLB was in breach of the court order. All the Fund's bank accounts were frozen for two days and only then was the payment made.
- 2009–2010: The R3 million was spent on children's concerts in 2009–2010 and the Orchestra provided reports (both financial and technical) to the NLB, including a DVD of the concerts.

4.6 Concluding comments

NLDTF application forms are generally considered to be easy to fill in and the supporting documents required are standard, but applicants' problems begin once applications have been submitted. There have been delays in providing receipts, reference numbers for submitted applications sometimes taking up to a year, and further delays in adjudicating applications. The entire process can take up to two years. There have been a few organisations whose applications have been processed with no delays, but these are more the exception than the norm. Delays in disbursing funds to organisations have been so severe in some cases that the anxiety and insecurity in these organisations have threatened the existence of these organisations. In extreme cases, organisations like the Johannesburg Festival Orchestra have taken the NLB to court to force it to pay the

agreed grant money. Organisations that have had their applications rejected were often given illogical reasons for the rejection, and those that lodged appeals found the process to be unsatisfactory.

Organisations expressed the view that the NLB seems removed from the sectors that it is funding. Organisations described the experience of contacting the NLB call centre frustrating, exhausting, time-consuming and alienating because they are seldom able to speak to the same person. This lack of continuity is a serious obstacle to resolving problems, as is the situation some report of staff lacking the skills and experience to assist them effectively. A common experience among applicants is the NLB losing track of documents submitted with applications, something which has resulted in either severe delays in accessing funds, or in applications being rejected.

The NDA was established in 2001 in terms of the National Development Agency Act 108 of 1998. The Act sets out the main aim of the NDA as making funds available to civil society organisations that are working towards the eradication of poverty and addressing the causes of poverty. Its purpose is to access state and donor funding and make these funds available to CBOs and NGOs whose work fits within the broader aim of the NDA. Its second purpose is to facilitate research and dialogue around relations between civil society and the state. The NDA is located in the Department of Social Development.

5.1 Background and context

Whilst the NDA was only formally launched in 2001, the idea of a national development agency to fund CSOs has been in existence since 1990. The Independent Development Trust was established in that year by the De Klerk administration specifically as a funding institution for CSOs. Grants were given to CSOs to assist the state to address

‘the development backlogs in black communities [with priority given to] education and training, health, rural development and urban development’. (Gardner & Macanda 2003: 4).

The focus of its education and training, as well as urban and rural development work, was creating employment.

The IDT was set up with an initial government grant of R3 billion and during its first six years it had disbursed R2.7 billion of its initial start-up fund, had committed a further R600 million, and had raised a further R4 billion (Johnson 2009: 107). During that time it funded development programmes such as:

‘schemes for agricultural betterment, rural clinics, irrigation and electrification; it built community centres and thousands of new classrooms and toilets; it ran educational programmes for 140 000 teachers and school principals, set up literacy programmes; helped establish more than 20 000 new small businesses; and carried out a wide range of housing projects’. (Op. cit.: 105).

Such was the success of the IDT that in 1995, then Public Works Minister Jeff Radebe allocated R70 million of his Ministry’s budget to the IDT to disburse to CSOs so as to give

‘communities the power to initiate, plan and implement [community-based public works] projects’. (ANC Daily News Briefing, 28 July 1995).

Despite its success, the IDT did not last into the democratic era in its original form. One of the reasons given by Gardner and Macanda (2003: 4) for its demise has been that, because the IDT had historical ties to the apartheid government, it did not have credibility amongst CSOs. However, the presence of the IDT and what it represented in terms of its development agenda and partnering with civil society made a significant impression on the ANC-led government. This idea was used as the basis for the establishment of a new state development agency and the transformation of the IDT.

As an interim measure between the transformation of the IDT and the establishment of a new state development agency, the Transitional National Development Trust (TNDT) was set up, with a two-year life span, to give money to NGOs. The TNDT Board included representatives from IDT, Kagiso Trust, SANGOCO and NEDLAC [the National Economic Development and Labour Council]. It was capitalised with R50 million from government and R70.1 million from the European Union (EU). However, even before its formal registration in 1996, there were already rumblings of discontent in the ANC with the TNDT, and calls were being made for a national development agency free of any association with the IDT (ANC Daily News Briefing, 28 July 1995). In its first phase of operation, the TNDT was already plagued with internal tensions and conflict,

'because it included representatives of organisations or constituencies that were applying for funds [which] was not just viewed as being fundamentally flawed but as a complete disaster'. (Gardner & Macanda 2003: 6).

As a result of these problems, the TNDT was only able to disburse R16.5 million of the R120 million of start-up funds.¹⁵¹

A former Board member remembers the time of the TNDT as follows:

*'[The] Transitional National Development Trust (TNDT) was seen by civil society as a panacea for local grantmaking. The TNDT was trying to get money to communities but it was a new organisation setting itself up in a new political climate. The flood of applications from CSOs, combined with an early partnership with the EU, which was extremely bureaucratic... almost brought the TNDT to its knees.'*¹⁵²

¹⁵¹ Summary brief of NDA Advisory Committee 1997.

¹⁵² Interview with Annemarie Hendrikz, 12 October 2010.

During this transitional period – the two-year lifespan of the TNDT – government started the process of establishing a national development agency, a more permanent state funding institution. This process was located in the Office of the Deputy President, Thabo Mbeki, and an Advisory Committee was established to investigate and make recommendations to the Deputy President and Cabinet on:

- The functional relationship between government and CSOs to assist in the implementation of the RDP; and
- The possibility of establishing a National Development Agency.

The committee presented a report called 'Structural Relationships between Government and Civil Society Organisations' (NDA Advisory Committee 1997) to the Office of the Deputy President. It highlighted the fact that the two existing state funding institutions in the field – the IDT and the TNDT – were not well placed to disburse funds to civil society. The report referred to the difficult relationship between the IDT and CSOs due to the IDT's association with the apartheid government, and poor relations between the civil society sector and the TNDT as a result of the TNDT's fractured state and its inability to disburse funds effectively.

The NDA Advisory Committee report recommended that a new state funding institution be established – one that 'will not inherit the credibility problems of the existing institutions' (Op. cit.: 6); an institution that would promote the objectives of the RDP. It presented two options. The first was the establishment of a funding unit in the Ministry of Finance that would fund CSOs on the recommendations of a joint committee made up of government departments and CSOs located in, and accountable to, the Office of the Deputy President. The Deputy President's Office would have full responsibility for policy

co-ordination and decisions on how funds should be allocated. The second option, which was strongly recommended by the Committee, was the establishment of a National Development Agency which would also be located in the Office of the Deputy President and would play an oversight role rather than a co-ordination role. The Committee recommended that the NDA should report directly to Parliament, be responsible for policy co-ordination and funding, and have a governing body appointed by the public. The Advisory Committee felt that the second option 'provide[d] the greatest degree of independence, while still operating within a government framework' (Op. cit.: 7). It also recommended that the NDA be established using the budget savings in the RDP, TNDT resources which included all its assets, and the unallocated funds of the IDT. The Advisory Committee recommended that the IDT be transformed into a statutory body responsible for implementing government-commissioned projects.¹⁵³

Central elements of the thinking behind the NDA were: 1) the establishment of a mechanism for creating an 'environment in which CSOs can flourish';¹⁵⁴ and 2) to foster stronger relations between government and civil society to meet the development needs of South Africa. The intention of the ANC-led government to build stronger relations with CSOs was articulated strongly in an article written by Ben Turok, an ANC member of Parliament. Turok (1999) speaks of the difficulties NGOs experienced after 1994 in accessing funding and the severe impact this had on these organisations. He lists a number of

strengths of NGOs: their informal style, commitment to poor communities, values-driven work, idealism, and the fact that they are a counterweight to state bureaucracy. Turok refers with approval to the ANC's 1997 'Strategy and Tactics' document, which holds that strong relations between government and civil society are a key to open and transparent government and an informed and active citizenry, both of which are the 'core values of people-centred and people driven transformation' (Op. cit.: 44). Against this background, Turok says that funding CSOs through the NDA is an essential part of building strong state-civil society relations.

Following the recommendations of the Advisory Committee, the Office of the Deputy President and Cabinet approved the process of transforming the IDT and establishing the NDA. Two committees were set up under the leadership of Deputy Minister Phumzile Mlambo-Ngcuka. The Implementation Committee was responsible for the drafting of the NDA legislation and costing. The Ministerial Committee was responsible for ensuring that government's interests in the process would be safeguarded and to provide 'political-level support, intervention and guidance' (Gardner & Macanda 2003: 6).

A consultative Stakeholder Forum was established to gather input for drafting the NDA Bill. CSO members of the Forum included SANGOCO, the South African Council of Churches (SACC), the South African National Civics Organisation (SANCO), CBO networks in the Northern Cape and KwaZulu-Natal, the NEDLAC Development Chamber, the TNDT, IDT, Kagiso Trust and the National Welfare Social Development Forum. While the Bill was being drafted, Cabinet moved the main responsibility for establishing the NDA (which included processing the NDA Bill in Parliament, appointing the Board, administering the Bill once it had been approved by Parliament and overseeing the closure of the TNDT) from the Office of the Deputy President to the Ministry of Finance.

¹⁵³ The IDT is currently a Schedule 2 public entity. It has been transformed into an organisation that implements government projects. It was given, among other projects, the implementation of government's ISRDP, DSD's Social Development Programme and the second Expanded Public Works Programme.

¹⁵⁴ Op. cit.: 7.

The NDA Bill was finally passed on 9 November 1998, a full 21 months after the Advisory Committee's recommendations were first made to the Office of the Deputy President. The NDA Board was appointed in 1999 and in 2001 the NDA's administration and functions were transferred from the Ministry of Finance to the Ministry of Social Development in 2001. The NDA was launched in 2001, three years after legislation was enacted and close to five years after the first set of recommendations had been submitted. The TNDT had stopped disbursing funds in 1996 and, in that five year gap, CSOs that were relying on government funding were in financial crisis. Despite extending the TNDT's mandate to 2000, CSOs suffered the impact of a fundamental shift in the practice of many donors from directly funding recipient organisations to bilateral government-to-government funding. Many of these funders believed their money would continue making its way to CSOs via the RDP Fund, not anticipating that there would be an extended disruption to the flow of funds.¹⁵⁵

The funding context at the time the NDA came into being was marked by a civil society sector that was in crisis:

*'When the RDP was disbanded, this caused further confusion in Ministries, the public and small organisations. With the arrival of GEAR, which gave a clear message that poverty eradication was not going to be a government policy priority, it was hoped that the NDA would at least provide the possibility for government to address the issue of poverty alleviation in a structured and effective way, working with civil society.'*¹⁵⁶

155 Interview with Annemarie Hendrikz, 12 October 2010.

156 Ibid.

The NDA was expected to be a source of funding to CSOs and one of the key mechanisms to alleviate poverty in South Africa. However, according to Gardner and Macanda (2003: 10), there were a number of errors. The first error was not ensuring continuity and the transfer of institutional memory and expertise from the TNDT to the NDA during the transition period. The Presidential Committee appointed to establish the NDA consisting of Jeff Radebe, Phumzile Mlambo-Ngcuka, Thoko Didiza and others was

'not given the opportunity to become custodians of the NDA, although they knew more than any other Cabinet Minister about these issues... [they should have stayed] with the NDA longer in order to ensure that it was infused with those earlier ideals and that they were tested'.¹⁵⁷

Because CSOs had expressed their dissatisfaction with the TNDT, the first NDA Board appointed in 2001 tried to shed any association with the Trust. The resulting distance between the two organisations meant that there was no sharing of experience between the two bodies, so no transfer of knowledge took place. According to Edgar Pieterse (quoted in Gardner and Macanda 2003: 10),

'[although] the TNDT had had a rocky start, towards the end of its term it had really started to get a handle on quality grant-making; it had been able to reach vulnerable or marginalised groups; it had institutional memory and system-level expertise and a strong management team [which were] lost in the establishment of the NDA as a distinct entity.'

157 Former Board member and NDA CEO Delani Mthembu quoted in Gardner and Macanda 2003: 10.

Pieterse also noted that the time was used to send a message to those who worked in the TNDT that they would not automatically secure senior management positions in the NDA. A former Board member said:

‘the much anticipated establishment of the NDA, delayed by finalisation of the required legislation, came at a troubled time and the process further disrupted the work of the TNDT. Experienced from the outside, the transition was not smooth and a significant funding backlog developed. This raised tensions all round. There was a period of staff disruptions, job insecurity and perceptions within the organisation that the opportunity was used to retrench and appoint staff in a manner which was not fair and not performance-related.’¹⁵⁸

The loss of institutional memory meant that the NDA had to start developing systems and processes for grantmaking from scratch. At the same time, the NDA was trying to prove to government and CSOs that it was more capable than both of its predecessors.

Another key start-up problem was that the NDA’s initial budget allocation was very small. In its first year of operations, government allocated R190 million to the NDA (excluding a grant from the EU). This was less than the amount that is ‘routinely given to other departments for poverty alleviation’.¹⁵⁹ The DSD Poverty Relief Programme, for example, received R203 million for poverty alleviation in 1998 and 1999 and a further R300 million between 2000 and 2003. The small budget the NDA has received from its inception is a fraction of the funding allocated to the IDT, suggesting government does not take the Agency seriously.

¹⁵⁸ Interview with Annemarie Hendrikz, 12 October 2010.

¹⁵⁹ Griffiths Zabala quoted by Gardner and Macanda, 2003: 11.

5.2 Legislative mandate

The preamble to the National Development Agency Act states that the NDA is aimed at promoting an ‘appropriate and sustainable partnership between Government and civil society organisations to eradicate poverty and its causes’. It also goes on to set out the objectives and functions of the Agency, its management, governance, staff and financial regulations.

The mechanism to achieve the NDA’s objective is specified as granting funds to CSOs to carry out projects or programmes aimed at meeting the development needs of poor communities and by strengthening the institutional capacity of other CSOs involved in direct service provision to poor communities. A secondary objective is that the NDA is to be the mechanism for building relations between the state and civil society by promoting ‘consultation, dialogue and sharing of development experiences’ (S3(2)(a)), to promote debate on development policy, and to conduct publishable research on development policy.

From these objectives, the role of the NDA can be said to be four-fold, namely:

1. To act as a grantmaker to poverty alleviation/eradication programmes and projects of CSOs.
2. To build the capacity of CSOs involved in service provision.
3. To build partnerships between the state and CSOs where CSOs can participate in the sharing of experiences, ideas and provide input into development policy.
4. To produce policy research on development.

The Act also states that the NDA ‘must’ act as conduit for funds for development work of CSOs (S4(1)(a)), develop policy for its objectives, build the capacity of CSOs to carry out development work and create, maintain and share a database of CSOs with other government departments and stakeholders. The legislation also provides that the NDA ‘may’ grant funds ‘in accordance with such criteria and procedures as the NDA determines’ (S4(2)(a)) to CSOs for the purpose of implementing poverty eradication programmes and projects.

The gap between the NDA’s legal mandate and what it does in practice is due in large part to the fact that the mandate is ‘huge’¹⁶⁰ and the NDA has consistently been allocated very limited resources. In the first instance, the Act states that the NDA should fund CSOs and build the capacity of CSOs to deliver services effectively with the aim of eradicating poverty and all its causes. Eradicating poverty requires a more transformational approach; one that tackles the system that causes poverty. Hence the transformation projects and programmes that ought to have been supported by the NDA should include rights-based work, building knowledge for transformation, advocacy and lobbying activities, and strengthening CSOs so that they are able to engage with the state around the eradication of poverty. Considering the service delivery backlogs experienced in poor communities, the implementation of large-scale interventions to stimulate economic growth as a means to alleviate poverty is the role of government. Civil society should not be rolling out local economic development and providing basic services on the scale that is required to alleviate poverty.

¹⁶⁰ Interview with former NDA Board member who wished to remain anonymous, 12 October 2010.

Because the NDA’s mandate has been too broad and it has not been given adequate resources to enable this mandate, the NDA ‘could not seriously act on the mandate without narrowing down the focus’ and it decided to narrow its mandate by looking ‘almost at household level’.¹⁶¹

‘...the 100 million [Rand] was a drop in the ocean compared to the billions spent on poverty alleviation in the country. We were aware that this amount could not alleviate or eradicate poverty. We were therefore very selective on who the money went to.’¹⁶²

When the NDA narrowed its focus, it closely aligned its funding strategy with government’s poverty alleviation strategies. The focus fell on funding projects that create employment and income-generating opportunities. NDA grants in these specific focus areas were informed by Cabinet Lekgotla resolutions on poverty eradication, Provincial Growth and Development Strategies (PGDSs) and municipal Integrated Development Plans (IDPs). Special attention was given to poverty stricken areas which include the Integrated Sustainable Rural Development Programme and urban renewal nodes (NDA 2008: 13).

During the Mbeki era (1999–2009), there was a move to centralise planning through integration and co-ordination that was visible at local, district, provincial and national level as well as inter-sectorally between government departments. Some of the tools used to facilitate integrated and co-ordinated planning included the PGDS and municipal IDPs. Some ISRDP nodes and urban renewal nodes were identified as ‘Presidential Nodes’ and many departments began directing their project expenditure into those nodes. The latest NDA strategic plan (2010–2013) indicates that the funding strategy is informed by:

¹⁶¹ Ibid.

¹⁶² Interview with Dr Stephen Rule, 19 October 2010.

‘government priorities on poverty as well as Provincial Growth Development Strategies (PGDS) and municipal Integrated Development Plans (IDPs). Specifically, the NDA will make targeted contribution to poverty eradication and rural development through upscale involvement in the DSD’s War on Poverty Program, the Expanded Public Works Programme (EPWP) Phase II and the Comprehensive Rural Development Programme (CDRP) pilot sites.’ (NDA 2009b: 13).

Although the discretion to determine funding criteria is left to the NDA, the Agency has interpreted its mandate to fund CSO engagement in poverty alleviation and poverty reduction programmes to mean those initiatives that are closely linked to government’s development agenda. The NDA’s decision to focus on addressing poverty through stimulating local economic growth by funding local economic development initiatives and supporting land reform beneficiaries to farm the land productively was made in the absence of any consultation with and input from civil society. Whether these were the right areas for the NDA to focus its grantmaking in order to alleviate poverty should be a question that civil society also helps to answer. The NDA was supposed to be the bridge between the state and civil society, not just the implementer of state policies.

Institutional independence is not explicitly enshrined in the NDA Act. However, the fact that this initiative was to be housed in the Office of the Deputy President so that the funds could be used in a more cross-cutting intersectoral way strongly suggests that the intention was for the Agency to be independent. The fact that the NDA is legally required to promote an appropriate and sustainable partnership between government and civil society requires the Agency to be independent. When comparing the NDA with other different national development agencies, Gardner and Macanda (2003: 23) say one of the

unique features of the Agency has been the ‘degree of autonomy that it [had] been accorded’ and that normally this autonomy means ‘freedom from external determinations of how the NDA carries out its mandate’ and being free of state interference.

There have been differing perceptions on the NDA’s independence among former Board members, some of whom feel that the composition of the Board (five government representatives and six civil society representatives) is a strong enough reason for arguing that the Agency is independent:

‘The NDA Act was very specific about the composition of the Board. Its provision on this was quite unique in its day, with 50% civil society representation. Any notion of independence should be seen in that context.’¹⁶³

However, the idea that independence could be achieved merely by bringing together two quite disparate groups in the same meeting was not that easy in practice:

‘The Board members were from diverse backgrounds. None of us were overtly paid up members of the ruling party. So we did not hold back on our personal views and independence. But I guess that given the nature of the NDA there was, still, a fair amount of government influence. I would not say exclusively – there were independent voices there.’¹⁶⁴

Through its Board the NDA was required to play a bridging role between the state and civil society. It therefore had to take the interests of both parties into account and [try to] ensure alignment to the priorities of both sides, making it difficult to be independent.¹⁶⁵

¹⁶³ Interview with Dr Temba Masilela, 19 October 2010.

¹⁶⁴ Interview with Dr Stephen Rule, 19 October 2010.

¹⁶⁵ Interview with Dr Temba Masilela, 19 October 2010.

Whilst it was expected that government and civil society representatives on the Board, despite their differing views, would come together to govern the NDA, in reality the Board functioned as two separate camps and as such

‘there was no meaningful debate and this had adversely affected the core business of the Board’ (Gardner & Macanda 2003: 14).

One Board member recalls that whilst she learnt a lot from other members, she often found it difficult to express her views on appropriate strategies and priorities. She said political appointments of CEOs also served to ensure that the NDA was closely aligned to government.¹⁶⁶

The NDA Act gives the Agency the power to set its own funding criteria and procedures for awarding grants. Between 2006 and 2008, the NDA had only allocated just over R125 million of the R200.84 million of committed funds to the provinces (62% of its funds); and actually disbursed only R49 493 375, i.e. 26% (Gardner & Macanda 2003: 18).

‘In its first two years the NDA did not do anything other than give out money so research, policy dialogue and capacity building were heavily compromised.’ (Op. cit.: 10).

The NDA has failed to foster stronger relationships with CSOs and to facilitate the participation of CSOs in the development of the strategic plan, funding criteria and best practice for grantmaking. ‘Government intended the NDA to be a vehicle for connecting and integrating the government’s poverty eradication programmes with those of CSOs’ (Op cit.: 29), as per the wording of the Act, but the NDA has chosen to interpret its function as being ‘a premier partner’ (Ibid.), thereby setting itself up as a third player in the relationship between the state and

¹⁶⁶ Interview with Annemarie Hendrikz, 12 October 2010. This point is discussed later in the report.

civil society. It has, in essence, become an operational funding body running its own programmes that are in some cases in competition with those of the civil society sector. The NDA ought to be playing a role to ‘increase the capacity of the government and civil society’ (Op. cit.: 27) to alleviate poverty rather than playing a direct role.

The first indication of this interventionist role can be seen in many of the NDA’s documents including its 2008–2011 strategic plan in which CSOs are described as stakeholders because they are ‘our primary beneficiaries [as] they receive funds from the NDA to implement sustainable projects and build capacity in poor communities’ (NDA 2007b: 12) rather than partners in dialogue. The decision by the NDA to fund CBOs without engaging with larger NGOs has been divisive within the CSO sector. The research and development mandate of the NDA, if executed strategically, could have been used to bring on board NGOs that have the skills, expertise and knowledge of the sector to assist the NDA to conduct research and develop common strategies:

‘In the research subcommittee we were considering questions such as what is the extent of poverty in South Africa and how it is defined and it became clear that there was no consensus of opinion, not just within the NDA, but in the development sector broadly. So that was the basis of the research: to get some basis for the discussion. There needed to be some common ground to form the basis of discussion to deal with important questions about poverty and how it manifests itself, and being able to understand the important facets of poverty. On the basis of the research the NDA could then have gone to civil society and with their participation jointly formulate[d] positions and strategies. This would have helped to broaden the agenda, perhaps even the establishment of a platform.’¹⁶⁷

¹⁶⁷ Interview with former NDA Board member who wished to remain anonymous, 12 October 2010.

NDA annual reports for the period 2006–2009 say research work undertaken by the Agency has included a study into the state of CSOs, municipal and provincial profiles, and resource flows which it says it used to inform its funding criteria, impact studies of its grants and the development of a National Policy Dialogue framework which it claims was presented at NEDLAC. This could not be verified because NEDLAC annual reports do not refer to this presentation, and no reports of any of this research could be found on its website under the ‘Research and Development’ link. The NDA hosted a Poverty Dialogue conference but no details of this conference, not even the research outputs and outcomes of the conference, are available on the website. For research to be said to contribute to the development debate, its findings must be accessible to the public. Much of the research work listed in annual reports was NDA attendance at conferences and workshops.

The NDA Act was amended in 2003 to allow for the Agency to be moved from the jurisdiction of the Ministry of Finance to the Ministry of Social Development. The amended Act also reduced the number of board members from 15 to 11 to reduce expenses.¹⁶⁸

This led to the number of government representatives being reduced from six to five, and civil society representatives from nine to six. The rationale for moving the NDA to DSD was that the work of the NDA was more closely aligned with Social Development than Finance. CSO representatives are appointed by the Minister after an open and transparent process of considering candi-

dates presented by representatives of other state departments and experts in the development field. No such open process is in place for the appointment of the government representatives. The Minister is merely required to consult with counterparts from Education, Health, Housing, Public Works, Trade and Industry, Water Affairs and any other Minister considered necessary.

The Act does not prescribe how state departments and experts in the development field should go about their selection of CSO representatives. While CSOs are allowed to nominate candidates, there is no public participation process in place for the selection of representatives. This is left to the personal discretion of government and experts. This is of particular concern as CSOs are supposed to be a key partner of the NDA with the NDA facilitating government-civil society engagement. Forums for this kind of engagement already exist, e.g. the civil society chamber of NEDLAC. The chamber could have been used as a forum for appointing CSO representatives on the NDA Board.

Another key flaw in the NDA Act is that it makes no provision for appeals relating to the outcome of applications. If an application is rejected, the Agency is not required to provide reasons or feedback on what could be improved in future. Gardner and Macanda (2003: 13) highlight a widely expressed concern as follows:

‘there are no mechanisms in the [NDA] Act to make the NDA accessible and accountable to civil society and ensure that the NDA complies with the Act’.

¹⁶⁸ Presentation to the Portfolio Committee on Social Development, 23 October 2002.

5.3 Structure and governance of the NDA

The Board is accountable to the Minister of Social Development and to Parliament and is tasked with appointing a management committee (Section 8(1)) comprising the chairperson and deputy chairperson of the Board, two government representatives and two CSO representatives. The chairperson and deputy chairperson of the Board hold the same positions on the Management Committee (Section 8(3)).

The 2003 amendment moved the power to appoint the CEO from the Board to the Minister of Social Development. The CEO is allowed to participate in Management Committee meetings but is not allowed to vote. The financial statements of the NDA are audited by the Auditor-General (Section 11). The NDA is accountable to Parliament for its audited financial statements, the extent to which it has achieved its objectives, its business plan and performance information relating to the use of resources.

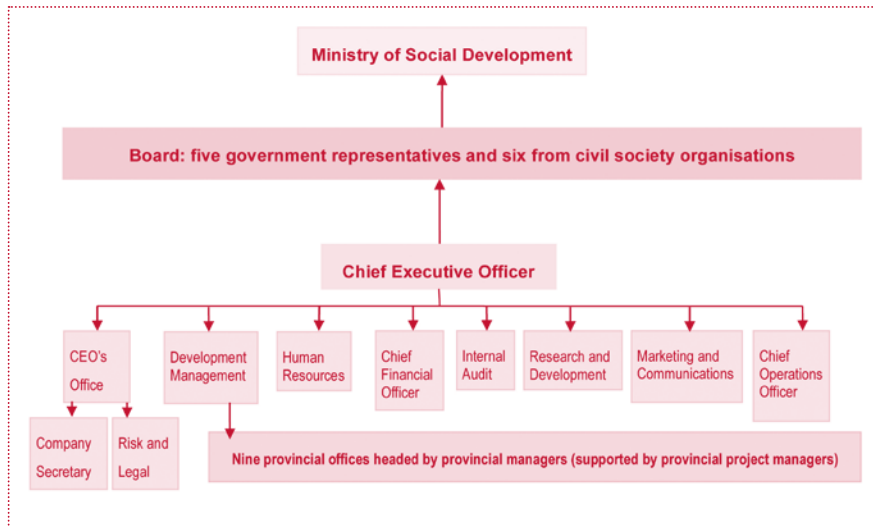


Figure 25: Organisational structure of the NDA

The NDA's operational structure consists of eight 'directorates' or departments (see figure 25). The NDA decentralised its operations to facilitate closer monitoring of projects it is funding by establishing provincial offices which fall under the Development Management department. These provincial offices are headed by Provincial Managers.

5.3.1. The Board

The Board of the NDA is made up of government representatives and CSO representatives. The CSO representatives are appointed by the Minister of Social Development after a call for submissions has been issued to the public and government departments, and taking the advice of development experts into account.

Annemarie Hendrikz, who was a civil society representative on the NDA Board from 2003 to 2007, was nominated by a CSO which interviewed her before submitting a nomination to the Minister. She was interviewed by the NDA Selection Committee which included the Director-General of DSD, and appointed onto the Board in December 2003. Dr Temba Masilela, a government representative on the Board, was also the special advisor to the Minister of Social Development at the time he was nominated. Dr Stephen Rule, a DSD staff member, served on the Board at the same time as Hendrikz and Masilela after having been nominated by his colleagues.

The first Board, which was appointed in 1999 but only came into operation in 2001, had representatives from the education, research, disabled, community development, child and family development, corporate investment and faith-based sectors. In some instances, the specific organisational work experience of the Board members was not made public. Nominations for CSO representatives came from the Equal Opportunity Foundation, the Disabled People of South Africa,

SANGOCO, Lifeline and Childline, the IDT, the TNDT, the National Association for Child Minders, and the National Committee of Child Protection and Development. Some CSO representatives had links with government, for example, Prof. Pali Mahanoe was a former Chief of Staff for the Free State Office of the Premier and Dudu Mokoena was an employee of the Ladysmith Local Council. Some of the representatives from government came from the Department of Welfare, Department of Labour, and Department of Health with some representing the private sector (e.g. Sybrand van der Spuy). The Board had members with previous associations with the IDT (Delani Mthembu), the TNDT (Eric Molobi) and the establishment of the NDA (Rose September, Saguna Gordhan and Rams Ramashia). The 1999 Board appointed Thoahlane Thoahlane as its first CEO. After a year, Thoahlane left the NDA and was replaced by Board member, Delani Mthembu. During this time the NDA was caught up in a corruption and fraud scandal. Mthembu resigned in 2004.

The second Board was appointed in 2003. Only one of its members, Nontobeko Moletsane, had been on the 1999 Board. Bishop Malusi Mpumlwana was appointed as Chairperson. Civil society members represented the rural development and land, environment, volunteer, faith-based and education sectors. Government representatives were drawn from Education, Social Development and Health. Board member George Chaane was working in the office of the Secretary-General of the ANC at the time. The new Board represented a new image for the NDA, free of association with the corruption and fraud scandal. Godfrey Mokate, previously Deputy

Director-General in the Department of Provincial and Local Government, was appointed CEO in June 2005. Under this Board's watch, the NDA was embroiled in another corruption scandal but it was more decisive than its predecessor, and laid a criminal charge against the middle-management staff member concerned. At the end of this Board's term in 2007, the NDA received its first unqualified audit. Mr Mokate left the NDA at the end of 2007.

In October 2007, a new Board was appointed, retaining three members from the previous Board including the Chairperson, Bishop Mpumlwana. But by 2007 it became difficult to distinguish the civil society representatives from their government counterparts, as many had left the civil society sector to work for government. One of the people who served on the 2003 Board said that when the third Board was being appointed,

'interviews followed the nominations and it appeared that the preferred candidates were mostly the nominees of the Premiers of provinces. There appeared to be a more pronounced political dimension to the appointments of the current Board'.¹⁶⁹

Favouring people who are overtly aligned to the ruling party or government when making Board appointments falls foul of the intentions of the NDA Act.

It took almost three years after the appointment of the 2007 Board for a CEO to be appointed. NDA Chief Operations Officer Rashida Issel acted in the position during that time. In June 2010 Vuyelwa Nhlapo, former Deputy Director-General for Integrated Development in DSD, became CEO. Table 6 provides a detailed listing of NDA Board members from 1999 to 2009.

¹⁶⁹ Interview with former NDA Board member who wished to remain anonymous, 12 October 2010.

Table 6: Members of the NDA Board 1999–2009

| | | | |
|-------------------------|---|-------------------------|--|
| <p>1999–2003</p> | <ul style="list-style-type: none"> • Phomolo Modise (Nominated by Mr DM Lesshope) • Prof. Pali Francis Mohanoe (Nominated by the Equal Opportunity Foundation) • Dudu Mokoena (Nominated by Disabled People of South Africa) • Nontobeko Moletsane (Nominated by SANGOCO) • Mabel Rantla (Nominated by National Association for Child Minders) • Delani Mthembu (Nominated by IDT) • Rose September (Nominated by National Committee on Child Protection and Development; National Committee on Child Abuse and Neglect) • Nkululeko Sowazi (Nominated by TNDT) • Peter Templeton (Nominated by Life Line, Childline Western Cape) • Rev. Matt Esau (Starfish Trust) • Saghuna Gordhan (Department of Welfare) • Eric Molobi (CEO, TNDT) • Rams Ramashia (Legislative team for NDA Act) • Gladys Sibeko (Department of Health and Welfare, Mpumalanga) • Sybrand van der Spuy (Managing director of Partnership Investments) | <p>2007–2009</p> | <ul style="list-style-type: none"> • Bishop Malusi Mpumlwana (Chairperson) (Bishop of the Northern Diocese of the Ethiopian Episcopal Church; Advisor to the Africa Programmes at the WK Kellogg Foundation) • Marcia Manong (Deputy Chairperson) (Director of Association for Community and Rural Advancement (ANCRA); Board member, Ntsika Enterprises; Board member, SANGOCO) • Chief Pheni Ngove (Fifth royal leader of the Mabunda Tribe of the Shangaan/ Vatsonga people; Chairperson, Social Development cluster of the National House of Traditional Leaders; member, National Older Persons' Forum of the Human Rights Commission; member, South African National Aids Council) • David Adler (Founding member of the South African Distance Education Institute; former director of SACHED [South African Committee for Higher Education] Trust; first chairperson of the South African Qualifications Authority (SAQA); adviser to the Franciscan Order's African Programme for Peace through Community Development) • MA Madzivhandila (Former CEO, South African Chamber of Banking; former Assistant Director, Thohoyandou Labour Centre; Director: Internal Compliance Monitoring and Secretariat, Department of Public Enterprises) • Rev. Nombuso Maphalala (Deputy Manager, KwaZulu-Natal Premier's Office; former Executive Council Member, eThekweni Metropolitan Municipality; former branch organiser, Food and Allied Workers' Union) • Prof. Tokozile Mayekiso (Executive Dean, Faculty of Arts, Nelson Mandela Metropolitan University) • Wallace Mgoqi (Former City Manager, City of Cape Town; former Chief Land Claims Commissioner; national chairperson of the Trust for Community Outreach and Education (TCOE) for 17 years; former director of companies including Old Mutual Bank, Safmarine, Safren, Syfrets and Sekunjalo Investments) • Steve Mohlabi (Acting Director, National Department of Agriculture) • Phuti Mokobane (Managing Director, Puledi Projects; former chairperson, Mpumalanga Development Tribunal) • Mmoloki Pheelwane (Board member, Future Bank Corporation (North West), North West Housing Corporation, Urban Dynamics and North West Parks and Tourism) |
| <p>2003–2007</p> | <ul style="list-style-type: none"> • Bishop Malusi Mpumlwana (Chairperson) (Bishop of the Northern Diocese of the Ethiopian Episcopal Church) • Marcia Manong (Deputy Chairperson) (Director, Association for Community and Rural Advancement [ANCRA]; Board member, SANGOCO) • Joan Daries (SANParks) • Nontobeko Moletsane • Annemarie Hendrikz (AIDS Response; formerly SCAT and Black Sash) • Prof. Tokozile Mayekiso (Wits University) • George Chaane (Office of the ANC Secretary-General) • Onica Maphai (Department of Health) • Dr Temba Masilele (Ministry of Social Development) • Dr Stephen Rule (Department of Social Development) • Allan Taylor (Ministry of Education) | | |

5.3.2. Governance and operations in the NDA

The NDA has been plagued with allegations of corruption and fraud, and accusations of a lack of accountability and transparency. Questions have been raised about the ability of the Board to hold the NDA accountable for its operations and to ensure that strong governance and accountability mechanisms are put in place.

In 2000, the Auditor-General found that the Minister had not approved the NDA's budget and business plan which, according to Gardner and Macanda (2003: 12), implied that all expenditure incurred and financial commitments made by the NDA for that period had been irregular. This was reported in the NDA's annual report of 2000 but no public statement was ever made.

During the first two years of operation the NDA staff grew to 79 people.¹⁷⁰ This included five directors, two of whom reported to the CEO; three national programme managers; 10 managers, three of whom reported to the CEO; five regional managers; 19 provincial project managers; a national Projects Administrator; 10 project administrators; and 11 personal assistants, five of whom reported to the CEO. The CEO's office alone had 10 staff excluding the CEO. Despite there being 46 programme staff, by April 2002, the NDA only disbursed 26% of its budget.¹⁷¹ The EU froze grants after approximately R50 million of its money had been sitting unused in an NDA bank account for 18 months (Johnson 2009: 108). The effect on NGOs was catastrophic. According to Johnson, 'of the 280 NGOs working in adult education in 1997, for example, by 2001 only 60 remained' (Ibid.). A former NDA Board member says that the first CEO, Thoahlane Thoahlane, was not the right choice as he came from an academic background and had no experience of development.¹⁷² The Board called for Thoahlane's resignation after a year, and replaced him with Board member Delani Mthembu.

170 Portfolio Committee for Social Development briefing, 5 June 2002.

171 *Mail & Guardian*, 19 April 2002.

172 Interview with Annemarie Hendrikz, 12 October 2010.

The NDA's lack of accounting to the public has been a cause for concern. No complete list of beneficiaries has ever been made public in the annual reports of the NDA or on its website. There is no record of the NDA ever having formally presented such a list to the Portfolio Committee on Social Development, despite the committee having repeatedly lodged requests since 2002.¹⁷³ At one meeting Democratic Alliance committee member Helen Lamoela said that she had personally requested the beneficiary list from the NDA but found, on investigation, that organisations and projects listed as NDA beneficiaries had closed and were no longer in operation.¹⁷⁴

When this issue was raised in interviews with former Board members, their response was surprising. Three of them thought that the full list of beneficiaries was attached to the annual reports because, when they had seen the reports, the profiles of grantees had been attached.¹⁷⁵ One former Board member noted that,

*'in its annual reporting to government, the NDA puts together a glossy profile of selected projects and is unable to give an accurate and transparent account of all projects funded. Appropriate government officials outside of the NDA don't have time to engage with activities of the NDA and although projects are driven by government-identified pockets, there are no identified objectives other than budget spend, nor was there any performance management system against which to evaluate the NDA.'*¹⁷⁶

173 Portfolio Committee Briefing question time (2002–2010). www.pmg.org.za/minutes/25, accessed 20 January 2011.

174 Portfolio Committee for Social Development: Briefing by the National Development Agency (NDA) on its Budget & Strategic Plan, 16 March 2010 www.pmg.org.za/report/20100316-national-agency-nda-its-budget-strategic-plan-briefing-department-chil, accessed 20 January 2011.

175 Interviews with Dr Temba Masilela (19 October 2010), Dr Stephen Rule (19 October 2010) and the former Board member who wished to remain anonymous (12 October 2010).

176 Ibid.

The NDA's lack of transparency was also clearly shown by its refusal to participate in this research project, even though the research was being done by four CSOs; a request from the very sector that is supposed to be the Agency's partner.

Mthembu's term of office as acting CEO of the NDA was marred by allegations of corruption, fraud, failure to disburse funds and allegations of arson, prompting the Minister of Social Development, Zola Skweyiya, to launch an investigation into mismanagement, fraud and corruption in August 2003.¹⁷⁷ The investigation was conducted by Gobodo Forensic Audit Consultants and the Auditor-General. Following the investigation, disciplinary charges were brought against Mthembu for 'his interest in projects that received finance from the NDA'.¹⁷⁸ At the same time, charges of misconduct were also brought against the Chief Operations Officer Pule Zwane for:

'irregularities relating to procedures followed in hiring certain staff members [and for having] cooperated with the CEO in giving bonuses amounting to R800 000 to staff without proper authorization.' (Ibid.)

Mthembu and Zwane were both suspended on full pay. In 2005, it was reported that Zwane was paid over R600 000 per year for the two years that he was suspended.¹⁷⁹ During the investigation, there was a fire in the NDA offices, prompting allegations of a deliberate attempt to destroy files relating to the corruption charges against Mthembu.¹⁸⁰

During his tenure as CEO, Mthembu dismissed criticisms levelled at the NDA in relation to its poor track record in getting money to CSOs. When asked about poor performance, having only disbursed 26% of the NDAs funds in 2002, Mthembu replied:

*'We are satisfied with our performance, as we have committed 67% of the funds under our direct control. As per the auditor-general's report 67% of the funds were allocated to projects of which 26% was [sic] cash disbursements. The NDA ... normally releases funds in two tranches. As projects achieve agreed milestones, further tranches are released. This is a normal, generally accepted principle of project management.'*¹⁸¹

When asked about the irregularities in the NDA's financial accounting reported by the Auditor-General, Mthembu said:

*'in terms of qualified or unqualified, we have no problem; we have met all the requirements of the... Auditor-General ...They look at the other issues... such as, did you comply with policies to spend or to do xyz. If you miss any of these, to an auditor you have not complied. There were bureaucratic requirements that the Auditor-General wants. The NDA had not met certain of these and this was the reason for the irregular spending as reported in the audit... The NDA's failure to obtain the approval of the Minister of Finance for business and budget plans, was a very technical thing.'*¹⁸²

177 www.info.gov.za/speeches/2003/03082509461007.htm

178 *Mail & Guardian*, 11 June 2004.

179 *Mail & Guardian*, 12 September 2005.

180 Portfolio Committee for Social Development briefing, 5 March 2005.

181 *Mail & Guardian*, 19 April 2002.

182 'No budget problems at the NDA', ANC Daily Briefings, 9 April 2002.

At no point during his tenure was Mthembu called to account for the lack of disbursement or for the financial irregularities. At no time between the first fraud and corruption allegations and the forensic investigation report was Mthembu called to account by the Portfolio Committee. On one occasion when the Democratic Alliance's Mike Waters tried to raise this matter, he was called to order and told that the Portfolio Committee merely provided oversight and that the issues raised about corruption, fraud and arson would be dealt with when the investigation and report was finalised.¹⁸³ However, Mthembu resigned after the forensic investigation was completed and before the Board had decided what to do. No criminal charges were ever brought against him or Zwane, and no reasons have ever been made public. Pule Zwane resigned his position as COO after the investigation. The NDA had spent over R1.2 million to investigate the allegations against Mthembu and Zwane.

Following this scandal, Minister of Social Development, Zola Skweyiya disbanded the entire Board leaving only one member of the old Board in place – Nontobeko Moletsane. The appointment of a new Board in the wake of the corruption, fraud and arson scandal was announced by the Minister as ushering in 'a new era in enhancing good governance within the NDA'.¹⁸⁴

The new Board came into being at the time the fraud and corruption investigation was running, the CEO had been suspended, and no new CEO could be appointed until due process was complete.¹⁸⁵ Given the absence of a functioning CEO, DSD deployed two of its senior staff to run the NDA – Coceko Pakade (DSD Chief Financial Officer) and Vukani Mthintso (DSD Stakeholder

Management). The new Board required major orientation about its role because the institutional memory of this governance structure resided only in the single remaining member of the previous Board. At the same time it had to oversee the legal process which also included the suspended COO, and it had to deal with the backlog of applications. A Board member at the time recalls:

'When I started there was no CEO – we had a Ministerial envoy acting as CEO. And there had been no functioning Board for several months! This came with its own legacy [...] Just sorting through the whole muddle of the handover process was quite absorbing of everything... We had inherited a backlog in disbursements. Through the envoy – rapid disbursement took place as end of financial year was looming'.¹⁸⁶

The NDA was in disarray at the time. Systems, procedures and accountability measures were not in place and the chaos internally was compounded by the NDA's poor relationship with the EU and the bureaucratic administrative procedures that were required for the disbursement of EU funds:

'The wrong committees made unmandated decisions, in haste. The result was a series of enormous risk factors as picked up in the Risk Assessment done by Deloitte. Along with several other departments, the Human Resources department was in disarray and staff became demotivated when they perceived practices to be unfair. The operational competencies of the NDA had been negatively affected by the [dysfunctional] EU relationship and by pressure to disburse funds.'¹⁸⁷

¹⁸³ Social Development Portfolio Committee, 27 October 2004.

¹⁸⁴ 'Minister inaugurates the new NDA board', 29 June 2004, www.info.gov.za.

¹⁸⁵ Interview with Annemarie Hendrikz, 12 October 2010.

¹⁸⁶ Interview with former NDA Board member who wished to remain anonymous, 12 October 2010.

¹⁸⁷ Interview with Annemarie Hendrikz, 12 October 2010.

The NDA Board that served between 2003 and 2007 had to focus much of its attention on stabilising the internal workings of the NDA, developing and institutionalising systems, processes and practices. This can be seen in its strategic plan for the years 2006–2011 (NDA 2005b) where three of the four strategic goals were organisational, speaking to issues of effectiveness, efficiency, governance and strengthening the business principles of NDA. By concentrating on strengthening internal functions, the

‘NDA Board’s role became more operational than it should have been... [so] it didn’t have sufficient scope to focus on the strategic issues; nor did it have the confidence that the organisation would be able to operationalise the strategic vision.’¹⁸⁸

Not only did the operational issues of the NDA hinder the Board’s attempt to focus on developing the strategic vision, but they were accused of being ‘too hands on’ by CEO Godfrey Mokate. However, the Board saw this role as important because

‘in the context of the environment [it] had inherited it was imperative that [the Board] played this “meddlesome” role. [It] had no option but to play this role.’¹⁸⁹

Another Board member said the Board’s hands-on approach, especially when it came to adjudicating funding applications, was necessary and important because the quality of proposals that were prepared by the Provincial Managers were ‘dreadful and/ or incomplete’ and often the Project Screening meetings

‘would last from 8am to late at night and go on for days, unable to pass many of the applications because of small but significant omissions and/ or errors’.¹⁹⁰

She said that, even though the Board was being pushed by the CEO to concede to approving summarised versions of proposals, Chairperson Bishop Mpumlwana and the rest of the Board stood their ground because of their fiduciary responsibility. This also meant that the Board had to deal with issues such as CEO Godfrey Mokate’s request to fly business class which took up much of the Board’s time leaving it little time to deal with strategic issues.¹⁹¹

At the time, the appointment of the CEO and the relatively independent Board appeared to cause tensions between the management and governance structures. A further problem with the NDA has been its lack of accountability and transparency. The NDA’s business plans, strategic plans, financial statements and a full list of beneficiaries have not been made available to the public for scrutiny and engagement. Instead these documents have only been made available to the Minister and presented to the Portfolio Committee on Social Development. The audited financial statements are submitted to Parliament but the general public is not given an opportunity to see these documents. These documents, although presented to the Portfolio Committee, are not always available on the Parliamentary Monitoring Group’s website or on the NDA or DSD websites.

¹⁸⁸ Interview with Dr Temba Masilela, 19 October 2010.

¹⁸⁹ Interview with former NDA Board member who wished to remain anonymous, 12 October 2010.

¹⁹⁰ Interview with Annemarie Hendrikz, 12 October 2010.

¹⁹¹ Ibid.

Despite the Board's attempts to implement stronger governance and accountability in the NDA, the Auditor-General had to be called in to investigate possible fraud and corruption in the NDA for the period 2004 to 2006. It found that during the period under investigation, R8.7 million was transferred into four bank accounts linked personally to the NDA's accounts clerk and involving 28 irregular transactions. These transactions were never picked up by the internal controls of the NDA nor were they picked up by any Board member. The Auditor-General found that accountability and transparency mechanisms in the NDA were weak and there was a lack of compliance with financial procedures for payments. It was also found that the accounts clerk had misrepresented her qualifications when applying for the position and that these were never checked properly by the department responsible for making appointments. The account's clerk was arrested and charged. At the same time that the fraud debacle hit the NDA, the EU demanded the return of R7.5 million on the grounds that organisations that were receiving grants were 'very poor institutions with very weak controls that could not account for the money'¹⁹² although the National Treasury reported that this was because the '[NDA] did not spend according to the stipulations of [the EU's] contract'.¹⁹³

192 *The Star*, 17 October 2006.

193 National Treasury *Estimates of Public Expenditure: Social Development, 2009*: 26.

The CEO, Godfrey Mokate, blamed the fraud on the bank's lack of control in allowing a person to set up bank accounts with fictitious details.¹⁹⁴ Board members who served during this time felt that they had dealt with the fraud problem as rigorously as they could by laying criminal charges:

*'The one thing that I am very proud of during our tenure of office is that with the very first whiff that we got of the possibility of fraud being perpetrated, we did what we had to do. The person is in jail, staff members were suspended regardless of their position, pending the outcome of the investigation. We did what we had to do. I still feel really awful that these millions meant for poverty alleviation went into somebody's pocket. It is a terrible thing.'*¹⁹⁵

This sentiment was echoed by Dr Stephen Rule who felt that, although the incident caused the Board embarrassment, it had dealt with the matter directly because the Board was determined to fix the situation in the NDA. Annemarie Hendrikz, however, felt that

*'the wrong people were isolated for blame as they were all culpable due to lack of management and lack of oversight of correction of various risk factors. A new CEO had been appointed and been in the job for about a year by then, but was not held accountable on any level for the fraud.'*¹⁹⁶

Whilst the actual perpetrator was arrested and subsequently found guilty and sentenced to a prison term,

*'the Chief Financial Officer and the Company Secretary were subjected to legal and disciplinary procedures which were handled poorly by the CEO.'*¹⁹⁷

194 *The Star*, 17 October 2006.

195 Interview with former NDA Board member who wished to remain anonymous, 12 October 2010.

196 Interview, 12 October 2010.

197 *Ibid.*

It has now been revealed by the Chairperson of the NDA Board that former CEO Godfrey Mokate had been asked by the Board to resign due to mismanagement.¹⁹⁸

On appointing the Board for the period 2007 to 2010, Minister of Social Development Zola Skweyiya acknowledged the contribution made by the Board complimenting members on the

‘sterling work [the Board had done] to turn the NDA around in all respects, making it more focused and able to meet its mandate of serving the poorest of the poor. It is through their hard work and excellent working relationship with management that the NDA received a clean audit report for the 2006/7 financial year.’¹⁹⁹

In the words of Dr Rule:

‘Each Board member has to make sure that those (senior) staff members answerable to them are delivering the goods. We did that to a large extent. But you cannot slack on that. You have to be on the ball all the time. This is my advice to the current Board. The main role player here is of course the CEO, who has to make sure that this happens’.²⁰⁰

In its ten years of operation, the Agency received its first unqualified audit in 2010.²⁰¹ However, in spite of the fact that the NDA does not have its own financial house in order, it imposes strict reporting requirements on its grantees and in some instances, projects and programmes have been terminated.

198 ‘NDA fired CEO, other staff warned’, www.e-tools.co.za/news-brief/2010/news0819.txt.

199 ‘Social Development Minister announces new National Development Agency Board Members’, 16 October 2007, www.info.gov.za.

200 Interview, 19 October 2010.

201 At the Portfolio Committee briefing on 17 November 2010, the CEO of the NDA reported that the Agency had received an unqualified audit for the previous four years, but with emphasis on the matter of irregular expenditure and irregular procurement procedures.

The NDA has been plagued with scandal since its establishment. Its reputation as a progressive and independent grantmaker that was supposed to disburse much-needed grants to poor communities through CSOs has been tainted as previous CEOs and senior management have been accused of mismanagement and on one occasion, a staff member was found to have pocketed taxpayers’ and donors’ contributions. It has struggled to meet the legal requirements for financial accounting set by the Auditor-General. Whilst a new Board has been ushered in, yet again, with the hope that its members can clean up the image of the NDA, it will be important for Board members who have associations with organisations that are recipients of NDA funds to declare their interests.²⁰² It is not clear whether the NDA has managed to ensure that there are workable checks and balances within the organisation and between the staff and the Board, and whether the lines of accountability to the Minister of Social Development and the Portfolio Committee will work better than they have done in the past.

202 For example, Deputy Chairperson Marcia Manong has an association with ANCRA, which has been a recipient of NDA funds. The researchers were unable to access ANCRA’s annual reports to determine the years in which grants were received, but the NDA is listed as a donor on the ANCRA website.

5.4 Strategic vision of the NDA

The NDA Board presents its three-year strategic plan to the Minister of Social Development from time to time, and sometimes there is an overlap between a plan and its predecessor. Each strategic plan drawn up since 2002 has responded to trends in the wider operating environment and to priorities set by government. In 2005, the strategic plan was revised to take into account the findings of the Presidential Ten Year Review. A strategic plan was put forward for the period 2008–2011. But once President Jacob Zuma came into power in 2009, a new strategic plan was drawn up for the period 2010–2013 to align the NDA plan with the priorities as outlined in President Zuma’s State of the Nation Address.

The first strategic plan which was drawn up in 2002 had seven goals, of which only two related to its role as a grantmaker, namely, providing grants to poverty alleviation projects and providing grants to build the capacity of other CSOs that are engaged in service delivery. This was an indication, according to Gardner and Macanda (2003: 10) that it was the intention of the NDA at the time to ‘sharpen its focus and [play] down its funding role’. Yet all it did manage to do in the first few years of its existence was to disburse funds and, even with only that one function, the NDA was still only able to disburse 26% of its funds by 2003.

The second strategic plan for 2006–2011 (NDA 2006b), had a vast number of objectives, sub-objectives and activities. Its strategic goals were listed as:

- Improving the efficiency and effectiveness of the agency in order to occupy centre stage in development in general and poverty eradication in particular;
- Sound corporate governance, ethics and probity;

- A comprehensive and progressive approach to identifying poverty pockets and proactively developing sustainable and integrated programmes that respond to crucial needs of communities; and
- [To] dedicate financial and human resources to the core business of the agency and reviewing business management principles within the agency so as to attract alternative funding and retain best skills.

In this strategic plan, three of the four ‘strategic goals’ focused on fixing the internal functioning of the NDA after the fraud and corruption scandal, which makes them operational goals rather than strategic ones.

Only one of the strategic goals in the 2006–2011 plan mentions the core function and mandate of the NDA, namely providing grants to CSOs for poverty alleviation projects. However, the sub-objectives for the funding mandate of the NDA provide a clearer picture of how closely the NDA aligned its priorities with those of government.

This has resulted in a strategic plan ‘that takes into account the priorities of the Minister and Government in relation to social and economic development for the country’ (NDA 2006a: 4).

The 2008–2011 strategic plan (NDA 2007b) takes the alignment further and mentions government programmes, such as the ISRDP, the PGDS and the IDPs as the programmes to which it will align its funding areas. CEO Godfrey Mokate stated in a presentation to the Portfolio Committee in March 2007 that the longer term future of the NDA is to become the poverty eradication thought leader, the advisor on policy and regulation in relation to poverty, the supplier of credible information on poverty eradication and become an organisation of excellence that is ‘in support of the President’s State of the Nation priorities’.²⁰³

203 Godfrey Mokate’s Presentation to the Portfolio Committee on the Strategic and Business Planning Methodology and processes, March 7, 2007.

The most recent strategic plan for the period 2010–2013 states upfront that it

‘has been developed within the context of the five Government priorities namely the creation of decent work and sustainable livelihoods; education; health; rural development, food security and land reform; fight against crime and corruption’. (NDA 2009b: 3).

It also stipulates that it will provide grants to CSOs to implement projects that create employment and income opportunities and that the criteria used to select projects for funding are ones that are aligned to government’s priorities on poverty as well as the PGDS, municipal IDPs, DSD’s War on Poverty Programme, the EPWP Phase II and the Comprehensive Rural Development Programme. The former acting CEO of the NDA, Rashieda Issel, stated in her presentation of the 2010–2013 strategic plan that its basis was

‘government priorities, as indicated by Department of Social Development (DSD) focus areas and priorities.’²⁰⁴

Monitoring the impact of NDA funds is part of this plan; a response to criticisms that have been levelled against the NDA from the Standing Committee on Public Accounts (SCOPA) and the Portfolio Committee for Social Development.

The NDA has, since 2001, been housed in the Department of Social Development and the bulk of DSD funding of the NDA was reported as a budget line item. However, for the last three years the DSD has been reporting on the NDA as a sub-programme of the department, falling

under its Integrated Development programme which also houses the Sustainable Livelihoods and Community Development sub-programmes.²⁰⁵ The NDA has therefore become a key tool in the Department’s implementation of its poverty alleviation strategy. Remarks by Minister of Social Development Edna Molewa during a presentation to the Portfolio Committee were reported as follows:

‘The National Development Agency (NDA), in its planning session, tried to align its strategic plan with the vision of Government and the needs of the people. The NDA, as part of the DSD, [own emphasis] aimed to address the burning issue of poverty. The NDA and DSD were not working in isolation, but in collaboration with other Departments and institutions to achieve that objective.’²⁰⁶

The purpose of DSD’s Community Development Programme has been ‘to create an enabling environment for the empowerment of the poor and vulnerable through the promotion and support of community development work, strengthening of the institutional arrangements and dialogue with civil society’ (DSD 2009: 54) with the NDA playing a critical role in enabling the Department to achieve the latter part of the programme’s purpose. The recently appointed CEO of the NDA, Vuyelwa Nhlapo, was formerly the Deputy-Director General of DSD’s Integrated Development programme which houses the Community Development sub-programme under which the NDA falls.

Tables 7 and 8 summarise key points from the NDA’s strategic plans from 2002 to its most recent plan for 2010-2013.

²⁰⁵ DSD Strategic plan 2006-2007. In subsequent years, the NDA has been reported on under the Community Development sub-programme.

²⁰⁶ ‘Minister on National Development Agency Strategic Plan & Budget 2010-2013; Child Justice Act implementation readiness.’ www.pmg.org.za/report/20100316-national-agency-nda-its-budget-strategic-plan-briefing-department-chil, accessed 3 March 2011.

²⁰⁴ Social Development Parliamentary Committee briefing, 16 March 2010.

Table 7: NDA strategic plans 2002–2013

| 2002–2004 ²⁰⁷ | 2005/6–2009/10 ²⁰⁸ | 2008–2011 ²⁰⁹ | 2010–2013 ²¹⁰ |
|--|--|---|---|
| <ol style="list-style-type: none"> 1. Research into poverty trends and anti-poverty pockets to inform NDA grant-making; facilitating networks and partnerships between poverty eradication projects and organisations. 2. Capacity building and leadership development of organisations that work with the poor by using service providers. 3. Build relationships and income streams with significant donors that work to eradicate poverty and its causes. 4. Establish a broad and reliable database of CSOs, poverty eradication institutions and make it public. 5. Provide input into poverty policies, identify strategic poverty policies, engage with beneficiaries in poverty policy process initiatives and community planning and promote dialogue between the state and civil society. 6. Promote dialogue between government, intergovernmental organisations and government departments at all levels to influence policy change and development action. 7. Conduct impact assessments of NDA funded projects/ programmes. | <ol style="list-style-type: none"> 1. Provide development grant funding to CSOs to implement integrated and sustainable community-driven projects that contribute towards the eradication of poverty with emphasis on Food Security, Economic Development, Local Government partnerships, EPWP, and improve grant-making and monitoring. 2. Undertake research and publication aimed at development policy through community owned development policies, community driven dialogue and advocacy, monitoring service delivery, managing and disseminating information. 3. Improved NDA administration, financial management, IT [information technology] capacity. 4. Improved stakeholder relationships with government departments through targeted interaction with relevant departments and portfolio committees, improving the profile and branding of NDA, and build relations with CSOs. 5. Build profile of NDA through marketing, communications and media relations. | <ol style="list-style-type: none"> 1. Provide grants to civil society organisations to implement sustainable community-driven projects that create employment and income generating opportunities with focus on poverty eradication, Provincial Growth Development Strategies (PGDPs) and municipal Integrated Development Plans (IDPs) targeted at ISRDP nodes and urban renewal programmes. 2. Play a pivotal role in implementing the Jobs for Growth Initiative in support of government's second economy ASGISA initiative by mobilising community support for the initiative, providing seed funds to self-help groups, support to participating enterprises and strengthening capacity of communities to access viable markets. 3. Strengthen the capacity of CSOs to deliver services to impoverished communities through institutional capacity building to drive and complement the government-wide programme of 'mas-sifying' community-driven initiatives that create jobs in the second economy. 4. Provide high quality, credible research data, knowledge and information to internal and external stakeholders to inform programme and policy decisions and improves understanding of poverty eradication processes, challenges and potential interventions by compiling a CSO database, measuring socio-economic impact of NDA grants, build partnerships with research, development institutions and higher learning institutes, build networks and promote dialogue. | <ol style="list-style-type: none"> 1. Build the capacity of CSOs to enable them to carry out development work effectively by building the institutional capacity of service delivery CSOs which are working with ECDs, rural development, poverty alleviation, vulnerable groups and co-operatives. 2. Grant funds to contribute towards the eradication of poverty by providing funding to CSOs to implement rural development projects, by providing targeted funding based on geographic, demographic and socio-economic profiles including ECD [early childhood development] sites and projects working with vulnerable people. 3. Facilitate research towards poverty eradication by holding regional and national dialogues on policy within the development sector and with SADC [Southern African Development Community], generating and disseminating development information, conducting research into the constraints of CSOs involved in poverty eradication, collect current and accurate information on the scope and geographical distribution of CSOs and measure the performance and impact of NDA-funded projects. 4. Position the NDA as a premier development agency and mobilise resources by enhancing the profile of the NDA to become a development partner to leverage resources and funds from identified sources. 5. Promote and maintain organisational excellence and sustainability by improving the efficiency of internal systems and procedures, creating preferential employment opportunities for people with disabilities, institutionalising the values of the NDA. |

207 Social Development Parliamentary Briefing, June 2002.

208 Strategic Plan 2005/6–2009/10 (NDA 2005b).

209 Strategic Plan 2008–2011 (NDA 2007b).

210 Strategic Plan 2010–2013 (NDA 2009b).

Table 8: Macro factors identified as significant by the NDA

| 2002–2004 ²¹¹ | 2005/6–2009/10 ²¹² | 2008–2011 ²¹³ | 2010–2013 ²¹⁴ |
|---|--|--|--|
| <ol style="list-style-type: none"> 1. The legacy of apartheid and its impact of poverty inequality and underdevelopment especially in rural areas and among black people and black women in particular. 2. The Constitution’s imperative [constitutional right] to be free from poverty. 3. The five pillars of the RDP that shaped government’s anti-poverty and inequality programme. 4. Government’s GEAR macro-economic policy. 5. Regional initiatives and structures like NEPAD [New Partnership for Africa’s Development], AU [African Union] and SADC. 6. Strategic partnerships and integrated planning are integral to development and that development is a process. 7. A balanced approach to development that takes into account rural to urban migration. 8. Poverty is more than a lack of income. [Income is not the only measure of poverty.] 9. Education is key to development. 10. The complex nature of CSOs and the role the NDA can play in bringing these together. 11. The need for the NDA to define the costs and return on investment of dealing with poverty. | <ol style="list-style-type: none"> 1. Government’s Five Year Plan and its Vision 2014: <ul style="list-style-type: none"> • Economic growth and development • Sustainable livelihoods • Comprehensive social security system • Access to services • Combating crime and corruption • Ensuring constitutional rights and good governance • Playing a role in the affairs of Africa and the world • Health campaign to address HIV/AIDS, TB, diabetes and malnutrition • Land reform. 2. Government’s priorities on poverty eradication: <ul style="list-style-type: none"> • Provinces with the highest poverty pockets including Eastern Cape, Kwa-Zulu-Natal, Limpopo and Free State • ISRDP, Urban Renewal Programme, IDP, EPWP • Partnerships with and mobilisation of communities. 3. Government’s Ten Point Plan which includes rebuilding of family, community and social relations, [an] integrated poverty eradication strategy, HIV/AIDS, youth development, co-operative governance, training and education, [action against] violence against women and children and other vulnerable groups, services to disabled people, food security and nutrition, training, education and redeployment of new category of workers in social development. | <ol style="list-style-type: none"> 1. President’s integrated anti-poverty strategy to address sections of the population most affected by poverty and that specified 24 priority sections of the population including women, children, youth, people living in rural areas and urban informal settlements, disabled people or people with chronic illnesses and the elderly. 2. President’s key proposed interventions include EPWP, employment subsidies for direct job creation for targeted groups, enhancing employment search capability, education and training, improving services and assets among poor communities, instituting specific interventions in poor households, [enhancing the] effectiveness of institutions supporting women and children. 3. Cabinet Lekgotla resolutions on poverty eradication, government programme of action on poverty as well as Provincial Growth Development Strategies (PGDSs) and municipal Integrated Development Plans (IDPs). 4. Poverty-stricken areas, including ISRDP nodes and urban renewal programmes. 5. ASGISA [Accelerated and Shared Growth Initiative for South Africa] and the Jobs for Growth Initiative that plans to identify and develop 15 000 sustainable micro and small enterprises across 9 provinces in 2007. | <ol style="list-style-type: none"> 1. Government’s five priorities namely: <ul style="list-style-type: none"> • creation of decent work and sustainable livelihoods • education • health • rural development, food security and land reform • the fight against crime and corruption. 2. The Millennium Development Goals and South Africa’s commitment to halve poverty by 2015. 3. Government’s priorities [for action] on poverty, namely: <ul style="list-style-type: none"> • PGDSs • Municipal IDPs • EPWP Phase II • War on Poverty programme • Comprehensive Rural Development Programme. 4. President’s key proposed interventions on ECD, rural development and vulnerable groups. |

211 Social Development Parliamentary Briefing, June 2002.

212 Strategic Plan 2005/6–2009/10 (NDA 2005b).

213 Strategic Plan 2008–2011 (NDA 2007b).

214 Strategic Plan 2010–2013 (NDA 2009b).

An interesting aspect of the strategic goals since 2002 has been the push from the Board to align the NDA's goals with the anti-poverty strategies of the state. In the latest strategic plan for the period 2010–2013, Board chairperson Bishop Mpumlwana says that the purpose of developing a strategic plan is to provide the NDA with the opportunity to

'review the way it does business in order to survive in these trying times and also to stay relevant to the Government agenda.' (NDA 2009b: 8).

According to a former Board Member of the NDA:

*'Every year with the State of the Nation Address, the speech had to be fleshed out to see what does this mean for us? Our priorities for each year were very strongly determined by what the President had said in his annual State of the Nation Address. We had to flesh out what this means for us. That dictate was always there. It was not just via the Minister. Municipal and district documents and reports were also brought into the picture for determining our priorities. This determined how our money was going to be spent, particularly with regard to the Programme Formulation Method. We were being pushed into becoming involved in specific nodes or "poverty pockets" and the result was that suddenly lots of resources would go to a particular poverty pocket, in the process creating new ones. When you have a "poverty pocket" highlighted, suddenly lots of resources go into that "poverty pocket", and then you are creating other poverty pockets.'*²¹⁵

²¹⁵ Interview with former NDA Board member who wished to remain anonymous, 12 October 2010.

There has been a very marked shift in the NDA's first strategy in 2002 which made specific mention of the Agency's independence from government, including saying it 'is not a department of government' (Section 3). Its current view of its role is to assist government to fulfil its poverty alleviation and poverty reduction vision. With the end of programmes like the ISRDP and urban renewal nodes and the NDA's stated alignment with the priorities of the DSD (NDA 2009b), the Agency's loss of independence is now complete.

The NDA's decision to align its funding strategy with government's priority areas for poverty alleviation and to focus on household-level interventions entailed a specific choice to work with CBOs as

*'the extent to which larger NGOs were working at that level was questionable in terms of how much they really worked where the needs were greatest.'*²¹⁶

The decision to move away from funding NGOs does not appear to have been backed up by research or consultation, and the loss of funding has had a severe impact on organisations that were doing good work.

According to a former Board member, the NDA did not prioritise building the relationship between the state and civil society because of the

*'breadth of the mandate and limited resources [and because] this was a politicised terrain, not just with regard to party politics, but also with regard to the politics of the NGO movement itself, and their own various contestations and conflicts. It was felt that there were systemic problems in the NGO movement that needed to be addressed; and for the NDA to intervene in such a contested terrain would have done damage.'*²¹⁷

²¹⁶ Ibid.

²¹⁷ Interview with Dr Temba Masilela, 19 October 2010.

For this reason the extent of NDA support to NGOs was by providing SANGOCO with some support to hold its annual conferences. Annemarie Hendrikz expressed the view that civil society did not make effective use of the available avenues to express itself, such as SANGOCO; instead it was distracted in trying to reach consensus on issues that were not important at the time.²¹⁸ Another former Board member said:

*'I agree that CBOs were a lot less experienced, but their needs were greater and they were a lot closer to the ground. The larger NGOs were well resourced. They tended to have large offices in Braamfontein, Houghton and places like that, and some had highly experienced people. However they tended to be top-down structures; whereas our requirement was that we funded initiatives originating at grassroots level. It was our working consensus that it was absolutely the correct approach: to target and prioritise organisations at this level.'*²¹⁹

However, notwithstanding the complexities of civil society, the NDA did not make use of opportunities to bring experienced NGOs into its work. For example, the research and policy development mandate of the NDA could have been fulfilled in partnership with NGOs. Also, the NDA could have made use of NGOs to assist in identifying the best projects and monitoring these projects – an approach that the IDT uses in implementing government-funded projects. However, the NDA has opted to establish provincial offices with Provincial Managers and provincial project managers. Not only has this resulted in a bloated institution that is costly to run, it has also resulted in what Annemarie Hendrikz has called 'fiefdoms':

218 Interview with Annemarie Hendrikz, 12 October 2010.

219 Interview with Dr Stephen Rule, 19 October 2010.

*'Regional managers and project staff were seen as powerful with all the resources. They had all the power in the provinces and for rural fieldstaff in general, power can be intoxicating and can allow for "fiefdoms" to develop. The grant approval practice also became competitive based on government-identified poverty hotspots, such as certain areas of KZN [KwaZulu-Natal] and Mpumalanga, which would get more of the NDA budget regardless of the viability and/ or sustainability of a project. Hence regional directors were vying for their own budgets but were not prepared to do the work required for preparation of compelling proposals that met all the due diligence requirements, prior to submitting this to the Board's Project Screening committee for consideration.'*²²⁰

The NDA could have also used NGOs as intermediary grantmakers instead of clustering projects. Gardner and Macanda (2003: 19) make mention of a study done in 1998–1999 into the use of intermediary grantmakers as part of the NDA's disbursement strategy. The report made three recommendations:

1. The NDA should make use of and extend the work of experienced grantmaker organisations with knowledge, skills and organisational systems for grantmaking.
2. The NDA should make use of national-level organisations that have a long history of grantmaking and implementation of programmes but should clarify how grantmaking will be separated from implementation.
3. The NDA should make use of organisations that operate at a local level that provide support and resources to local development projects to monitor NDA projects.

220 Interview with Annemarie Hendrikz, 12 October 2010.

One of the former NDA Board members said it was a concern that the Agency did not consider the option of using NGOs as intermediary grantmakers. Some of the NDA's own studies showed that the programme formulation model was very problematic, and that using intermediaries such as SCAT, Community Chest and others working at a local level and making grants of between R20 000 and R100 000 could have been a more successful option:

*'Using intermediaries is highly practical and can build local capacity by walking them through the process. The value of small grants has been underestimated in the NDA.'*²²¹

Despite these recommendations and concerns, the NDA decided to tackle grantmaking including sourcing projects and offering support to projects on its own.

*'The NDA didn't want to be seen as not managing on their own and therefore wanted to do things independently of NGOs. There were enormous incompetencies and the NDA was rightly criticised – which they did not like and which deepened the divide between the NDA and the NGO grant-making sector.'*²²²

This short-sightedness on the part of the NDA has resulted in ineffective and inefficient grantmaking and has divided the civil society sector.

Whilst it is understood that the NDA is bound by legislation that provides its mandate and its function, it was assumed that the NDA would be independent of both civil society and of government. It was this independence and the fact that it was going to use this independent space to facilitate dialogue between the state and civil society that made the NDA a progressive and innovative development agency. Swilling and Van Breda

(2006: 93) state that the establishment of an agency like the NDA was seen internationally as 'a progressive move because it effectively meant indirect state controls over allocations to civil society organisations of public funds'. Hence, its inability 'to create a three-way partnership between government, civil society and the NDA' will be seen as its biggest failure (Ibid.).

5.5. Disbursement and expenditure of funds

In 2001, the NDA decided its priority funding areas would be education and training; economic development; rural development; and health. In 2002, these focus areas were reduced to three: economic development; education; and health. By 2005, the NDA broadened its focus again as follows: economic development; food security; local government partnerships; and extended public works. The objectives of the last two focus areas were not realised for lack of implementation, so in 2006 the NDA narrowed its focus to economic development and food security. These two funding areas have been dominant over the last four years with early childhood development and rural development being mentioned as new focus areas in the 2010 strategic plan (NDA 2009b).

The projects that the NDA has funded under the economic development focus area included SMMEs [small, medium and micro-enterprises], agri-business, community tourism, value-adding activities, support for co-operatives, jewellery making, shoe making, furniture making, beekeeping, goat farming, poultry, vegetable production and brick making. Food security projects that received funding from the NDA included community gardens and small-scale farming.

221 Interview with former NDA Board member who wished to remain anonymous, 12 October 2010.

222 Interview with Annemarie Hendrikz, 12 October 2010.

The NDA also has a capacity building component through which it aims to build the internal organisational capacity of CSOs so that they become more efficient in their service delivery activities. In 2006–2007, the NDA made R25.7 million available to 20 CSOs for capacity building, to be provided by universities and accredited service providers. The programme was only implemented between 2007 and 2008. Most service providers chosen were larger NGOs and each received a grant of between R950 000 and R1.8 million to provide capacity building support. The National Treasury reported that by the end of 2009, there were 643 beneficiaries of this programme and the total amount spent was R25.7 million.²²³

The NDA has two methods of sourcing applications for funding. The ‘request for proposals’ (RFP) method takes the form of advertisements in the media asking CSOs to submit proposals which meet a set of policy criteria. The NDA describes this process as ‘competitive’ and aimed at ‘well-established CBOs, NGOs and co-operatives in organised communities’ (NDA 2008: 13). The ‘programme formulation’ (PF) method is when the NDA provincial offices conduct research into pockets of poverty against the background of the relevant Provincial Growth and Development Strategy. These offices then reach out to CBOs and NGOs working in these pockets of poverty and ask them to develop proposals for economic development or food security projects that would lead to poverty alleviation or poverty reduction in those areas. CBOs and NGOs may have to enter into partnerships to implement approved projects. In instances where there are no organisations in operation or there are no projects

running in identified areas, the NDA has been known to initiate such projects.²²⁴ This approach is similar to that of the Hungarian state development agency, which also sets up non-profit organisations or projects to provide services where there are gaps in government service delivery.

The clustering of organisations and projects in the PF method was intended to be a way of

‘...partnering organisations in order to be more resource effective in monitoring a cluster as opposed to individual projects and to take on board small CBOs who [which] on their own could not access the grant nor be monitored.’²²⁵

In most cases the projects or organisations are clustered around a ‘mother organisation’ that is considered to have more experience and to have effective governance structures in place. The grant is given to the mother organisation which administers the grant and channels it to smaller CBOs. Former Board members said that the programme formulation method of sourcing applications was based on sound methodology, but implementation problems arose when Provincial Managers went looking for opportunities and created projects when they did not find what they were looking for. For example, the Balimi Intranet project in Gauteng submitted a proposal in response to a call for proposals. However, because there were insufficient funds in the request for proposals budget to meet the Balimi budget as it stood, the Provincial Manager reshaped the call using the PF method, and the organisation was able to access a R1 305 420 grant.

223 2009 National Treasury Estimates of Public Expenditure: Social Development.

224 Interview with Annemarie Hendrikz, 12 October 2010.

225 Ibid.

In the Western Cape, the NDA's Provincial Manager facilitated the establishment of the Bitterfontein Advice and Development Organisation which grouped 13 organisations together into a consortium. Four of the projects receive funds from the NDA. The Mamakupitsi Project in Limpopo is a cluster of four villages that house one project each. The project is led by the Kgwana Community Centre with a representative serving as the Chairperson of a steering committee. Each project is represented by one member on the steering committee. Another project in Limpopo, the Fekagamo Farming Cooperative, saw the NDA adopt a different approach. The Chief of the Nchabeleng village provided five hectares of land for small food garden projects. Beneficiaries were identified by councillors of the surrounding villages to begin small food garden projects. It is difficult to get a sense of the impact of projects that are funded through the PF method, and some risks have been identified:

*'The NDA chose projects and in one or two cases established a project. However, the chosen themes were not informed by sound and rigorous research. Food security, for example, did not take into account the drawbacks of agri-business, nor did it link practice or emerging market trends to indigenous knowledge; it funded battery chickens when the market was fast developing for organic or at least free-range chicken which would have required less teaching of people on "how to rear chickens". What the NDA was doing was out of synch with genuinely sustainable development practice.'*²²⁶

²²⁶ Ibid.

Table 9 details amounts given by the NDA for the period 2005–2009 through its requests for proposals method and its programme formulation method.

Table 9: Committed and disbursed funds for 2005–2009²²⁷

| Year | No. of projects funded | Committed funds | Disbursed funds | RFP projects | PF projects |
|-----------|------------------------|-----------------|-----------------|----------------|----------------|
| 2005–2006 | 104 | R68.7 million | R62 million | 39 | 64 |
| 2006–2007 | 95 | R110.97 million | R49 million | 33 | 42 |
| 2007–2008 | 78 | R89.9 million | R76 million | 29 | 49 |
| 2008–2009 | 59 | R85.8 million | R118 million | No information | No information |

The table indicates that more PF projects were funded than RFP projects, so it seems this is the preferred method of disbursing funds. The PF method enables the NDA to ensure its grants are closely aligned to the state's priorities and can assist in the delivery of services. This has been justified by former Board members as being the most efficient way to disburse funds where little human resource capacity is available.

In 2005–2006, the government identified the Eastern Cape, Free State and KwaZulu-Natal as the poorest provinces most in need of support. When Acting CEO Rashida Issel presented the NDA's 2008–2009 annual report to the Portfolio Committee, she said 'funding to provinces was linked to provincial profile summaries that detail information on the population, unemployment, development priorities and challenges' that have been derived from the PGDS of each province.²²⁸

²²⁸ National Development Agency (NDA) Annual Report 2008/09, www.pmg.org.za/report/20100216-national-development-agency-annual-report-200809-presentation, accessed 3 March 2011.

²²⁷ From annual reports.

Table 10 is a provincial breakdown of funds disbursed since 2002, excluding 2005–2006 and 2008–2009, since no figures were available in NDA annual reports for those years.

The provinces that have received the most funds overall were Gauteng, Eastern Cape and KwaZulu-Natal. Over R1 054 million was made available for disbursement to projects in the nine provinces, the bulk of which was in the first three years of the NDA's establishment. However, only R658 million was actually disbursed by 2008, i.e. 62% of available funds.

Table 10: Provincial breakdown of funds 2002–2004; 2006–2008²²⁹

| Province | 2002-2003 | 2003-2004 | 2006-2007 | 2007-2008 | Total provincial disbursements |
|--------------------------|----------------|----------------|-----------------|----------------|--------------------------------|
| Limpopo | R11.18 million | R51.73 million | R14.39 million | R11.45 million | R88.75 million |
| Mpumalanga | R5.01 million | R19.19 million | R8.23 million | R8.93 million | R41.36 million |
| Eastern Cape | R14.04 million | R56.21 million | R14.08 million | R15.19 million | R99.52 million |
| Northern Cape | R4.7 million | R8.74 million | R6.55 million | R7.25 million | R27.24 million |
| Western Cape | R13.08 million | R51.86 million | R9.85 million | R8.26 million | R83.05 million |
| KwaZulu-Natal | R15.59 million | R51.11 million | R16.65 million | R13.08 million | R96.43 million |
| North West | R5.5 million | R20 million | R9.66 million | R12.30 million | R47.46 million |
| Free State | R5.46 million | R22.23 million | R10.52 million | R7.91 million | R46.12 million |
| Gauteng | R10.71 million | R99.43 million | R12.81 million | R5.88 million | R128.83 million |
| Total disbursed funds | R85.27 million | R380.5 million | R102.74 million | R90.25 million | R658.76 million |
| Total provincial budgets | R310 million | R544 million | R110.96 million | R89.88 million | R1 054 million |

229 Information from annual reports and reports presented to the Portfolio Committee for Social Development.

The bulk of the NDA's funds come from the Department of Social Development supplemented with some support from the European Union. EU funding appears to have ended in 2008. The National Department of Social Development includes the budget for the NDA in its Budget Vote.

The average cost of running the NDA, excluding grants for projects, is about R76 million per year. Between 2006 and 2009 the NDA spent almost R2.8 million on Board member fees, over R28.5 million on the salaries and benefits of the 10 executive managers, another R46.5 million on consultants, and over R13.7 million on marketing and communication (table 11).

The 2009 National Treasury estimates of expenditure for the NDA said:

'Compensation of employees, one of the biggest expenditure items, increased at an average annual rate of 7.2 per cent between 2005/06 and 2008/09, and is expected to increase by 7.1 per cent over the MTEF [Medium Term Expenditure Framework] period. The increase of 22.6 per cent in goods and services between 2005/06 and 2006/07 is due to marketing costs. The increased expenditure on marketing was due to a management decision to reposition the National Development Agency brand.'

Table 11: Breakdown of NDA costs 2006–2009²³⁰

| | NDA Board costs (incl. audit committee) | Executive management costs | Consultant fees | Marketing and communications |
|------|--|-------------------------------|--------------------|---------------------------------|
| 2006 | R376 672 | R5 863 364 | R11 810 553 | R2 593 904 |
| 2007 | R499 552 | R5 004 390 | R12 381 831 | R4 231 252 |
| 2008 | R624 387 | R8 349 054 | R13 614 298 | R4 776 180 |
| 2009 | R1 269 137 | R9 323 943 | R8 784 431 | R2 193 856 |
| | R2 769 748 | R28 540 751 | R46 591 113 | R13 795 192 |

Annemarie Hendrikz holds the view that the budget of the NDA was wrongly skewed towards marketing and promoting the NDA rather than being allocated to development projects. The thinking in the NDA, which is still visible in its current strategic plan, is that marketing and rebranding the organisation will allow it to raise funds from other sources. Hendrikz disagrees with this strategy and feels that the best marketing tool would be visible and effective delivery on the NDA's mandate. In 2007, her final year at the NDA, about one-third of the budget had shifted to cover marketing costs – more than the research budget. Not only is research key to sustained relevance, it could also have been used as the element most likely to draw in bigger CSOs thereby optimising effective and mutually beneficial partnerships which built on existing research and analysis capacity and ensuring that funding was authentically developmental.²³¹

An assessment study of the NPO Act conducted by DSD revealed that between 1997 and 2004, DSD had been given R600 million for poverty alleviation projects and had contracted the IDT to disburse these funds. Through the IDT, DSD has funded over 100 000 poverty alleviation projects and about 3 000 community initiatives every year. By contrast, the NDA has been unable to disburse

²³⁰ NDA annual reports 2006–2009.

²³¹ Interview with Annemarie Hendrikz, 12 October 2010.

the funds given to it from government, disbursing only 56% of the funds made available to the provinces. Between 2007 and 2009, the NDA was only able to disburse R89.9 million in grant funding out of a total budget of R388 million to just 78 civil society organisations.

In the presentation to the Portfolio Committee on the 16 March 2010, it was noted that government had cut the NDA's budget from R140 million to R86 million. The reason given for this budget cut was the recession. However, former Board members of the NDA see this cut in the NDA's budget as either being an acknowledgement from government that the NDA has not fulfilled its mandate and wants to start winding the organisation down, or it could be using financial pressure to force the NDA to source funds from elsewhere. In March 2010 the Minister of Social Development said that DSD was in talks to source funds for the NDA from National Lottery funds administered by the NLB.²³²

Over the years, the amount granted to the NDA by government has been declining or stagnating with the number of projects it funds on the decline. Gardner and Macanda (2003: 9) point out that one of the critical factors threatening the legitimacy of the NDA is the fact that government has never been willing to make available to the NDA the amount that the apartheid government made available for development projects through the IDT. Gardner and Macanda (2003: 9) quote SANGOCO as follows:

'if government was serious about reversing the legacy of apartheid and about civil society participation in development, it should at least match the figure given by the apartheid government when the IDT was established.'

²³² NDA briefing to Portfolio Committee for Social Development, 16 March 2010.

Government has not given the NDA even half of what the IDT received, and its own departmental budgets for poverty alleviation projects exceed the total budget given to the Agency. It therefore seems government does not take the role of the NDA very seriously, and has lost confidence in an institution unable to disburse even the little money it does receive.

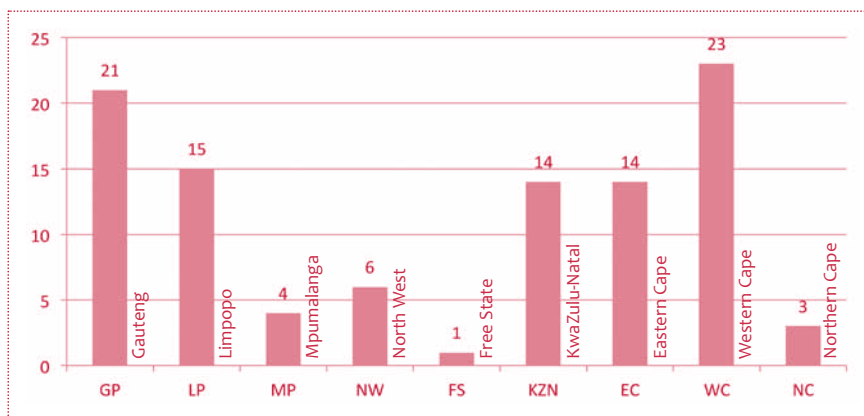


Figure 26: Percentage distribution of applicants to the NDA by province

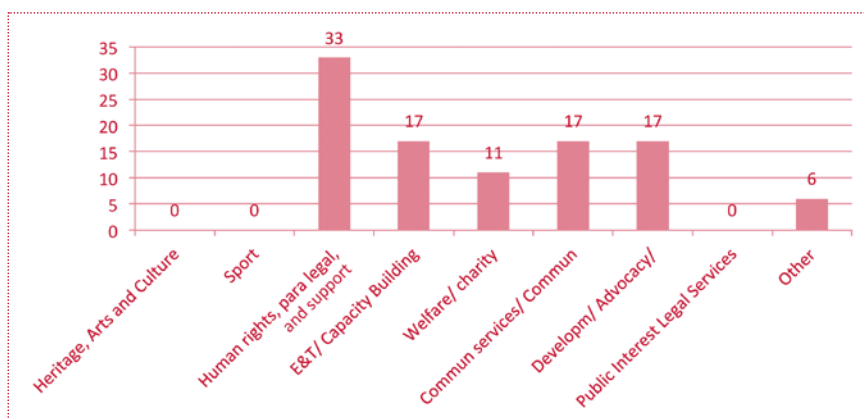


Figure 27: Percentage distribution of applicants by sector

5.6. Civil society's experience of the NDA

This section of the report is a documentation of civil society's experience with the NDA based on the survey, in-depth interviews and focus groups.

5.6.1. Description of NDA applicants

Of the 226 organisations covered in the survey, 84 organisations (37% of total sample) applied to the NDA for funding. Almost half of these applications came from the Western Cape (23%) and Gauteng (21%). Limpopo, KwaZulu-Natal and the Eastern Cape account for a further 43% of applicants (figure 26).

Ninety five percent of applicants in the survey sample came from organisations in five sectors: education and training; welfare and charity; community services and local economic development research and advocacy, with the biggest share of applicants coming from human rights, advice, and support organisations (33%) (figure 27).

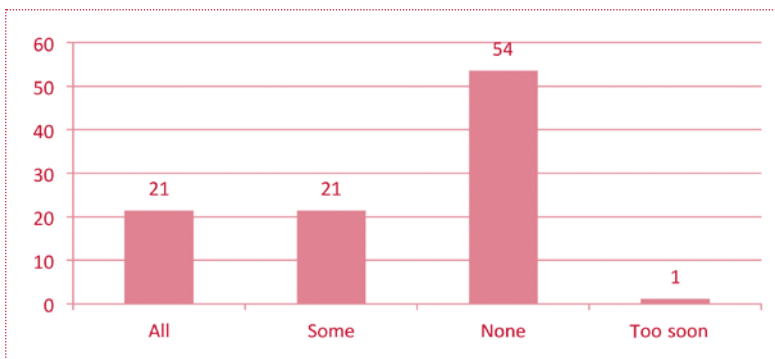


Figure 28: Outcome of applications to the NDA



Figure 29: Percentage distribution of applicants by sector

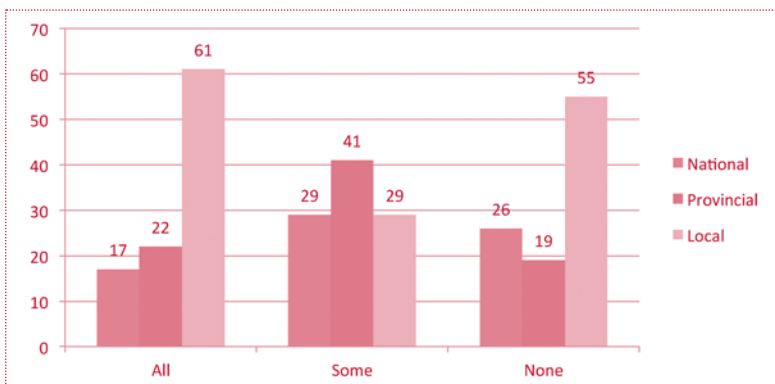


Figure 30: Areas of operation for applicants

5.6.2. CSOs' experience with the application process

Of the respondents that applied to the NDA, 21% were successful in all of their applications, and a further 21% were successful in some of their applications (figure 28). Fifty-four per cent of organisations were unsuccessful in all of their applications to the NDA. One per cent of organisations noted that they had only recently applied, and had not yet been informed as to whether their applications had been successful or not.

Of those organisations that were successful in all of their applications, 89% had only applied to the NDA once and been successful, 5% had applied twice and been successful, and 5% had applied three times and been successful (figure 29). Organisations that have been successful in all of their applications are located in six of the nine provinces. Western Cape, Eastern Cape and Limpopo stand out with over 20% of all applications to the NDA being successful. The figure for KwaZulu-Natal was 17%, while in North West and Gauteng the figure dropped to 6%.

Of the organisations that were successful in all of their applications, 61% operated at a local/ district level, compared with 22% which operated provincially, and 17% which operated nationally (figure 30). However, if one looks at organisations that have not been successful in any of their applications, the majority are organisations that operate on a local scale (55%) compared to 26% operating at national scale and 19% operating at provincial scale.

Almost all of the organisations that have been successful in all or some of their applications to the NDA fall into five categories – human rights, advice and support; education and training and capacity building; welfare and charity; community services; and local economic development (figure 31). Fifty per cent of organisations that have been successful in all of their applications and 78% that have been successful in some of their applications work

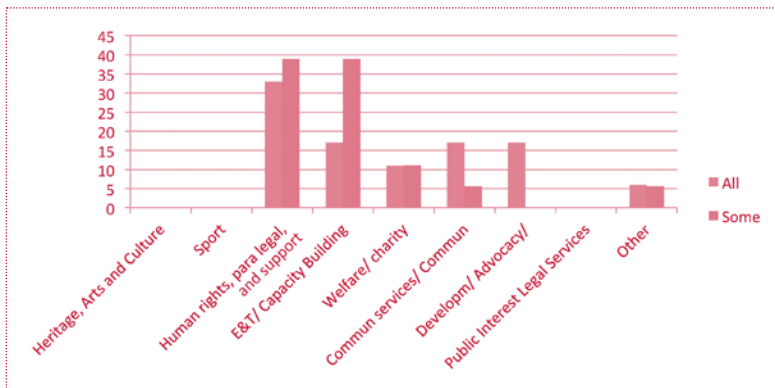


Figure 31: Areas of work of successful applicants

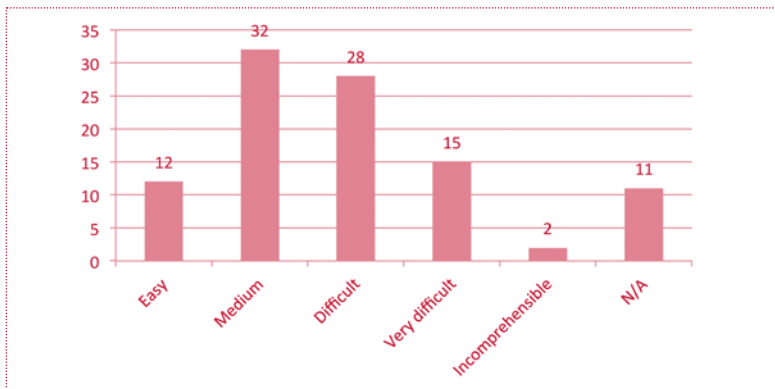


Figure 32: Opinions on application process

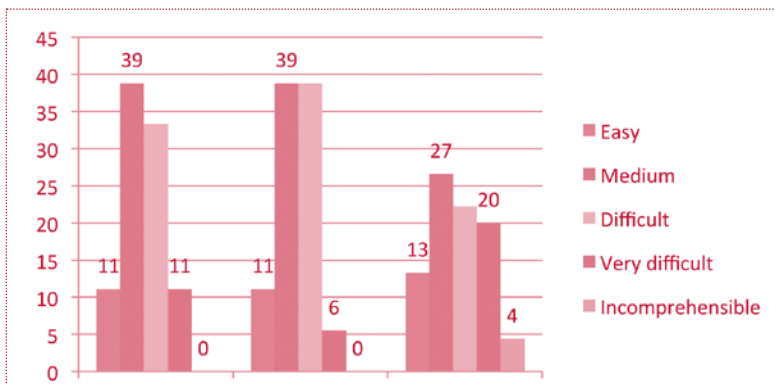


Figure 33: Experience of application process disaggregated by success of applicants

in these areas of endeavour. The NDA has not supported organisations in the heritage, arts, and culture sector, or that do work in relation to sport, or that provide public interest legal services. This is in keeping with the funding focus on poverty eradication through local economic development and food security.

Forty-four percent of applicants found the process easy or of medium difficulty (figure 32). A further 43% found the process difficult or very difficult.

If one disaggregates this data, however, some variation does emerge (figure 33). A higher percentage of organisations that were successful in all or some of their applications found the process easy or of medium difficulty (50%) than organisations that were unsuccessful in all of their applications (40%). More significantly, 24% of organisations that were unsuccessful in all of their applications found the process very difficult or incomprehensible compared to 11% for organisations that were successful in all and 6% of organisations that were successful in some.

These statistics were confirmed by the in-depth interviews, in which CSOs expressed a variety of views on the application process and forms. Respondents reported a variety of methods for accessing NDA application forms. Most of the organisations interviewed accessed the NDA application forms from the website whilst others in Kwa-Zulu-Natal, Mpumalanga and Eastern Cape were invited to workshops held in their provinces. In Gauteng, the NDA has begun hosting discussion forums although these forums are not held specifically to assist organisations to prepare proposals. One of the organisational stakeholders interviewed saw these workshops as a ‘welcome initiative from the NDA to engage with civil society’.²³³ In Mpumalanga, one organisation reported that the NDA’s provincial office arranged a community meeting to

²³³ Interview held on 24 May 2010.

inform the community about the NDA's call for proposals and made application forms and guidelines available to organisations.²³⁴ In the Eastern Cape, organisations indicated that the NDA had held two workshops in Umtata and Mount Ayliff where its focus areas for funding were presented and application forms and guidelines were made available.²³⁵ In KwaZulu-Natal, organisations were invited to the Elangeni Hotel. The event was described as a 'lavish event with snacks, tea and coffee, a sit-down lunch, handing out of pens and T-shirts'²³⁶ but the information provided at the event was described as not being very useful as it was 'extremely general, covering for example an introduction to the NDA and general information on what kinds of projects they are seeking to fund'.²³⁷

Along with the decentralisation of the NDA into provincial areas of operation, some organisations found that the high turnover of staff resulted in organisational inconsistencies.

*'We engaged with the Gauteng office and... found the engagement plagued by a huge staff turn-over. During 2005, [we] engaged with two different officials with regard to [our] application. In 2006 [we] engaged with three other officials and in 2007 with another three. This brings the total number of NDA officials which [we] ... engaged with over the three year period to eight.'*²³⁸

Through the call for proposals method, organisations have to fill in an application form using the NDA guidelines, substantiate their proposals with supporting documents and provide a plan in log-frame format. Some of

²³⁴ Interview held on 1 June 2010.

²³⁵ Interviews held on 25 May 2010 and 27 May 2010.

²³⁶ Interview held on 18 May 2010.

²³⁷ Interview held on 19 May 2010.

²³⁸ Interview held on 1 June 2010.

the more well-resourced organisations described these requirements as reasonable and requiring medium effort, sometimes taking the organisation between one and three days to complete the NDA application process. However, these organisations found the technical and bureaucratic requirements of the application process, such as working with the PDF²³⁹ format of the application form, submitting audited financial statements and physically handing in hard copies of proposals to be more time-consuming.

However, one organisation did note that the requirement of a log-frame might prove difficult for under-resourced organisations:

*'[The NDA] wants to work with under-resourced organisations. These may struggle with the application requirements. For example, CBOs would struggle to complete log-frame charts.'*²⁴⁰

Organisations that found the application process difficult were the smaller, under-resourced CBOs. They reported it had taken them between one and three weeks to complete the application form. Some organisations felt that the application process for the NDA was more complicated and time-consuming than donors like the Foundation for Human Rights.²⁴¹ One of the smaller CBOs interviewed found the application form

*'very confusing and the language used was unnecessarily complicated. It almost deters one from applying as one fears not being able to fulfil the reporting requirements. It is an added deterrent that you need to hand in the proposal physically.'*²⁴²

²³⁹ Adobe Acrobat Portable Document Format.

²⁴⁰ Interview held on 19 May 2010.

²⁴¹ Interview held on 1 June 2010

²⁴² Interview held on 26 May 2010.

Emphasising this difficulty, another organisation found the need for ‘comprehensive information including a log-frame table... very confusing and frustrating... to complete’.²⁴³ They also found, through their networks, that other organisations also struggled to fill in the log-frame table and were unsuccessful in their applications. Whilst none of the organisations used consultants to assist them in filling in the application forms, one of the organisations did ask one of its donor partners to assist in filling in the log-frame.²⁴⁴

One organisation interviewed had a positive experience of the NDA’s programme formulation method, seeing this approach as developmental and affirming of the good work being done by NGOs:

‘[We] submitted a proposal to the NDA in 2006 which was granted, and the project was subsequently implemented very satisfactorily. The NDA then approached [us] with two smaller projects which the NDA wanted [us] to implement based on the experiences with the 2006 project. It makes sense that the NDA builds on lessons learnt and good experiences with partners if they are serious about development. The two smaller follow-up projects are also recognition by the NDA of the good work done by [us] and [we] therefore appreciate that the NDA contacted [us] with the view to starting new projects. It is appreciated that the NDA is proactive in seeking out project opportunities. When you consider the serious consequences of public money not being used effectively, it makes sense that the NDA should identify good NPO partners who are capable of delivering an excellent service.’²⁴⁵

243 Interview held on 25 May 2010.

244 Interview held on 24 May 2010.

245 Interview held on 24 May 2010.

Another organisation in the Eastern Cape was approached by the NDA to be the lead partner in a joint proposal with other organisations. However, the NDA selected the organisations that would be part of the partnership and this proved to be difficult and controversial.

‘After our initial expression of interest we were visited by the NDA and asked to combine our application with other organisations, with us as the leading partner. We received direct assistance (and the necessary forms) to do this joint application. A project officer from the NDA worked closely with us and guided and assisted us in completing the application, which involved a complicated combination of inputs from five partners of which we were the lead organisation. It was by decision of the NDA that a joint proposal be submitted and so the terms were complex and the process was quite difficult. We had a joint workshop facilitated by the project officer and did a first draft, after which [we] had to spend a weekend completing the proposal, with telephonic assistance from the project officer (who was based in East London). It was a difficult application process which involved some EU requirements also. We had no problem with the approach in principle. However in practice the joint project was complicated to manage. Our role became controversial as there was no provision for the running costs for the other partners. The proposal did clearly spell out the different responsibilities and roles, but not the issue of running costs of the other partners. [We] had provided for an administration charge and was [were] later accused of taking the lion’s share of the funds.’²⁴⁶

Another organisation was approached by the NDA to submit a proposal outside the call for proposals, which it did, only to be informed by the NDA that it did not have funds available for distribution.²⁴⁷

246 Interview held on 27 May 2010.

247 Interview held on 25 May 2010.

5.6.3. Screening and processing of applications

It takes the NDA too long to turn around applications. Although 47% of applicants received a reference number within 6 months, 27% of applicants had to wait between seven and 12 months or longer than a year. Of greater concern is the fact that 14% of organisations received no reference number at all (figure 34).

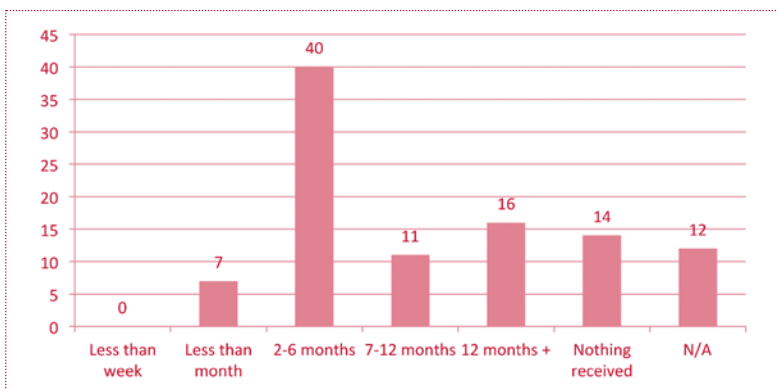


Figure 34: Time to get reference number

From the in-depth interviews, it emerged that organisations that had applied to the NDA waited between three and six months before receiving a reference number. They received acknowledgment of receipt of their applications from the NDA when they physically handed in their applications. But some organisations did not receive a reference number from the NDA, including organisations that had participated in the programme formulation process. The organisations interviewed reported they had followed up with the NDA about their reference numbers but found this to be a frustrating process. They reported that they had been referred from one office to the next and from one person to the next and were still not able to get any information about the status of their applications. The fact that the NDA does not communicate with applicants in writing is a cause for concern amongst organisations.

‘[The NDA] take[s] far too long to respond to queries or to revert after submission of application, and later after submission of required reports. If the funded organisation is not proactive and does not follow up continuously, the situation would be even worse. They only issued a reference number at the time of approval/ rejection (ten months after acknowledgement), instead of at the opening stage of acknowledgement of receipt. So how do they trace the application? Furthermore there is virtually no formal correspondence during these processes. All depends on a personal contact, verbal communication and e-mails.’²⁴⁸

Some of the organisations interviewed said the NDA had come back to them with suggested changes to their proposals. For example, one organisation was asked to partner with others in a complicated process that had controversial implications for the partner organisations. Other changes that the NDA made to proposals involved moving the area of operation to another place, without an awareness of the impact of this on the budget.

‘From the time [we] submitted [our] application it took approximately three to four months to get a reference number. [We were] at the same time called in to make a presentation to a selection committee. The organisation ended up being allocated the Free State province as a pilot site as part of a bigger programme where other organisations would implement programme components in other provinces. While there was no real engagement in terms of the content of the proposal made, there was quite a bit of engagement around the budget, and especially the budget for travel to the Free State. [We] had prepared [our] budget on other more easily accessible sites so there was a need to revisit the proposed budget. This seemed to be the NDA’s biggest concern.’²⁴⁹

²⁴⁸ Interview held on 20 May 2010.

²⁴⁹ Interview held on 28 May 2010.

Another organisation's first application to the NDA in 2006 was also changed by the NDA with additional expenses that the organisation had to fund itself.

*'The proposal which [we] submitted to the NDA in 2006 was in response to a call for proposals for training civil society organisations in the North West Province. [The organisation] based its proposal on organisations located within a few hours of Johannesburg and made the proposal on these assumptions. During the finalisation of the project contract, the NDA requested instead that [we] provide training to organisations which were more than twice the distance away than the originally selected sites, but the travel and expense budget was not increased accordingly. Also, due to the longer distances, [we] had to place somebody in the community permanently which was also not budgeted for. In the end [we] ended up covering the budget shortfall of R28 000 from its [our] own resources.'*²⁵⁰

²⁵⁰ Interview held on 24 May 2010.

Following the receipt of a reference number, 43% of applicants received a decision on their applications within six months, and 24% between seven and 12 months (figure 35). Eight percent of applicants had to wait over a year for a decision, and 10% never received notification of any final decision.

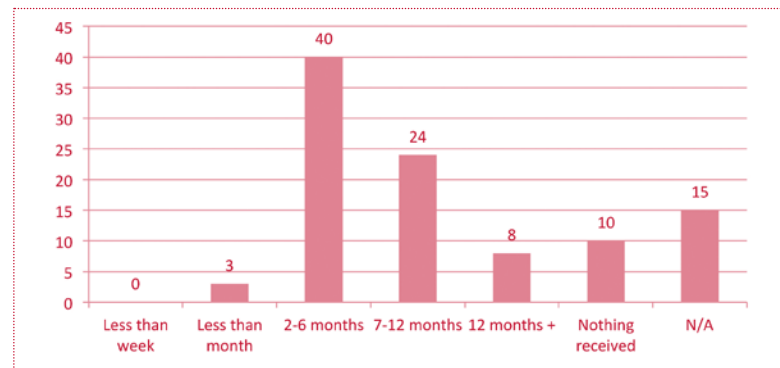


Figure 35: Time taken for decision to fund

These figures were confirmed in the in-depth interviews – organisations had waited between six and ten months to hear whether they had been successful or not. In some cases organisations had waited over a year for news. One of the organisations interviewed had received no communication from the NDA during the application process and after lengthy delays assumed that its application had been rejected.²⁵¹ The organisation whose case is described in box 6 had been waiting 17 months at the time of the interview without having received any response from the NDA.²⁵²

²⁵¹ Interview held on 26 May 2010.

²⁵² Interview held on 24 May 2010.

In 2006 the NDA put out a call for proposals and approached us to submit a proposal to work in one of the selected target sites. More specifically the NDA wanted us to do poverty alleviation and local economic development over a two year period in North West. We were selected to be one of 22 NGOs taking part in the overall programme. We put a proposal together proposing specific sites, which were then changed on request of the NDA which had its own preferred pilot sites. Despite the fact that the NDA's choice of sites meant we would incur much higher expenses than we budgeted for in our proposal, no adjustment was made to compensate for the increased expenses.

The first tranche of the payment from the NDA came through in December 2006 and we started with the training in January 2007. By the end of the programme, the project received a very good evaluation and was highlighted as the most successful component in the entire programme. Local organisations we trained were successful in getting funding from the NDA to sustain the momentum created. Our involvement in the project ended in November 2008, with the total project budget having been R1.7 million.

Following the successful implementation of this project, the NDA gave us two smaller projects of which one was finalised in 2009, and the other is still running. We did not have to apply for these projects.

In February 2009 we made a second project application to the NDA in response to a call for proposals. This proposal has a total budget of R2 million. The NDA has acknowledged the receipt of the application but we are still waiting for a formal response as to whether the application is successful or not. The response time has been much slower than our first application to the NDA in 2006. We were wondering whether the call for proposals has been withdrawn by the NDA but we have not had any formal notification.

The lengthy delays in processing applications have had an impact on the ability of organisations to plan their programmes, projects, human and financial resources. It has had negative effects on their financial resources and some have had to use reserve funds to cover funding shortfalls. One of the smaller CBOs had to retrench some of its staff. Some organisations reported that the uncertainty around NDA funding had led to high levels of job insecurity amongst staff member. One small organisation went through a period of financial insecurity and wondered whether it would still be open when the funds arrive, or what would happen to the organisation if the funds did not arrive at all.

Some organisations whose applications were rejected felt the reasons given were reasonable and logical. Others found the reasons they were offered to be unacceptable. Among organisations whose applications were unsuccessful, the NDA provided reasons for rejecting proposals in only 33% of cases. In many cases no reasons were provided. Almost 60% of these organisations followed up with the NDA to ascertain the reasons for their applications being rejected. However, in only 9% of cases did organisations receive sound and constructive feedback. A staggering 87% reported that the NDA's response was not logical or that it made no sense.

One organisation interviewed was told that although it was doing good work, the NDA could not provide a grant because the Agency had received too many applications. Another had applied to the NDA three times but was unsuccessful in all its applications. Because it had not received good responses as to why the applications were rejected, it felt it had no way of improving its applications in future.²⁵³

The NDA does not have an appeals process for rejected applications. Organisations interviewed felt that it should have such a process because the Agency disburses public funds and should therefore be held accountable for how it disburses funds. They also felt that an appeals process could be a good channel for obtaining constructive feedback on how organisations can improve their chances of receiving funding in future applications.

²⁵³ This organisation reported that NDA lost its second application and it never heard back from the NDA on its third application.

5.6.4. Disbursement of funds by the NDA

Where organisations were successful in their applications to the NDA, 71% received their first disbursement of funds within six months of the decision having been made (figure 36). Sixteen percent of organisations received their first moneys within seven to 12 months, and 10% waited for 12 months or longer.

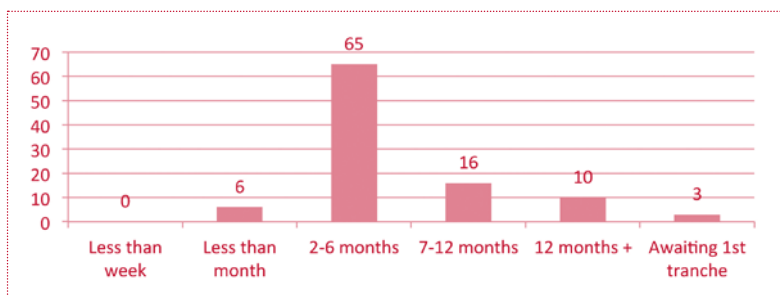


Figure 36: Time taken for first disbursement of funds

The in-depth interviews indicate varying experiences with the NDA in terms of disbursement of funds. Some felt that the NDA was efficient in disbursing funds with some receiving their first tranche of funding within six weeks of having signed the contract with the NDA.²⁵⁴ However, other organisations interviewed experienced long turnover times for payment of their grants. Two of the organisations interviewed were selected by the NDA to be part of the same capacity building programme in 2006 along with 22 other NGOs. Both felt that one of the problems with this NDA programme was that the group was too big.²⁵⁵

The bulk of grants awarded (56%) are for a period of one year, and a further 25% for a period of two years (figure 37). Only 5% of grants awarded are for three years or more.

²⁵⁴ Interview held on 20 May 2010.

²⁵⁵ Interview held on 24 May 2010.

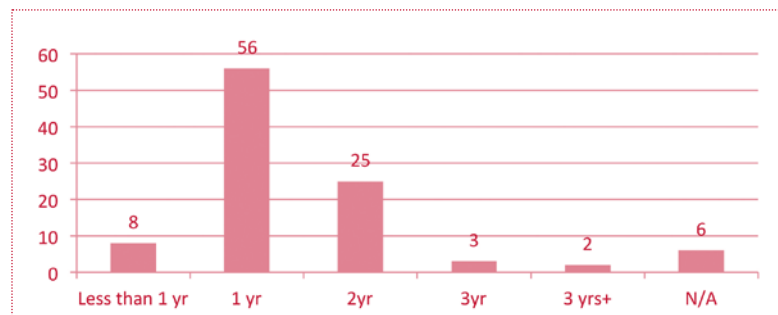


Figure 37: Duration of NDA grant

Two of the organisations interviewed had made recommendations to the NDA that their project be funded over three years but the NDA was adamant that the project could be implemented in two (see box 8).²⁵⁶ However, due to the long delays in paying out the tranches of the funding, the project ran over three years anyway. Organisations that were receiving multi-year funding from the NDA seemed to experience delays with their follow up tranche payment that were linked to the reporting procedures of the NDA,²⁵⁷ although one organisation which had a multi-year grant did not experience any delays in tranche payments.²⁵⁸

The survey found that 36% of applicants had the NDA as their only source of funding, although the Agency prefers providing support where it is not the only funder. In cases where the NDA was being asked to supplement other sources of funding, 50% of applications were successful in all cases and 67% of applications in some cases (figure 38). Where the NDA was the sole source of funding, only 44% of applications were successful in all cases and 28% in some cases.

²⁵⁶ Interviews held on 24 May 2010 and 1 June 2010.

²⁵⁷ Interview held on 20 May 2010.

²⁵⁸ Interview held on 28 May 2010.

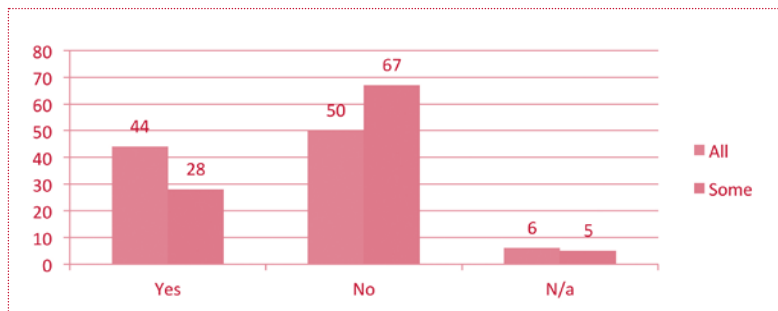


Figure 38: Comparison of NDA support for co-funded projects and solely NDA-funded projects

Similar sentiments were expressed by organisations that participated in the in-depth interviews. The organisations that received funding from the NDA had diverse sources of funding and some had approached the NDA for funding a specific project.²⁵⁹

5.6.5. Reporting requirements, monitoring and support

In terms of reporting to the NDA by successful applicants, almost 60% felt that the narrative reporting process was easy or required a medium level of effort (figure 39). Less than a quarter of organisations felt that the process was difficult or very difficult.

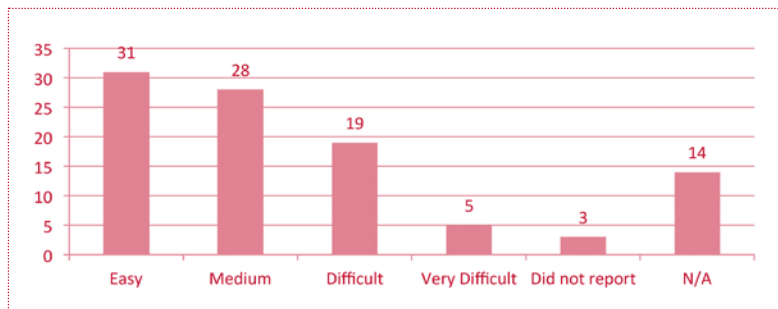


Figure 39: Grantee opinion on narrative reporting

²⁵⁹ Interviews held on 24 May, 28 May and 1 June 2010.

A similar finding emerged with regard to financial reporting. Fifty-six percent of organisations found financial reporting easy or of medium difficulty compared to 25% which found the process difficult or extremely difficult (figure 40).

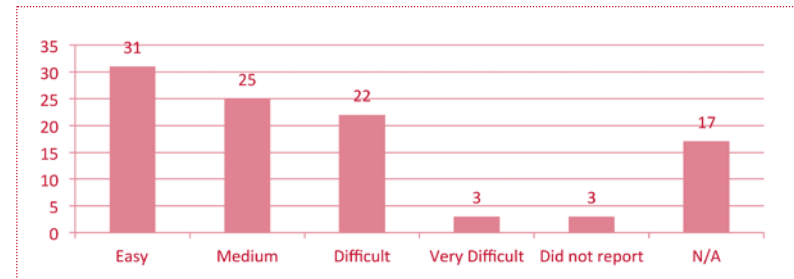


Figure 40: Grantee opinion on financial reporting

These views were supported by organisations which participated in the interviews. They felt that the narrative and financial requirements of the NDA were reasonable and the guidelines provided by the NDA were adequate and useful. However, one of the organisations interviewed pointed out that although it did not have any problems with the reporting requirements of the NDA, it knew of some under-resourced organisations which had difficulty with reporting, the result of which was delays in payments.²⁶⁰

The NDA is required to monitor and provide support to the organisations it funds. The experiences of organisations of NDA support have been mixed. One organisation interviewed had a bad experience of support from a project officer which caused delays in payment with associated impacts on the financial security of the project partners (box 7).²⁶¹

²⁶⁰ Interview held on 24 May 2010.

²⁶¹ Interview held on 20 May 2010.

Box 7: One organisation's experience of the NDA's monitoring and support

We submitted our report on time at the end of August 2008. The project officer only visited us in October, when payment was due. Furthermore he took until 6 December to send his report and recommendations to the head office in Johannesburg. This was in spite of requests and pressure from our side. Payment of the money due was only made on 15 January 2009 (apparently because the managers were on holiday). This caused the project partners to suffer as they had no funds for 2½ months, and some of the project partners were not even able to pay staff salaries. The third tranche payment is already due but again the process has been delayed. We submitted our report as per agreement at the end of February 2010. The project officer visited us in April and said the report had not yet gone off to NDA head office in Johannesburg. When we asked for explanations, the reason given was 'overwork'. The money is needed by June at the latest otherwise there will be problems once again. We found it very difficult to set dates for meetings with the project officer. The first visit was good and he was happy with what we had done. We asked him about his expectations for the next visit and planned accordingly. However during his second visit he raised a number of problems which are hard to grasp as we had complied with his stated expectations. It is not clear what the reasons for his negative feedback are. By contrast, we have had tremendous feedback from the NDA Board itself. We were invited to make presentations to the CEO and the Board of the NDA in Johannesburg which we did in September 2009. The response was warm and positive and there were suggestions of a follow up. In the meantime we were experiencing the abovementioned delays in being paid our second tranche.

Another organisation had a positive experience:

*'The NDA was active throughout the project implementation in Free State. The NDA for instance asked us to link up with local LED [local economic development] people in the communities and this idea was good and welcomed by the organisation, even though the relevant LED people were not really geared to participate in the project. The NDA also made proposals as to which CBOs the project should link to and provide training and support to. The NDA also came to physically inspect the project, which was appreciated by the organisation and contributed to good collaboration between us and the NDA on this project.'*²⁶²

An organisation in North West also had a good experience of support from an NDA project officer who was actively involved in the implementation of the project, providing useful monitoring and oversight, and 'showing a real interest in the local community and the sustainability of the project component'.²⁶³

²⁶² Interview held on 28 May 2010.

²⁶³ Interview held on 24 May 2010.

Box 8 is the story of one organisation that has had a bad experience of the NDA, despite having a long-term relationship that goes back to 2000.²⁶⁴

Box 8: One CSO's interaction with the NDA, 2000–2006

In 2006 the NDA approached our organisation and suggested that we submit a proposal for providing a service component for a capacity building programme. The NDA believed the component could be implemented within one year. It chose three areas where it wanted us to help build local community structures. After we visited the areas we told the NDA that, given the situation on the ground and our experience of how long it takes to build sustainable structures in marginalised and impoverished communities, the project would take three years to implement. The NDA insisted the project could be done in two, and we bowed to the pressure, and submitted a project proposal in August 2006 for an amount of R2 million over a two-year implementation period.

Later in August 2006 the NDA came back and demanded we rewrite the proposal completely and submit it again within a few days. This demand failed to recognise the expertise we have developed over many years of specialised interventions. However, we rewrote the proposal and met the NDA deadline for submissions.

We heard nothing from the NDA until March 2007. At one point it seemed the NDA had lost our proposal. The huge turn-over of staff at the Agency added to the problem. After a personal contact in the DSD intervened, the NDA found our proposal and approved it. The first instalment of R265 000 was paid in July 2007 with the second instalment in the same amount due later in the same year.

While we were busy with the initial scan in the selected communities, the NDA suddenly requested that we put our preparations on hold until meetings had been set up with predominantly ANC ward councillors in the affected areas. This had not been part of the implementation plan and had a severely negative impact on project timeframe, meaning that the core activities could only start in 2008. Due to this delay the second payment was only made in August 2008 – almost a year late. The change in the approach which now involved ANC councillors and the extended project implementation period meant that the budget for travel was insufficient but no budgetary adjustment was ever made, despite this issue having been raised with the NDA.

In November 2008 we submitted another progress report as per our grant agreement. The NDA demanded the report be rewritten

several times, including the financial report, without making substantive comments on our documents. The NDA did not provide any reporting formats which made the experience even more frustrating. The comments which were provided had to do with terminology, such as our use of the word 'impact', which we were happy to amend, and would have wanted to know upfront.

The delays meant the project ran into 2009, a third year, but with no third payment. Finally in July 2009 a third instalment was made (in the amount of R424 000, which was more than the instalment amount the contract specified). Once we finalised all our contractual obligations we requested payment in the amount of R106 000, the balance of the contract amount. But the NDA was unwilling to make the final payment unless another progress report was submitted despite all project activities having been reported on in the final progress report.

We had set up a special account earmarked for the NDA funding to ensure that our transactions in respect of this grant would be transparent and easy to audit. Due to the severe delays in NDA payments, we had to use our own resources to carry out the project activities. Had we not been able to do that, the momentum we had built up in local communities would have been lost, and the project would not have been as successful.

At about the same time as the request for the final payment was made, we received an unannounced visit from an NDA auditor. We made our books available to this person, explaining that we had to carry out the NDA project activities with our own resources while we waited for the Agency to pay us. The auditor seemed to be an inexperienced practitioner. When we followed up on the final payment due to us, we were told informally that a NDA Board member was upset about our financial management. We were told this Board member wanted to sue us for breach of contract and wanted us to pay back the NDA funds we had received. We immediately contacted our own auditors who confirmed that what we had done was procedurally acceptable. At no stage did the NDA put any of its concerns in writing, but it did eventually make the final payment. Our experience has meant that we do not want work with the NDA again.

5.7. Concluding comments

Smaller, under-resourced CBOs, the very type of organisation the NDA prefers to fund, seem to have struggled the most with accessing funds from the NDA, finding the application process difficult, technical and alienating. The programme formulation method of sourcing applications has proven to be difficult for organisations which have been forced into partnerships by the NDA. Some of these partnerships have been successful and some not. Some organisations have expressed their concern about the NDA unilaterally changing their proposals with no regard for the budgetary impact. Others have welcomed the NDA's push for partnerships as a sign of its commitment to poverty eradication and desire to make projects work.

CSOs have welcomed the fact that the NDA now has provincial offices in some provinces. These offices are seen as a potentially useful mechanism to establish relationships with NDA grantees and engage with civil society. In the medium term, provincial forums could be established to provide a mechanism for organisations to interact with the NDA at provincial level and provide feedback. Where they work well, these offices have been able to publicise NDA calls for proposals, facilitate applications, and provide monitoring and support to grantees. What the provincial offices could do better is to do more to assist CBOs to complete application forms and to construct log-frame plans. Overall, civil society feedback is that the establishment of provincial offices is a positive initiative.

Findings and concluding comments

The members of the Funding Practice Alliance interact with a large number of CSOs in the course of their work. These organisations include CBOs, NGOs, faith-based organisations and intermediary grantmakers operating in a wide variety of sectors and across various scales of operation. A large number of these organisations depend on funding from institutions such as the NLB (in its role as a grantmaker using NLDTF funds) and the NDA; indeed these institutions were established by the government as a conduit of funding to CSOs. Over a period of years, members of the FPA heard many organisations expressing their frustrations with the state of these two grantmaking institutions. The FPA decided to mobilise a strategic response to the concerns raised, to move the debate from a large pool of anecdotal impressions to a sound empirical research base, with the emphasis on supporting solution-driven conversations in service of the larger social development agenda.

The purpose of this study was to establish whether the National Lotteries Board (in its role as a grantmaker using NLDTF funds) and the National Development Agency have met, and are meeting, their legal mandates with regard to civil society organisations and grantmaking. The study also investigated the extent to which these agencies are realising their potential to address South Africa's development challenges.

The FPA set out to test its key assumption, namely that neither the NDA nor the NLB are meeting their legislated mandates with respect to grantmaking, support to non-profit organisations, and impacting measurably on

development. It further wanted to test its assumptions that: 1) the main reason for the poor performance of these agencies is that neither is held sufficiently accountable; 2) that existing reporting mechanisms are not working effectively; 3) that internal operational procedures are poor (and deteriorating); 4) that neither Board is functioning as an effective governance institution; and 5) that civil society representatives on the Boards of the NDA and NLB are failing to play an effective 'watchdog' role with respect to funding practice, funding decisions, and holding decision makers to account.

Through the research process, significant efforts were made to involve the NDA, the NLB and as many organisations and individuals as possible to ensure a sound basis for drawing conclusions and identifying key problems and obstacles to agency efficacy. The research process therefore included: 1) a literature review; 2) a questionnaire-based survey focused on CSO experiences of applying to and engaging with the NLB and the NDA, sent to approximately 3 000 organisations (and from which 226 responses were received); 3) in-depth interviews with six people who work for the NLB or its distributing agencies, four former NDA Board members, and 20 CSOs; and 4) separate focus group discussions held in five provinces with a total of 35 CSOs.

The FPA acknowledges that this is not a representative sample of any kind, but it does reflect a solid cross-section of organisations and experiences, and provides the required empirical base on which to draw a number of key conclusions.

6.1 Findings

This research was initiated from a position of ongoing concern over a period of years about the impact of the funding practices of the NDA and the NLB on the many organisations reliant on state funding agencies for grants. The previous chapters have reflected the opinions and experiences of both grantseeking civil society organisations as well as the views of members of both agency Boards. The concerns are broadly summarised below in six categories.

6.1.1. Legal mandate: governance, transparency and accountability

- a. Neither the NDA or NLB are sufficiently accountable to credible, independent oversight institutions to which the public have access, and to the relevant Minister, in respect of financial management and organisational performance. Neither agency is held fully to account by the existing state structures, and both are often neglected by the Ministers to whom they report.
- b. With regard to the the Miscellaneous funding category of the NLDTF, there is no public accountability mechanism to hold the Minister of Trade and Industry accountable for grantmaking decisions in respect of this particular fund.
- c. With regard to the NDA, it is apparent that this agency sets its own development agenda which shifts and changes directly in line with government policy and approach, impacting negatively on the capacity of grant recipients to deliver on their funded projects. In particular, the NDA's project formulation approach means that the NDA actively creates and then funds development projects in line with its shifting agenda.
- d. Both agencies, but the NDA in particular, spend heavily on administrative costs and there have been no (or inadequate) measures taken to determine a reasonable proportion of allocated funding for each agency to cover operational overheads. The NDA's current use of more than 50% of its annual allocation to cover operational costs demonstrates that urgent steps need to be taken towards improving the flow of funds to worthy projects, enhancing cost-effectiveness, and encouraging public accountability.
- e. The NDA's already opaque operations remain obscured by its refusal to participate in this research; by the fact that there are no full beneficiary lists available on its website; and by its lack of accountability either to the public or to the Ministry of Social Development. It is critical that the NDA be required to ensure that its decisionmaking, financial management, and grant-making are transparent, and that the Agency is held to account for this.
- f. The NDA has never met its legislated mandate to: 1) enable dialogue between civil society and the state; and 2) work in partnership with civil society to investigate and tackle the real causes of poverty. In addition, the NDA has lost its intended independence, electing rather to toe directly the ruling party's line on 'development'.
- g. Civil society representatives on both the NDA and NLB Boards are *individuals* working in the civil society sector. They do not have a formal civil society mandate. It therefore remains unclear how these individuals can be in a position to represent diverse civil society sector interests.

6.1.2 Funding approach and practice

- a. Neither agency has clear funding approaches that have been translated into funding criteria that are easily accessible to applicants. In addition to the huge diversity of focus, and organisation scope and size within civil society, smaller and less well-resourced organisations clearly lack capacity to access, interpret and respond appropriately to the criteria that are available to them.
- b. While the NDA has set up a substantial provincial structure, this remains weak and appears not to have added value to the efficacy of the NDA's funding approach and practice. In addition, the NDA's preference for a 'programme formulation' approach with identified partners with whom it co-establishes projects has led to NDA-led funding rather than the NDA being led in its approach by the organisations with the experience of, and operating in, the development sector.
- c. The NLB, on the other hand, remains centralised in its operations with the DAs having broad decision-making capacity (as opposed to authority) in a reporting and accountability structure that remains confused and unclear in spite of a recent court ruling that DAs are committees of the NLB.
- d. As indicated above, it is clear from the research that smaller, under-resourced organisations require support and assistance to access funding, and to implement and report on funded projects. There is currently no small grants facility to support such organisations for, perhaps, an interim period while they put measures in place to meet standard requirements (e.g. the requirement that they be registered with the Department of Social Development as an NPO, and requirements in respect of financial statements).
- e. While both the NDA and the NLB have variously held 'roadshows' or briefing meetings (that may have been intended to provide some kind of support as referred to above), opinions expressed during the research process hold that the NDA gatherings were extravagant and unhelpful. It remains to be seen whether the NLB's current roadshow approach improves the capacity of organisations to understand, access and manage NLDTF funding.
- f. Of particular importance, for its negative impact on organisations and its role in highlighting a lack of understanding (in both the NDA and the NLB) of organisational planning, budgeting and programme implementation, are the funding cycles of both agencies. There are long gaps between calls for proposals. The NDA's programme formulation approach, coupled with the long delays in both agencies' response time as well as erratic and unreliable responses throughout the cycle (as reflected in the graphs in Chapters 4 and 5), has made it extremely challenging for organisations to plan their programme work or their implementation and project delivery schedules with any kind of certainty. The short-term, year-by-year funding approach taken by the NDA and NLB means that both applicants and adjudicators spend unnecessary time preparing and processing applications for continuing funding to existing project partners.
- g. Both the NDA and the NLB appear unwilling to participate in any meaningful engagement with the non-profit sector and/ or civil society more broadly towards developing and implementing more appropriate, sector-friendly and effective funding approaches and practices.

6.1.3. Administrative structure and functions

- a.** It is clear from the research that organisations have, for the most part, experienced administrative obstacles to accessing information when engaging with both the NDA and the NLB. Organisations have experienced both agencies as having inadequately trained staff who are unable to engage with applicants on issues of development and poverty alleviation, and have limited capacity to service applicants.
- b.** NLB grantmaking, in its three current areas of focus (charities; arts, culture and national heritage; and sports and recreation), is not given the priority and attention it deserves. DA members work part-time, and do not report directly to the Minister of Trade and Industry as they are supposed to. The result is that insufficient time and attention is given to ensuring that these are effective grantmaking structures. It must be noted that well-informed, strategic funding decisions require specialist grantmaking support staff who have knowledge, skills and experience of key development issues, know the sector well, and are familiar with the key stakeholders.
- c.** Neither the NDA nor the NLB have professional staff to assist in application processing. This exacerbates an already bad situation in which responses to applications take unacceptably long, and sometimes applicants do not receive responses at all.
- d.** While some organisations have complained about the NDA unilaterally changing their proposals in line with its programme formulation approach with no regard for the budgetary impact, others have welcomed the NDA's focus on grantee partnerships as a sign of its commitment to poverty alleviation and its desire to ensure that projects work.

- e.** Overall, civil society feedback is that the NDA's establishment of provincial offices is a positive initiative. This has been welcomed by organisations, which see this as a potentially useful mechanism to establish relationships with the NDA, and for the NDA to establish relationships with grantees and engage with civil society.

6.1.4. Administrative processes

- a.** With thousands of applications received in response to each call for proposals by each of the NLB's three DAs, the grantmaking process is under extreme pressure. In spite of attempts to scan every application in full, the CAO's record-keeping remains unreliable and is not used to best effect. The result is that NLB staff members do not have easy access to beneficiary-specific files containing the history of applications, previous grant awards, and original application documents.
- b.** The grantmaking processes of both the NDA and NLB were described by many respondents as opaque and inaccessible. There are no predictable timetables for calls for proposals, and neither agency can be said to have a clear methodology. A process map and timeframes for grantmaking are necessary so that everyone understands the process and their roles and responsibilities, including members of NDA and NLB grantmaking staff. This also applies to the appeals processes currently in place at the NLB. The NDA currently has no appeals process for rejected applications.

- c. The majority of respondents whose applications were unsuccessful reported that neither the NDA nor the NLB (where applicable) provided clear feedback in order to assist them to submit better proposals in future.
- d. While the NLB's application forms are generally considered easy to fill in and the supporting documents required are standard, applicants' problems begin once applications have been submitted. A common experience is lengthy delays in providing receipts and reference numbers for submitted applications – sometimes taking up to a year. The consequence is long delays in adjudicating applications, and further delays in effecting grant payment when applications have been successful. The entire application process can take up to two years to be finalised one way or the other.
- e. There have been a few organisations whose NLB applications have been processed with no delays, but these are more the exception than the norm. Delays in disbursing funds to organisations have been so severe in some cases that the anxiety and insecurity (around funding and the timing of project implementation) have threatened the very existence of these organisations. In extreme cases, organisations like the Johannesburg Festival Orchestra have taken the NLB to court to force it to pay agreed grant moneys.
- f. Organisations expressed the view that the NLB seems removed from the sector that it is funding.
- g. With regard to the NDA, there is a definite trend that smaller, under-resourced CBOs (the very type of organisation the NDA prefers to fund) seem to have struggled the most with accessing NDA funds, finding the application process difficult, technical and alienating. The programme formulation method of sourcing applications has proven to be difficult for organisations which have been required to go into partnerships by the NDA as a condition of grant.

6.1.5. Civil society engagement

- a. The NDA and the NLB should develop a more informed understanding of the causes of poverty and under-development so that they can target those organisations that can best address these issues. This could be achieved through more effective consultation with and engagement with civil society on the development of priorities, policies, criteria and funding practice.
- b. Both the NDA and the NLB should provide space on their boards for civil society representatives to participate in policy and decision making, and to enhance institutional accountability.

6.2 Concluding comments

Civil society plays a critical role in an effective democracy and should be understood to be an important actor in shaping the type of world that citizens want to live in, including providing support for citizen agency and participation in overcoming underdevelopment. For this sector to be transformationally effective, the quality of relationship between state funding agencies (such as the NDA and NLB) and the non-profit development sector must improve. This relationship is not just about money and compliance, but is also fundamentally about effective collaboration between organisations and funding agencies.

Key areas requiring the ongoing attention of civil society organisations, as well as the NDA and NLB are:

- Addressing the shortcomings of the legislation that underpins the mandates of the NDA and the NLB in order to address those areas where these agencies have failed to meet their legal mandates.
- The development of significantly improved mechanisms to enhance the NDA and NLB's contribution to development and their contribution to enhancing the ability of non-profit organisations to achieve their poverty alleviation objectives.
- The composition of the boards of the two agencies, their functioning, the participation of civil society in setting up the boards, including ensuring these governance institutions have the necessary skills and a sound orientation towards development, and ensuring that these boards are accountable to both the state and civil society.
- NDA and the NLB expectations of beneficiary organisations in terms of relationship, compliance, and impact.

- Civil society expectations of these funding agencies in terms of funding approach and practice, and building development partnerships, and in terms of mutual accountability and agency compliance with their mandates.
- The operational efficacy of both agencies with regard to criteria for funding in respect of both the NLDTF and the NDA, time frames in terms of applications, notification and payments, responses to queries, and appeals.
- Transforming the relationship between civil society organisations and state funding agencies towards more effective support to, and strengthening of, a vibrant civil society that plays an active role in determining approaches to poverty alleviation.
- Positioning both state funding agencies as key to the development, non-profit and funding sectors and recommending ways of developing more accountable and effective state agency-civil society partnerships.
- The need for civil society to organise itself more effectively to contribute to improved NDA and NLB grantmaking policy and practice.

It was the intention of this research project to provide the research-based evidence on which CSOs, the NDA and the NLB could variously and jointly engage. It is hoped that this engagement will not be limited to improving the flow of funding, but will also contribute to best practice developmental grantmaking in South Africa.

References

- Agüero, J, Carter, MR & May, J. 2006. *Poverty and inequality in the first decade of South Africa's democracy: What can be learned from panel data?* Madison, WI: Department of Agricultural & Applied Economics, University of Wisconsin-Madison. (Department of Agricultural & Applied Economics Staff Paper; no. 493.)
- ANC Daily News Briefings. 1995. 'National Development Agency needed now', 28 July 1995. www.e-tools.co.za/newsbrief/1995/news0729, accessed 20 January 2011.
- ANC Daily News Briefings. 2002. 'No budget problems at the NDA', 9 April 2002 www.e-tools.co.za/newsbrief/2002/news0409.txt, accessed 20 January 2011.
- ANC Daily News Briefings. 2010. 'NDA fired CEO, other staff warned', 19 August 2010. www.e-tools.co.za/newsbrief/2010/news0819.txt, accessed 20 January 2011.
- Auditor-General of South Africa. 2007. 'Auditor-General investigation highlights misappropriation of funds totalling over R8,7 million at the National Development Agency', 17 January 2007. www.info.gov.za/speeches/2007/07021514451001.htm, accessed 20 January 2011.
- Bhorat, H & Kanbur, R. 2005. *Poverty and well-being in post-apartheid South Africa: An overview of data, outcomes and policy*. Cape Town: Development Policy Research Unit, University of Cape Town. (DPRU working paper; no. 05/101.)
- Budlender, G. 2003. *Legal opinion on the Lotteries Act of 1997*. [Advocate Geoff Budlender for the Non-Profit Partnership]
- Bullain, N. 2004. Mechanisms of government-NGO cooperation in Hungary, August 15, 2004. www.ceetrust.org/article/152/, accessed 20 January 2011.
- Business Day. 2004. 'Umsobomvu under spends its funds', 11 May 2004.
- Carte Blanche. 2000. 'Lotto loot delayed', 27 November 2000. [Television programme]
- Carter, MR & May, J. 1997. *Poverty, livelihood and class in rural South Africa*. Madison, WI: University of Wisconsin. (Agricultural and Applied Economics Staff Paper; no. 408.)
- Carter, MR & May, J. 1999. *One kind of freedom: Poverty dynamics in post-apartheid South Africa*. Madison, WI: University of Wisconsin. (Agricultural and Applied Economics Staff Paper; no. 427.)
- Department of Social Development. 2001–2010. Strategic Plans.
- Department of Social Development. 2002–2010. Annual Reports.
- Fisher, A. 2010. Making the most of the lottery. *Rochester University Journal of Undergraduate Research*, 6(1): 9–13. <http://sa.rochester.edu/jur/issues/fall2007/fall2007.pdf>, accessed 20 January 2011.
- Friedman, I & Bhengu, L. 2008. *Fifteen year review of income poverty alleviation programmes in the social and related sectors*. Durban: Health Systems Trust.
- Friedman, S. 2002. *Civil society and the extension of rights*. Johannesburg: CARE SA and Lesotho SCAPE Programme.
- Gardner, M & Macanda, M. 2003. *An independent research report on the National Development Agency*. Durban: Centre for Civil Society, University of KwaZulu-Natal. (Research Report; no. 4.)
- Government Gazette 21696, 27 October 2000.

Government Gazette 27118, 15 December 2004.

Government Gazette 32802, 11 December 2009.

Government Gazette 33398, 20 July 2010.

Habib, A & Padayachee, V. 2000. Economic policy and power relations in South Africa's transition to democracy. *World Development*, 28(2): 245–263.

Hansen, A. 2006. Are lottery taxes regressive? (And what does 'regressive' mean anyway?) *Tax Foundation tax policy blog*, 16 June 2006. www.taxfoundation.org/blog/show/1670.html, accessed 20 January 2011.

Henriot, P. 2002. Churches, social teaching and poverty eradication. *JCTR [Jesuit Centre for Theological Reflection] Bulletin*, no. 54. www.jctr.org.zm/bulletins/bull54artvi.htm, accessed 20 January 2011.

Johnson, RW. 2009. *South Africa's brave new world: The beloved country since the end of apartheid*. London: Penguin.

Landman, JP, Bhorat, H, Van der Bergh, S & Van Aardt, C. 2003. *Poverty and inequality in South Africa 2004–2014: Current trends, issues and future policy options*. Ecumenical Foundation of Southern Africa (EFSA) Institute for Theological and Interdisciplinary Research. www.sarpn.org.za/documents/d0000649/P661-Povertyreport3b.pdf, accessed 20 January 2011.

Lotteries Act 57 of 1997.

Lotteries Amendment Act 46 of 2001.

Louw, S, & Ronald-Louw, A. 2008. *Review of the National Lottery: 2000–2007*. Institute for Social and Institutional Sustainability.

Louw, S. 2002. *Smoke and mirrors? The National Lottery and the non-profit sector*. Durban: Centre for Civil Society, University of KwaZulu-Natal.

Mail & Guardian. 2002. 'National Development Agency still underperforms', 19 April 2002.

Mail & Guardian. 2004. 'NDA staff appeal to Skweyiya', 11 June 2004.

Mail & Guardian. 2005. 'R1.2 million for sitting at home', 12 September 2005.

Mail & Guardian. 2009. 'A place for youth', 4 February 2009.

Mail & Guardian. 2010a. 'New twist in mine saga', 26 March 2010.

Mail & Guardian. 2010b. 'Calls for probe into youth festival', 15 December 2010.

Matube, J. 2005. *Impact measurement: Ithuba Trust Grantmaking Strategy towards poverty eradication and sustainable development*. Unpublished PhD thesis, Department of Social Work, University of Pretoria.

Mbeki, T. 2003. Letter from the President: Bold steps to end the two nations divide. *ANC Today*, 3(33); 22–28 August 2003. www.anc.org.za/docs/anctoday/2003/at33.htm#preslet, accessed 31 January 2011.

McGowan, R. 1994. *State lotteries and legalised gambling: Painless revenue or painful mirage?* Westport Connecticut/ London: Quest.

Ministry of Social Development. 2003. *Minister initiates preliminary investigation into allegations of conflict of interest in the management of public funds in the National Development Agency (NDA) as well as malpractices in employment*.

Mokate, G. 2007. *Presentation to the Portfolio Committee on the strategic and business planning methodology and processes 2006–2011, National Development Agency, 7 March 2007*. www.pmg.org.za/docs/2007/070307ndapres.pdf, accessed 20 January 2011.

- National Department of Social Development. 2005. *Assessment of NPO Act*. www.dsd.gov.za/npo/index2.php?option=com_docman&task=doc_view&gid=51&Itemid=39, accessed 20 January 2011.
- National Development Agency Act 108 of 1998.
- National Development Agency Amendment Act 6 of 2003.
- National Gambling Impact Study Commission (US). Undated. <http://govinfo.library.unt.edu/ngjssc/research/lotteries.html>, accessed 20 January 2011.
- National Treasury. 2009. *Estimates of Public Expenditure: Social Development*.
- NDA (National Development Agency). 2002. *Annual report*.
- NDA (National Development Agency). 2003. *Annual report*.
- NDA (National Development Agency). 2004. *Annual report*.
- NDA (National Development Agency). 2005a. *Annual report*.
- NDA (National Development Agency). 2005b. *Strategic plan 2005/6–2009/10*.
- NDA (National Development Agency). 2006. *Annual report*.
- NDA (National Development Agency). 2007a. *Annual report*.
- NDA (National Development Agency). 2007b. *Strategic plan 2008–2011*.
- NDA (National Development Agency). 2008. *Annual report*.
- NDA (National Development Agency). 2009a. *Annual report*.
- NDA (National Development Agency). 2009b. *NDA strategic plan 2010–2013*.
- NDA Advisory Committee. 1997. *Structural relationships between government and civil society organisations*. www.hst.org.za/pphc/Phila/nda.htm, accessed 20 January 2011.
- NEDLAC (National Economic Development and Labour Council). 1996–2009. *Annual reports*.
- News 24. 2010. 'Lottery fund regulations issued', 22 July 2010.
- NLB (National Lottery Board). 2000. *Annual report*.
- NLB (National Lottery Board). 2001. *Annual report*.
- NLB (National Lottery Board). 2002. *Annual report*.
- NLB (National Lottery Board). 2003. *Annual report*.
- NLB (National Lottery Board). 2004. *Annual report*.
- NLB (National Lottery Board). 2005. *Annual report*.
- NLB (National Lottery Board). 2006. *Annual report*.
- NLB (National Lottery Board). 2007. *Annual report*.
- NLB (National Lottery Board). 2008. *Annual report*.
- NLB (National Lottery Board). 2009. *Annual report*.
- NLDTF Sport and Recreation presentation, International Centre for Civil Society Law www.iccsl.org/pubs/Presentation090708%20StudyTourNLB-NLDTF.ppt, accessed 20 January 2011.
- Osborne, S, Jenei, G, Fabian, G & Kuti, E. 2005. Government/ non-profit partnerships, public service delivery, and civil society in transitional nations of Eastern Europe: Lessons from the Hungarian experience. *International Journal of Public Administration*, 28(9/10): 767–786. <http://govinfo.library.unt.edu/ngjssc/research/lotteries.htm>, accessed 20 January 2011.
- Parliamentary Monitoring Group. 2002a. Portfolio Committee on Social Development Briefing: The legislative programme of the Department Of Social Development, 20 March 2002.
- Parliamentary Monitoring Group. 2002b. Portfolio Committee on Social Development briefing: The National Development Agency (NDA) repositioning strategy, 5 June 2002.
- Parliamentary Monitoring Group. 2002c. Portfolio Committee on Social Development briefing: National Development Agency Bill, 23 October 2002.
- Parliamentary Monitoring Group. 2003. Portfolio Committee on Social Development briefing: National Development Agency: Briefing on Anti-Poverty Programme, 31 March 2003.

- Parliamentary Monitoring Group. 2004. Portfolio Committee on Social Development briefings: Department Annual Report; National Development Agency and Central Drug Authority, 27 October 2004.
- Parliamentary Monitoring Group. 2005. Portfolio Committee on Social Development briefing, 5 March 2005.
- Parliamentary Monitoring Group. 2008. Public hearings on Budget Vote 17: Department of Sport and Recreation, 21 May 2008.
- Parliamentary Monitoring Group. 2010a. Presentation to the Portfolio Committee on Trade and Industry: Challenges on the National Lottery Distribution Trust Fund, 3 February 2010.
- Parliamentary Monitoring Group. 2010b. Portfolio Committee on Social Development briefing: Briefing by the National Development Agency (NDA) on its Budget & Strategic Plan, 16 March 2010.
- PSC (Public Service Commission). 2007a. Report on an audit of Government's poverty reduction programmes and projects. www.info.gov.za/view/DownloadFileAction?id=72547, accessed 20 January 2011.
- PSC (Public Service Commission). 2007b. Report on the evaluation of Government's Poverty Reduction Programmes and Projects www.psc.gov.za/documents/2008/WEB%20PSC%205.pdf, accessed 20 January 2011.
- SAEP (South African Education and Environment Project) and Another v National Lotteries Board and Others. Western Cape High Court, case 22352/2009 [2010] ZAWCHC 220 (26 August 2010). www.saflii.org/za/cases/ZAWCHC/2010/220.html
- Schuurman, FJ. 1993. *Beyond the impasse: New directions in development theory*. London: Zed Books.
- Sitas, A. 2001. Love in the time of cholera? Rebuilding popular organisation. *Indicator South Africa*, 18(3).
- South African Education Project and Sikhula Sonke vs. The National Lotteries Board and others, founding affidavit, 2009. *Sunday Times*. 2005. 'Key players in the raid', 21 August 2005.
- Swilling, M & Russell, B. 2002. *The size and scope of the non-profit sector in South Africa*. Durban and Johannesburg: Centre for Civil Society, University of KwaZulu-Natal and School of Public and Development Management, University of the Witwatersrand.
- Swilling, M & Van Breda, J. 2006. *Institutionalising the developmental state: The case of the 'special funds'*. Durban: Centre for Civil Society, University of KwaZulu-Natal. (State of Giving in South Africa research report; no. 4.)
- The Star*. 2006. 'Development agency questions bank "lapse"', 17 October 2006.
- Turok, B. 1999. What role for civil society organisations (CSOs) in transformation. *Umrabulo*, 3rd Quarter, no. 7. www.anc.org.za/show.php?include=docs/umrabulo/1999/umrabulo7f.html#5, accessed 20 January 2011.
- UK House of Commons. 2010. *National Lottery Distribution Fund account 2008–09: Annual report and accounts for the year ended 31 March 2009*. www.official-documents.gov.uk/document/hc0910/hc01/0177/0177.pdf, accessed 20 January 2011.
- UK House of Commons. Committee of Public Accounts. 2005. *Managing National Lottery Distribution Fund balances*. First report of session 2005–06. www.publications.parliament.uk/pa/cm200506/cmselect/cmpubacc/408/408.pdf, accessed 20 January 2011.

Appendix 1: A chronology of communication with NDA

| DATE | INTERVENTION |
|---------------|---|
| 23 April 2010 | <ul style="list-style-type: none"> Met with Prof. Ewang (Head of Research and Development) and Nkhensani Mthembi (National Grants Manager) |
| 25 April 2010 | <ul style="list-style-type: none"> Sent Prof. Ewang an e-mail introducing the research team, our approach to the research: 'our approach to the research is to allow for all sides of the story to be told, i.e. both the NDA and civil society's views and experiences so that these can be reflected on in a constructive manner that can result in solutions. Whilst we will use the interviews as a place for reflection (and in the case of the NDA, a focus on institutional memory) we are also going to approach the interviews with a forward looking view and also focussing on the bigger vision for sustainable grant-making in South Africa.' Requested interviews with key NDA people including the acting CEO, people involved in grantmaking and members of the Board. Requested access to documents relating to beneficiaries, including the impact assessment and their assessment of the state of civil society |
| 5 May 2010 | <ul style="list-style-type: none"> Follow up e-mail to Prof. Ewang. |
| 10 May 2010 | <ul style="list-style-type: none"> Follow up telephone call to Prof. Ewang in which he indicated he did not receive the e-mail of 25 April. Resent that e-mail. |
| 11 May 2010 | <ul style="list-style-type: none"> Prof. Ewang replied to e-mail, saying he is processing our request. |
| 14 May 2010 | <ul style="list-style-type: none"> Prof. Ewang sent e-mail requesting the research proposal, data collection instruments and ethical clearance. |
| 19 May 2010 | <ul style="list-style-type: none"> Documentation sent to Prof. Ewang as per his request. |
| 21 May 2010 | <ul style="list-style-type: none"> Follow-up telephone call to Prof. Ewang. No answer, left message. |
| 24 May 2010 | <ul style="list-style-type: none"> Follow-up telephone call to Prof. Ewang in which he said he was busy and was unable to speak at that time. |
| 26 May 2010 | <ul style="list-style-type: none"> Follow-up e-mail to Prof. Ewang. |
| 1 June 2010 | <ul style="list-style-type: none"> Follow up telephone call to Prof. Ewang who indicated that we should resend an e-mail emphasising the urgency of our request. Sent e-mail to say research was timebound. |
| 7 June 2010 | <ul style="list-style-type: none"> Follow up telephone call to Prof. Ewang who said he did not receive the documentation sent on 19 May. Resent e-mail and documentation. |
| 8 June 2010 | <ul style="list-style-type: none"> Received e-mail from Prof. Ewang saying e-mail had no attachments. Resent e-mail again. |
| 21 June 2010 | <ul style="list-style-type: none"> Follow up telephone call to Prof. Ewang and follow up e-mail sent. |

| | |
|----------------|--|
| 24 June 2010 | <ul style="list-style-type: none"> Follow up telephone call to Prof. Ewang. No answer, left message. |
| 30 June 2010 | <ul style="list-style-type: none"> Follow up telephone call to Prof. Ewang. No answer, left message. |
| 1 July 2010 | <ul style="list-style-type: none"> Follow up telephone call to Prof. Ewang who indicated that he had submitted our request to the Board and a decision would be made soon. Followed up with e-mail restating what he had said. Also called Nkhensani Mthembu to see if he could do anything. FPA was told the matter lay with Prof. Ewang. |
| 14 July 2010 | <ul style="list-style-type: none"> Follow up telephone call to Prof. Ewang who took the call but said he was in a meeting and we should call him back. Called back – no answer. |
| 15 July 2010 | <ul style="list-style-type: none"> Called NDA and asked for the Chairperson of the Board. Put through to the CEO's personal assistant who said that the Chairperson does not have an office at the NDA. Explained the problem and were told to go back to the person who was our contact, i.e. Prof. Ewang. Also found out that the NDA had a new CEO, Vuyelwa Nhlapo, and were given an e-mail address for Tshepo Nkoe, her personal assistant. |
| 21 July 2010 | <ul style="list-style-type: none"> Follow up telephone call to Prof. Ewang who indicated that the NDA had a new CEO, that the new CEO had not received our request, and that he was going to brief the CEO. |
| 26 July 2010 | <ul style="list-style-type: none"> Follow up phone call to Prof. Ewang who indicated that he had given our request to the CEO and he was about to brief the COO, Rashida Issel, who was on her way to meet with the CEO. |
| 27 July 2010 | <ul style="list-style-type: none"> Follow up telephone call to Tshepo Nkoe. No answer, left message. |
| 28 July 2010 | <ul style="list-style-type: none"> Follow up telephone call to Tshepo Nkoe. No answer, left message. |
| 29 July 2010 | <ul style="list-style-type: none"> Received voice message from Tshepo Nkoe saying that the NDA would send us a letter either on 30 July or 2 August regarding our request. We were told not to contact the office until we received the letter. |
| 4 August 2010 | <ul style="list-style-type: none"> Follow up telephone call to Tshepo Nkoe. No answer. Sent e-mail reminder about letter. |
| 9 August 2010 | <ul style="list-style-type: none"> Follow up telephone call to Tshepo Nkoe and Rashida Issel. No answer, left message. |
| 13 August 2010 | <ul style="list-style-type: none"> Follow up telephone call to Tshepo Nkoe and Rashida Issel. No answer, left a message. Sent follow up e-mail. |
| 19 August 2010 | <ul style="list-style-type: none"> Follow up telephone call to Tshepo Nkoe and Rashida Issel. No answer, left a message. Sent follow up e-mail. |

| | |
|-----------------|--|
| 23 August 2010 | <ul style="list-style-type: none"> Follow up telephone call to Tshepo Nkoe and Rashida Issel. No answer, left a message. Sent follow up e-mail. |
| 24 August 2010 | <ul style="list-style-type: none"> Follow up telephone call to Tshepo Nkoe and Rashida Issel. No answer, left a message. Sent follow up e-mail. |
| 25 August 2010 | <ul style="list-style-type: none"> Follow up telephone call to Tshepo Nkoe and Rashida Issel. No answer, left a message. Sent follow up e-mail. |
| 27 August 2010 | <ul style="list-style-type: none"> Received e-mail from Rashida Issel saying the NDA has decided not to participate in the research. |
| 27 August 2010 | <ul style="list-style-type: none"> Sent e-mail to Rashida Issel thanking her for her e-mail and requesting reasons for the decision. No response to date. |
| 8 October 2010 | <ul style="list-style-type: none"> Called the new CEO's office but was told she was unavailable. Sent e-mail to the new CEO, Vuyelwa Nhlapo, explaining the research project and process thus far and requested a meeting to brief her. |
| 11 October 2010 | <ul style="list-style-type: none"> Repeated follow up telephone call to Ms Nhlapo's office – no answer. |
| 12 October 2010 | <ul style="list-style-type: none"> Repeated follow up telephone call to Ms Nhlapo's office – no answer. |
| 15 October 2010 | <ul style="list-style-type: none"> Follow up telephone call to Ms Nhlapo's office and was told she was not available. Left message. |
| 20 October 2010 | <ul style="list-style-type: none"> Repeated follow up telephone call to Ms Nhlapo's office – no answer. |
| 25 October 2010 | <ul style="list-style-type: none"> Follow up e-mail to Ms Nhlapo referring to e-mail of 8 October and requesting a response. Received e-mail response from Ms. Nhlapo agreeing to a meeting with FPA partners and saying her office would be in touch to set up a meeting. |
| 26 October 2010 | <ul style="list-style-type: none"> Follow up telephone call with Ms Nhlapo's office to set meeting date. No answer. |
| 27 October 2010 | <ul style="list-style-type: none"> Follow up telephone call with Ms Nhlapo's office to set meeting date. No answer. |
| 28 October 2010 | <ul style="list-style-type: none"> Follow up telephone call with Ms Nhlapo's office to set meeting date. No answer. |
| 29 October 2010 | <ul style="list-style-type: none"> Follow up telephone call with Ms Nhlapo's office to set meeting date. No answer. |
| 2 November 2010 | <ul style="list-style-type: none"> Received e-mail from current Board member, David Adler, indicating that the Board had taken a decision not to participate in the research and withdrawing his original agreement to be interviewed. |
| 4 November 2010 | <ul style="list-style-type: none"> Follow up e-mail to Ms Nhlapo, Rashida Issel and the CEO's personal assistant referring to the CEO's e-mail of 25 October and requesting a date for the meeting. No response received from the CEO or the NDA since the CEO's e-mail dated 25 October 2010. |

Appendix 2: List of interviews and focus group discussions

Topic: The NDA

1. Annemarie Hendrickz, former member of the NDA Board (2003–2007). Telephonic interview conducted on 12 October 2010.
2. Patricia Kopane, Democratic Alliance’s Shadow Minister of Social Development and Member of the Portfolio Committee for Social Development. Interview held on 12 October 2010 in Cape Town and telephonic discussion held on 8 November 2010.
3. Helen Lamoela, Democratic Alliance’s Shadow Deputy Minister of Social Development and Member of the Portfolio Committee for Social Development. Interview held on 12 October 2010 in Cape Town.
4. Former member of the NDA Board (2003–2006) who wished to remain anonymous. Interview held on 12 October 2010 in Cape Town.
5. Dr Stephen Rule, former member of the NDA Board (2003–2007). Interview held on 19 October 2010 in Pretoria.
6. Dr Temba Masilela, former member of the NDA Board (2003–2007). Interview held on 19 October 2010 in Pretoria.

Topic: The NLB

1. Jeffrey du Preez, NLB Chief Operations Officer and Head of the Central Applications Office. Interview held on 5 August 2010.
2. Prof. Dorcas Jafta, Chairperson of the Arts, Culture and Heritage Distributing Agency. Interview held on 6 August 2010.
3. Dr Teboho Maitse, Chairperson of the Charities Distributing Agency. Interview held on 6 August 2010.
4. Gideon Sam, Chairperson of the Sports and Recreation Distributing Agency. Interview held on 6 August 2010.
5. Prof. Vevek Ram, Chief Executive Officer of the National Lotteries Board. Interview held on 11 August 2010.
6. Zodwa Ntuli, Minister’s nominee on National Lotteries Board. Interview held on 8 October 2010.

Topic: Civil society

- *In-depth interviews*

| Date of interview | Organisation | Person interviewed |
|-------------------|--|--|
| 18 May 2010 | Zakhele Trust | Melanie Waugh, Gladness Gcaba |
| 19 May 2010 | University of Pretoria | Ninette Mouton, Linda van Wyk |
| 19 May 2010 | Pietermaritzburg Agency for Christian Social Awareness | Gita Dickinson |
| 20 May 2010 | Durban Association for the Aged | Mr J Narainsamy |
| 20 May 2010 | Community Law and Rural Development Centre | Langa Mtshali |
| 20 May 2010 | The Johannesburg Festival Orchestra | Paul Rodgers |
| 20 May 2010 | Visual Arts Network of South Africa | Joseph Gaylard |
| 20 May 2010 | Sinamandla | Phil Donnell |
| 24 May 2010 | Siyakhula Trust | Gill Fenwick |
| 24 May 2010 | Matatiele Advice Centre | Nonzwakaze Nyamakazi, Allen Nkomo |
| 25 May 2010 | Umtata Child Abuse Resource Centre | Priscilla Sipuka |
| 25 May 2010 | Ntataise Lowveld Trust | Barbara Kenyon |
| 26 May 2010 | President's Award for Youth Empowerment | Martin Scholtz |
| 26 May 2010 | Standerton Advice and Development Resources Centre | Amon Zwane |
| 27 May 2010 | Eastern Cape Philharmonic Society's Music Investment Project | Gerda Coetzee, Gillian Barnett, John Barnett |
| 27 May 2010 | Langa KwaNobuhle (Self Help and Resource Exchange – SHARE) | Nominise Gogo |
| 28 May 2010 | Project Literacy | Andrew Miller |
| 1 June 2010 | Kubonakele Human Rights and Justice Centre | Mr Hendrick |
| 1 June 2010 | Community Based Development Programme | Colin Smuts |
| 4 June 2010 | Cotlands | Rochelle van Heerden |

- Focus group discussions

| Province/ Date | Organisation | Person in attendance |
|--|---|-----------------------------------|
| Gauteng 16 July 2010 | Johannesburg Child Welfare | Brian King |
| | Legal Resources Centre | Annette Reed |
| | Restorative Justice Centre | Mike Batley |
| | University of Pretoria | Ninette Mouton, Linda van Wyk |
| | Khunwana Old Clinic (North West province) | Ismael Nage |
| | University of Witwatersrand | Suraiya Baccus, Pooven Naicker |
| Western Cape 20 July 2010 | Black Sash | Marcella Naidoo, Sonya Ehrenreich |
| | Self Help and Resource Exchange | Lin Helme |
| | Social Change Assistance Trust | Joanne Harding |
| | South African Education Programme | Jane Keene, Laura Pugliese |
| | Labour Research Services | Saliem Patel |
| | Early Learning Resource Unit | Frida Brock |
| | Sikhula Sonke | Wendy Wiemers |
| | West Coast Community Foundation | Fred Earl Williams |
| | Inyathelo | Shelagh Gastrow |
| | Rural Education Assistance Project | Glenda Glover |
| Community Development Resource Association | James Taylor | |

- Focus group discussions continued

| Province/ Date | Organisation | Person in attendance |
|-------------------------------|--|---------------------------------|
| Eastern Cape 28 July 2010 | The President's Award | Michele Barnard |
| | Public Service Accountability Monitor | Jay Kruse |
| | Border Rural Committee | Charmaine Cockcroft |
| | Ikhala Trust | Bernie Dolley |
| Limpopo 29 July 2010 | Mankweng Advisory Centre | John Mabokela |
| | Bloodriver Advice Office | Lettah Mokhabhoa |
| | Keep the Dream 196 | Louise Batty |
| | South African National Council on Alcoholism and Drug Dependence (SANCA) Far North | Riette van der Linde |
| | Choice Trust | Elsie Tiba |
| | Ntokoto Health Education Organisation | Alinah Mabunda, Salphinah Mnisi |
| KwaZulu-Natal 30 July 2010 | Pietermaritzburg Agency for Christian Social Awareness (PACSA) | Gita Dickinson |
| | Built Environment Support Group (BESG) | Cameron Brisbane |
| | Diakonia | Kudzai Taruona |
| | Hlomelikusasa | Zandile Malinga |
| | Operation Upgrade of SA | Vasu Moodley |
| | Lamontville Foundation | Themba Blose |
| | Community Law and Rural Development Centre | Langa Mtshali |
| | SaveAct | Anton Krone |