NDA
National Development Agency

CIVIL SOCIETY FUNDING MECHANISM IN SOUTH AFRICA RESEARCH REPORT FINDINGS PRESENTATION

26 AUGUST 2021

DEVELOPED & PRESENTED BY

BABHUTI PROJECTS

Empowerment and Development

Accountable Funding

Aligned Funding Mechanisms

PRESENTATION ROADMAP

❑ **Background**

❑ **Programme Strategic Thrust & Rationale**

❑ **Programme Scope**

❑ **Methodology**

❑ **Findings**

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1. BACKGROUND

❑ **The National Development Agency (NDA) commissioned this research on civil society organisations (CSOs) funding mechanism to support its core function on behalf of the state on policy, regulations and mechanism for conduit mandate on this sector.**

❑ **This report is a strategic intervention towards the NDA's primary objective of contributing towards poverty eradication and its causes through grant funding to CSOs for developmental projects and programs in poor communities.**

❑ **This commissioned NDA research study report, provides an overview of the funding landscape for CSOs in South Africa, its challenges and failures, while providing guidance to the sector on policy, regulations and legislation. It also draws on global perspectives effective civil society funding models, providing funding policy and regulation, and recommendations on how the state and sector can address funding as a whole .**

2.   PROGRAMME STRATEGIC THRUST & RATIONALE

❑ **This research study is a strategic intervention based on both literature review and questionnaire analysis, including face to face interviews modelled from the terms of reference research questions. Thus, the CSO funding landscape will delineate the funding structure, access to funding, transparency and accountability mechanisms, sustainability and functionality roles, and skills, effectiveness and efficient use of resources and results in South Africa.**

❑ **The rationale of this research report is to understand the current civil society sector funding environment in South Africa and ascertaining its implications on operations and sustainability of the sector. The report further explores other countries' civil society funding models that promotes transparency, accountability and sustainability of the sector and examples.**

3.   PROGRAMME SCOPE

❑ **Provide an overview outlook of the funding landscape for civil society sector in South Africa and challenges resulting in the failure of the state and its Agencies to respond to these challenges.**

❑ **Conduct research that provides guidance to the civil society sector on how to engage with the state in the development of policies, regulations and legislation that can respond to the funding challenges of the sector.**

❑ **Provide examples of global perspectives of effective civil society funding models which can be used as case studies for South African civil society sector.**

❑ **Provide areas of funding policy and regulations that need to be put in place to promote the sector and the state abilities to coordinate and monitor funding to the sector for purposes of accountability and transparency.**

❑ **Provide concrete recommendations on how the sector and the state can address funding of the civil society sector as a whole by all funders.**

4. METHODOLOGY

❑ **The research methodology for this project was supposed to be a mixed method approach. Due to the minimal number of responses from respondents, we opted for a qualitative approach since it is related to the core objectives of the deliverables. Hence, this research approach enabled methodology that delineated the means, ways and effective data analysis.**

❖ **Data Collection: Commenced with an In-depth review of the literature detailing the conduit mandate of the NDA, as well as evaluating linkages between the civil society sector and South African government. This comprehensive literature review collected in the 2013, 2014, 2015, 2016, 2017 and 2018 Trialogue Annual Sustainability Review publications along with other existing literature on South Africa's civil society sector funding, government policies, strategies and legislation relevant to the funding of the civil society sector. The findings of the literature review were the first key deliverable, the drafting and submission of an in-depth literature review report to the NDA.**

4.   METHODOLOGY CONT'D

❖ <u>Sampling Size:</u>This research report sampling size was limited due to COVID-19 lockdown regulations, mainly Non-Profit Organisations, Faith-Based Organisations, Non-Governmental Organisations and Community Based Organisations located across all nine provinces. In total, 4 613 questionnaires were distributed online and delivered on site. However, only 4 287 emails successfully sent and 326 questionnaires were distributed on site. The total number of respondents were 108 including 26 questionnaires completed based on CSOs and NGOs annual reports. This qualitative research also included face-to-face interviews and the collection of information or data from CSOs' websites.

❖ NPOs, Community Based Organisations and Faith Based Organisations formed the bulk of the distribution because of their accessibility (email addresses were availed or provided) with a total of 2114, 1021 and 103 questionnaires sent to them respectively. Although the response rate from respondents was inadequate due to their lack of interest and their lethargic or unresponsive nature, our researchers were able to conduct analysis from the responses obtained.

4. METHODOLOGY CONT'D

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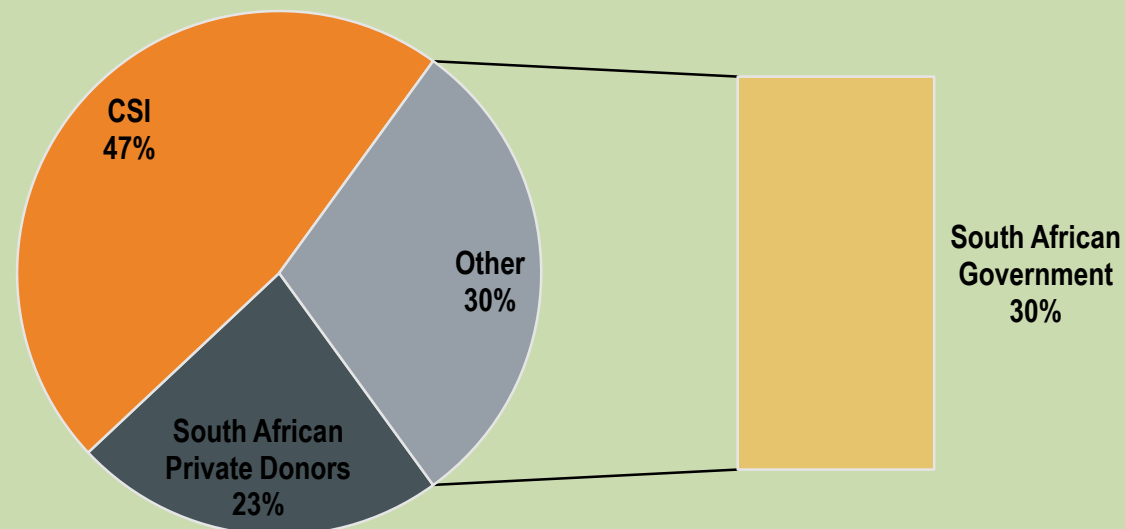
5.   FINDINGS

❑ **The total number of civil society sector organisations surveyed was 108, in eight provinces, that is, Gauteng, Western Cape, Free State, Mpumalanga, Eastern Cape, Limpopo, Northern Cape and KwaZulu Natal, with no responses from the North West province. The majority of responses were from Gauteng.**

❑ **The NDA classification framework for CSO was instrumental in organizing the survey, such that, Level 4 CSOs constituted 12% of respondents, predominately in social and community development, social justice and advocacy sectors, with funding from international funding bodies and Corporate Social Investment (CSI) partners in South Africa. Level 3 CSOs constituted 16.6% of respondents, mainly in education and early childhood development (ECD) with 30% of this level funded by South African government. More so, youth development, health, poverty alleviation and capacity building are funded predominately by CSI at 47% and South African private donors at 23%.**

5.   FINDINGS

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

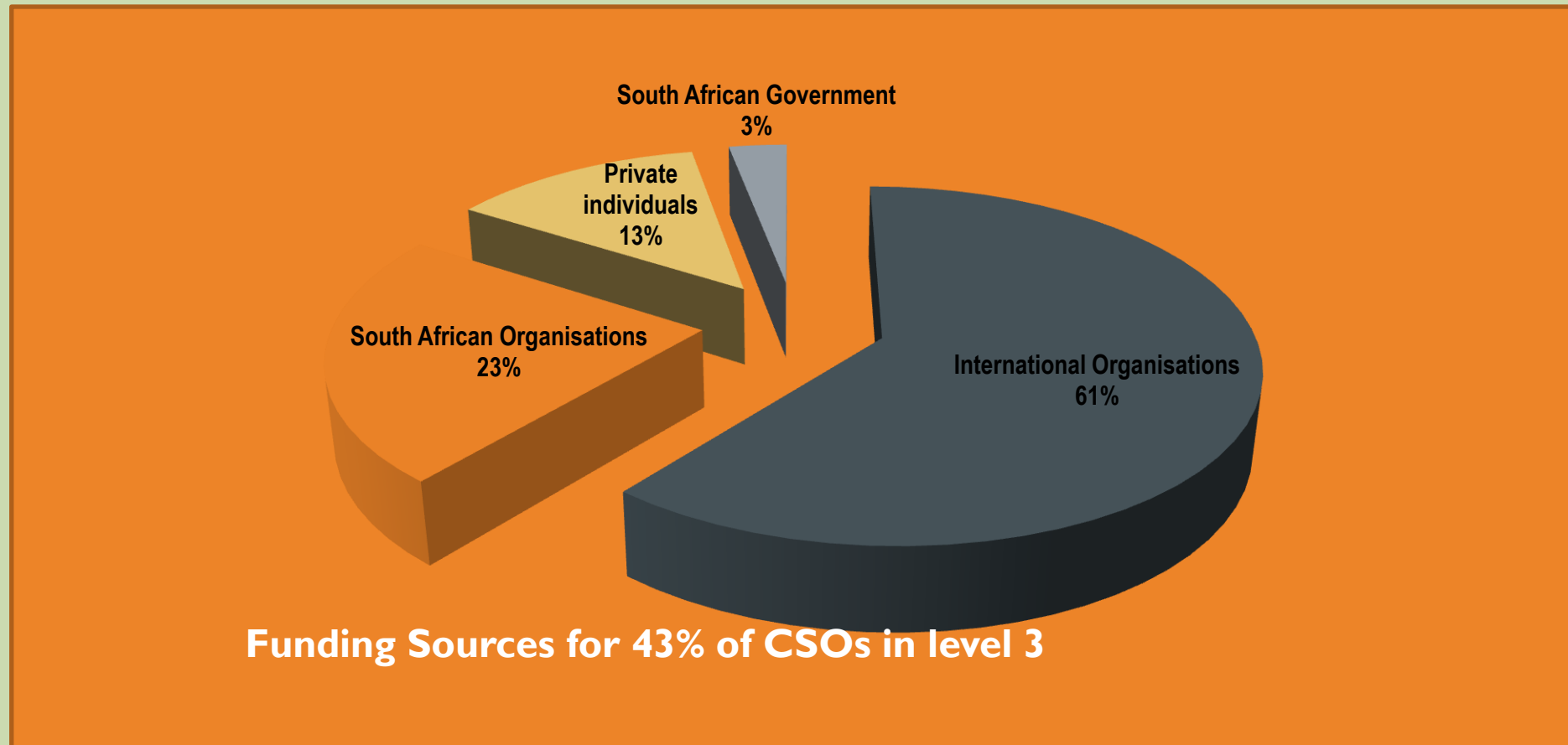**Funding Sources for 16.6% of CSOs in level 3**

5.   FINDINGS CONT'D

❑ In the questionnaire responses, 43% of CSOs funding in level 3 emanated from social justice and advocacy, community development, entrepreneur and small business as well as promotion of human rights sectors. In terms of funding source, they receive 61% of funds from International organisations, 23% from South African organisations, 13% from undeclared private individuals and foundations and 3% from the South African government. According to the 61% of CSOs surveyed in this category, receiving funds from international and local organisations, funding is usually medium to long term enabling anticipatory or proactive financing mechanisms to solve immediate needs, while evolving and adapting to contextual changes and needs.

❑ Level 2 NPOs constituted 39.8% of respondents, predominately in socio-economic rights, social and community development, education, and health sectors; and Level 1 constituted 31.4% of respondents mainly made up of NPOs, ECDs and FBOs. Level 2 NPOs are in a highly competitive funding environment, thus, less predictable and stable, while in Level 1 they depend on short term small grants. 64% CBOs funded are funded quarterly while 36% get funds on a monthly basis. Of essence, 92% Level 2 and 3 NPOs and CSOs in the education sector and early childhood development utilises short term funding for operations and long term funding for remuneration and maintenance of the working environment.

5.   FINDINGS CONT'D

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

Funding Sources for 43% of CSOs in level 3

- South African Government 3%
- Private individuals 13%
- South African Organisations 23%
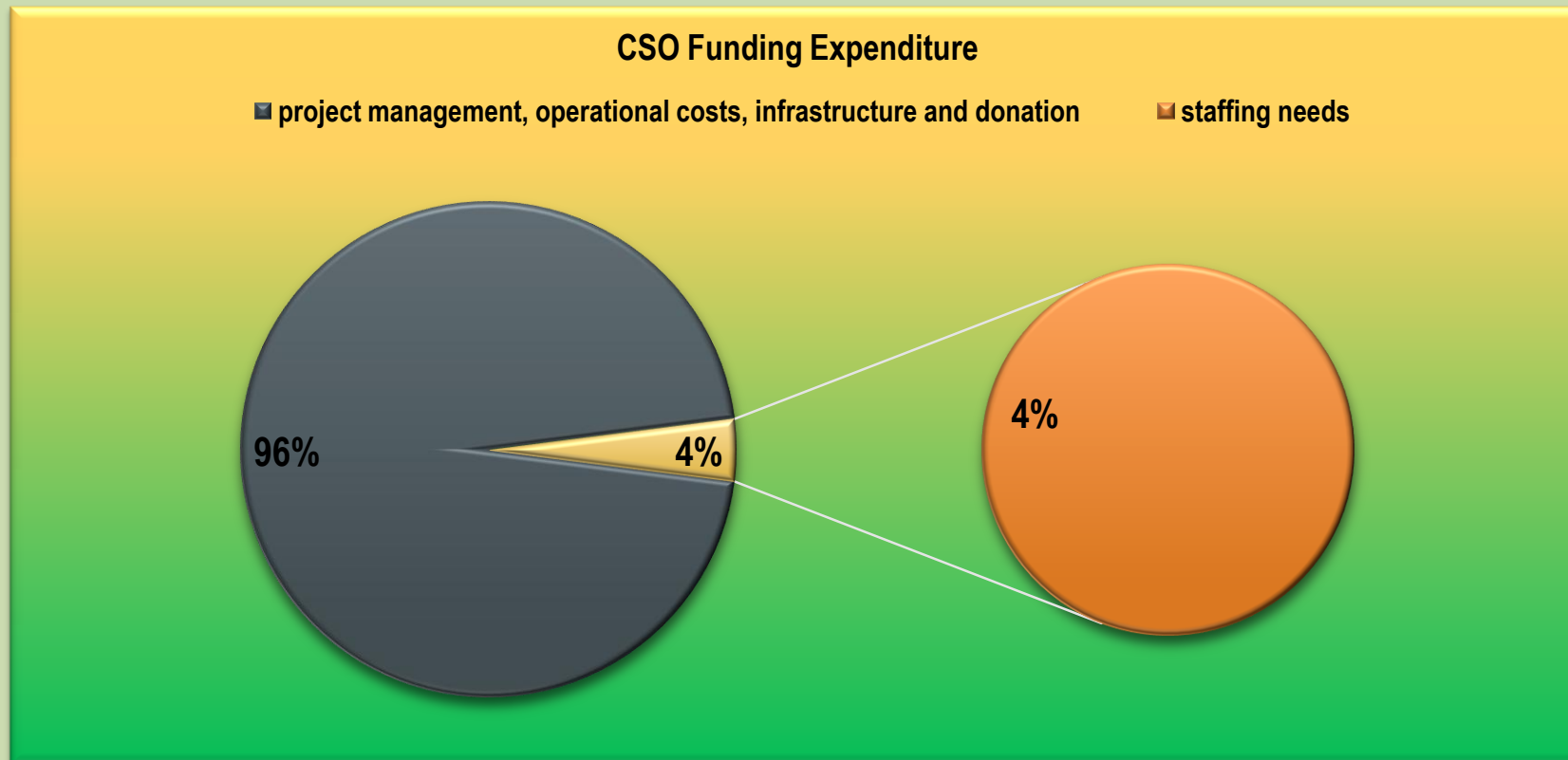- International Organisations 61%

5. FINDINGS CONT'D

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

5. FINDINGS CONT'D

- ☐ <u>**Delineating Current Funding Structure:**</u> **The current funding structure was assessed in accordance with internal policies and regulations. For Levels 1 and 2 CSOs, there was common consensus that structural funding was apportioned on a short term basis. The survey delineated that for 96% of CSOs, funding was structured for project management, operational costs, infrastructure and donations, while 4% was aligned with NPO and CSO staffing needs. 94% of Levels 2 and 3 CSOs' respondents expressed the need for financial reporting, project finance and management audits. Moreover, from Levels 2 to 4, there is a need for accountable audits and monitoring tools.**

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

5. FINDINGS CONT'D

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

CSO Funding Expenditure

■ project management, operational costs, infrastructure and donation   ☑ staffing needs
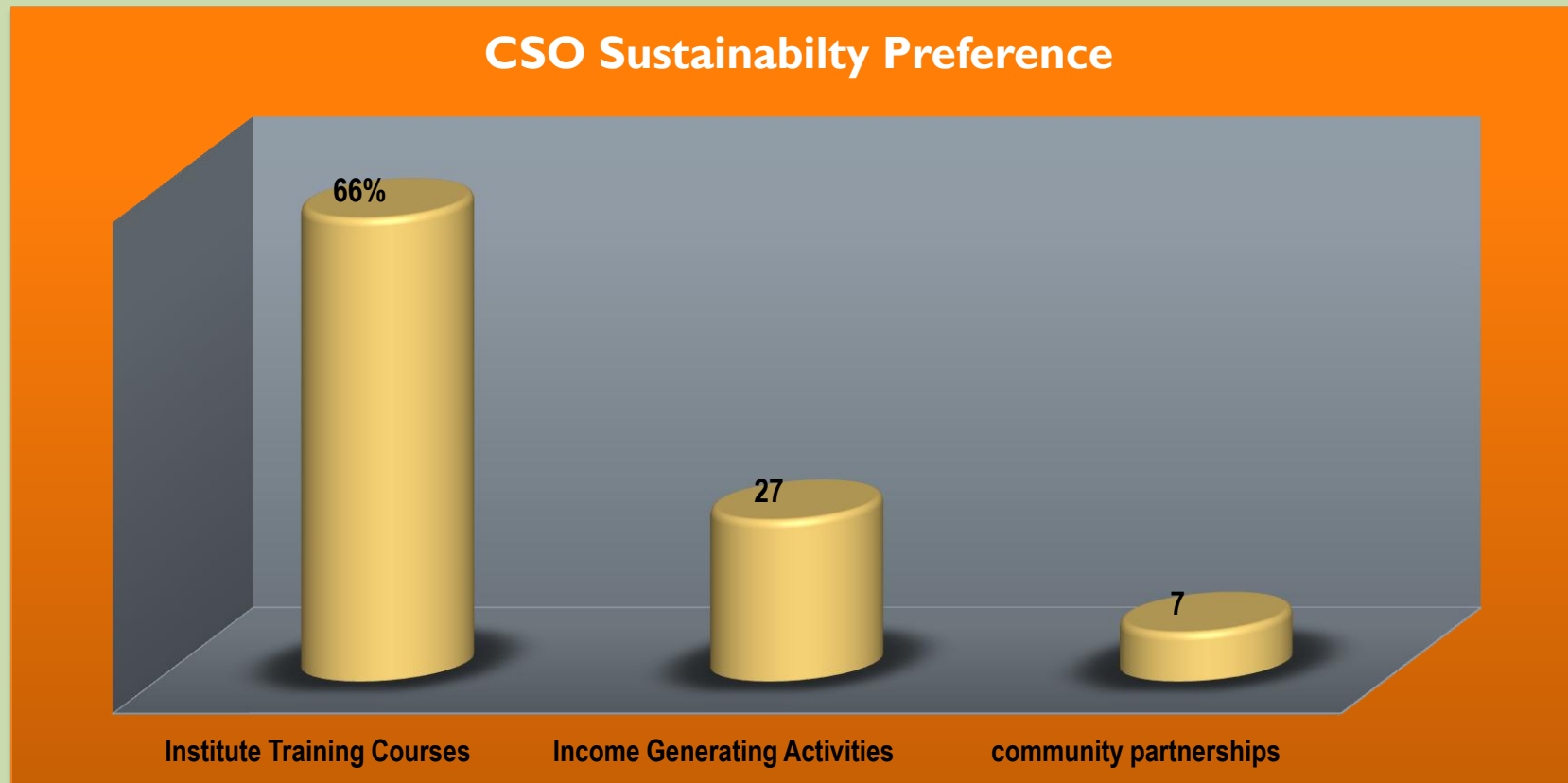
96%   4%   4%

5. FINDINGS CONT'D

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

5.   FINDINGS CONT'D

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

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

5.   FINDINGS CONT'D

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


CSO Sustainabilty Preference

| Institute Training Courses | Income Generating Activities | community partnerships |

- Institute Training Courses: 66%
- Income Generating Activities: 27
- community partnerships: 7

5.   FINDINGS CONT'D

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

5. FINDINGS CONT'D

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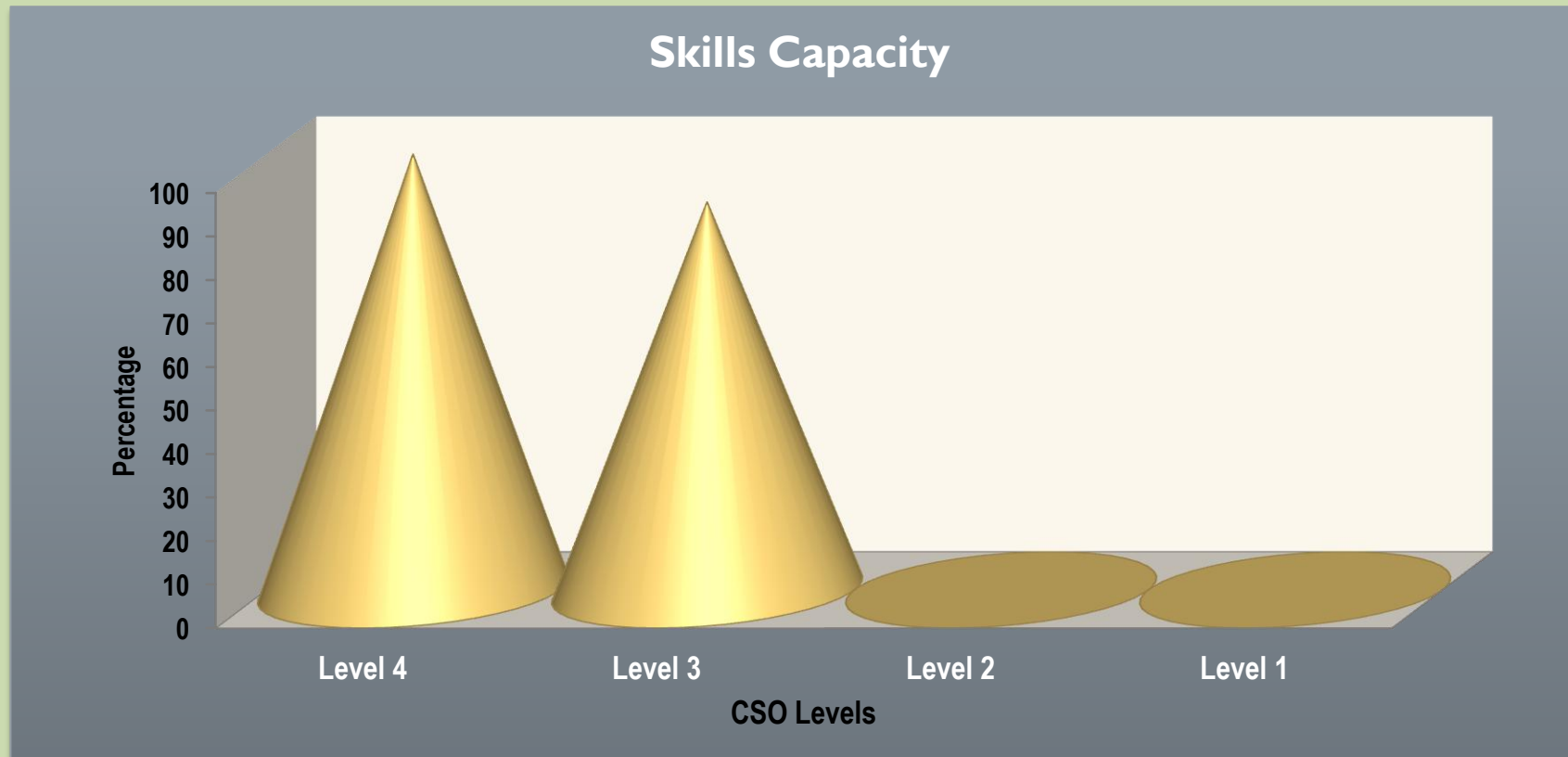
7.   RECOMMENDATIONS

- First, this research study recommends proactive donor engagements, most importantly strengthening CSO/funder dialogue and engagement meetings to create a win-win and lasting strategic partnerships that would be a key enabler in accessing and/or continuing to access funding.

- Second, it encourages the creation of platforms for corporate partnerships, particularly, when streamlining funding that could further incentivize and empower CSO staff to take capacity building courses and by so doing add value to the CSOs' vision and strategic objectives.

- Third, the NDA must foster strategic alliances and partnerships with the CSI sector, thus, enabling the NDA to be in a better and stronger position to leverage on the types, characteristics, levels and values of both local and foreign funding processes and models.

7.　RECOMMENDATIONS CONT'D

- **Fourth, the NDA needs to boost its advocacy levels, thus, fostering expertise for low level CSOs. It further needs to consult with and advocate for them via regional platforms as this is essential to ensure that the poorest CBOs and NPOs are not excluded.**

- **Fifth, there is a need for further research to be undertaken in rural and disadvantaged areas of South Africa especially to fully ascertain Levels 1 and 2 CSOs perspective on the funding chain processes, as well as those currently undergoing capacity development aimed at fully understanding sustainable funding best practices.**

7. RECOMMENDATIONS CONT'D

❑ **The sixth recommendation is the proposed funding model that originates from the literature review and the qualitative research findings that emanated from the questionnaire responses.**

❑ **The seventh recommendation encapsulates the strategic approach to funding and fundraising. Finally, the general recommendations on infrastructure support will definitely enhance CSOs' visibility, conduct a proper assessment of their needs, and finally identify training and mentoring needs.**
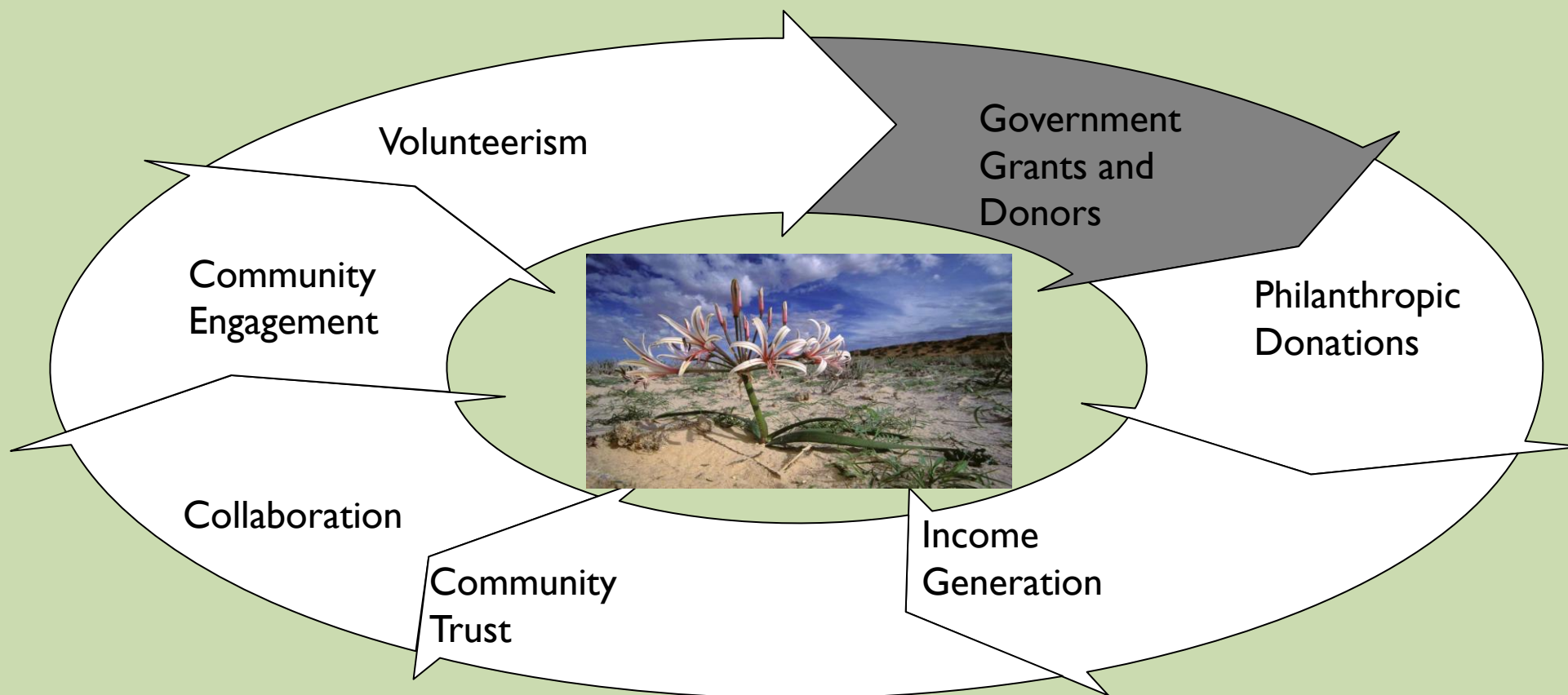
UBUNTU ZEBRA SOCIETY: TOP OF THE RANGE FOR LEVEL 4 CSO'S
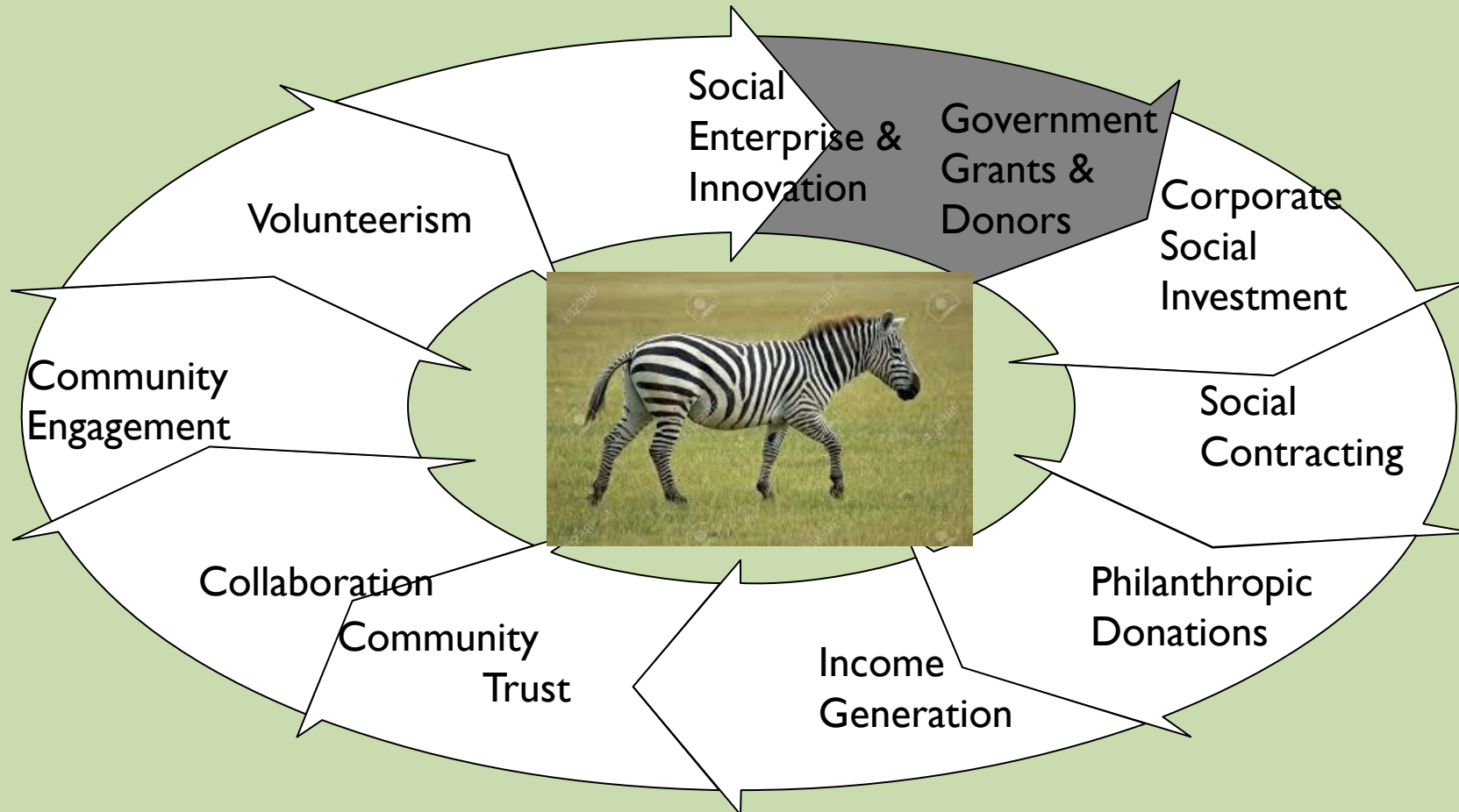
UBUNTU THREE LEGGED POT: MIDDLE OF LANE LEVEL 2 AND 3 CSO'S
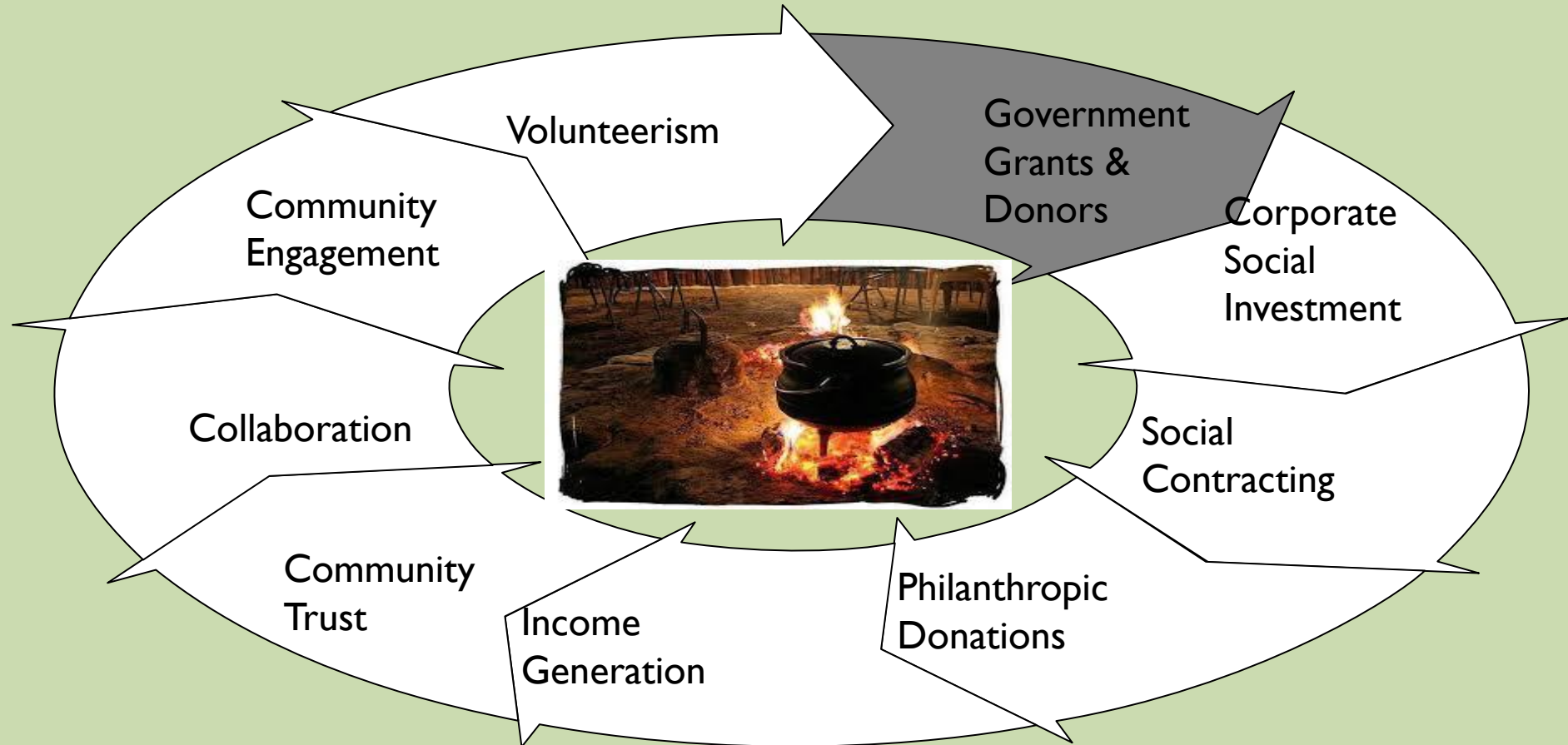
UBUNTU KALAHARI DESERT FLOWERS: LEVEL I CBO'S

8. CONCLUSION

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

ANY QUESTIONS???????