

RESEARCH REPORT



NDA
National
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CIVIL SOCIETY FUNDING MECHANISMS IN SOUTH AFRICA

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Agency



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SOUTH AFRICAN SOCIAL SECURITY AGENCY

RESEARCH REPORT

CIVIL SOCIETY FUNDING MECHANISMS IN SOUTH AFRICA

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TABLE OF ACCRONYMS AND ABBREVIATIONS

Acronyms and Abbreviations	Full Meaning
BBBEE:	Broad-based Black Economic Empowerment
BIS:	Business in Society
CBO:	Community Based Organisation
CSI:	Corporate Social Investment
CSO:	Civil Society Organisations
DIRCO:	Department of International Relation and Cooperation
DTI:	Department of Trade and Industry
DSBD:	Department of Small Business Development
DSD:	Department of Social Development
ECD	Early Childhood Development
FBO	Faith Based Organisations
GBCSA:	Green Building Council of South Africa
GEAR:	Growth, Employment and Redistribution
MDGs:	Millennium Development Goals
NDA:	National Development Agency
NDP:	National Development Plan
NLDTF:	National Lottery's Distribution Trust Fund
NPO:	Non-Profit Organisation
NPC	Non-Profit Company
PBO:	Public Benefit Organisation
PRASA:	Paper Recycling Association of South Africa
RDP:	Reconstruction and Development Program
SEDA:	Small Enterprise Development Agency
SDGs:	Sustainable Development Goals

TRC:	Truth and Reconciliation Commission
UNSDGs:	United Nations Sustainable Development Goals
BBBEE:	Broad-based Black Economic Empowerment

EXECUTIVE SUMMARY

Introduction

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. The NDA carries out its mandate in accordance with South African legislation, the NPO Act No. 71 of 1997, creating an enabling environment for CSOs to thrive, while the state facilitates policy development and implementation. The NDA Act No. 108 of 1988, outlines its primary objective of poverty eradication, while strengthening institutional capacity and acting as a key funding conduit within the NPO policy framework.

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. The methodology was predominately a qualitative research approach applied with regards to the research objectives; and data collection through in-depth literature review on comprehensive publications within this sector. The literature review was supported by a qualitative research method by means of a few in-depth face to face interviews, and questionnaires distributed online due to COVID-19 limitations. Moreover, this research report is also a product of a descriptive approach, which was by no means invasive using qualitative observations and examination to contextualize the funding mechanisms within the SA and global CSO sector.

Literature Review

The NDA's vision ascribes to "a society free of poverty" while its mission is to "contribute to poverty eradication and elimination of its causes," thus, creating a strategic linkage between civil society, government and the NDA. Consequently, this leads to the creation of an enabling environment for the conduit mandate within government and foreign donors; as well as influencing policy, regulations and mechanism for corporate social investment funding. In the African perspective, streamlined funding forms part of the appropriate context for Agenda 2063, wherein the Africa we envisage, and from a South African perspective contributes towards the National Development Plan (NDP), in common purpose for redressing poverty, inequality and unemployment.

This funding mechanism research report is a strategic intervention, which during literature review revealed a double edge sword with regards to the funding landscape. The sword contextualized within the symbiotic relationship between corporate social investment and civil society sector funding in fighting the three common enemies, poverty, inequality and unemployment. This double edge sword requires the Spirit of Ubuntu as a balancing act within the funding landscape, currently conflicted and problematic; thus, evoking the voices of the marginalized and collectivism while creating strategic alliances and collaboration towards the common goal of redressing poverty, inequality and unemployment. This Spirit of Ubuntu will enable the acknowledgment of civil society funding challenges resulting in failure and skewed funding capacity within South Africa.

The literature review further revealed the disconnection in the development sector landscape, with corporate social investment leading in the education sector while civil society sector is leading in social and community development. Thus, Ubuntu is a strategic intervention, supportiveness, cooperation, solidarity; communalism, common good and its

transcendence into community space will be the balancing act of the geographic area and development-based prioritization levels. This evidently creates a strategic alignment between funders and beneficiaries in financial and non-financial support, with communication, reporting, regulating, monitoring and evaluation for sustainable funding. Thus, anchoring the Spirit of Ubuntu, reciprocal leadership/followership, embedded within shared vision and common goal is vital in redressing the three common enemies, poverty, inequality and unemployment.

Research Findings on CSO Funding Mechanism

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, CSO funding landscape delineates funding structure, access to funding, transparency and accountability mechanisms, sustainability and functionality roles, and skills, effectiveness and efficient use of resources and results. 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%. When analysing 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. 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.

Delineating Current Funding

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.

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 Levels 1 and 2 respondents confirmed that the use of media to access funding information is effectiveness and therefore requested for the establishment of a Multimedia Centre that is easily accessible to all levels of CSOs.

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

In determining if CSOs internal structures and processes can ensure donor funding is managed transparently to strengthen strategic sustainability, 57% of Level 4 respondents, motivated for the establishment of internal commissions and committees. 41% of respondents from all four levels of CSOs motivated the strengthening of internal structures and processes for proper financial controls, accounting systems, and most importantly the need for annual audited financial statements. In determining if CSOs are adequately skilled and capacitated to predict reliability, transparency and vitality of funded programs, Level 4 CSO respondents indicated that they were adequately skilled. For Level 3, 89% of respondents inferred being highly skilled, while 11% felt they needed internal project control mechanisms. Most importantly, Level 1 and 2 respondents indicated that they are inadequately skilled. In determining if predictable aid leads to more efficient use of resources and effective development results, all the 4 levels of the CSOs agreed with this statement, as predictable aid provides assurance, clarity and transparency of needs.

Bench-Making and Proposed Funding Models

The proposed funding models are based on the literature review and qualitative findings that necessitated the use of survey questionnaires and face to face engagements with CSOs. This section of the research report is in line with the main research questions on how best funding should be allocated by the state, the private sector, foreign governments, philanthropies, as well as bilateral and multilateral agencies to the sector. It further questions what tools and systems must be in place to ensure fairness, justice, transparency and accountability in the funding cycle. These critical questions are vital in ensuring that CSO funding mechanism and models for sustainability are developed and further provide global perspectives of effective civil society funding models which can be used as case studies for the South African civil society sector.

In literature review funding strategic alignment as a funding mechanism, in the Spirit of Ubuntu, reciprocal leadership and followership relationship as an appropriate context for synergy between funders and beneficiary CSOs. Thus, Community Trust, Collaboration, Community Engagement, and Volunteerism, Spirit of Ubuntu, interconnectedness and interdependency, maximise community wealth and assets while leveraging community resources in the fight against poverty, inequality and unemployment and redressing parochial personalities-based solutions. Social Innovation and Social Enterprise, Spirit of Ubuntu, Budlelwano, strategic alliances and partnerships will enable the CSOs to share innovations with social outcomes and track impact while engaging in business activities of funders.

The global perspectives of CSOs, the European context provides a framework developed based on research conducted in five European countries: Hungary, Croatia, Germany, United Kingdom, and the Czech Republic; and North America (Canada). The United Kingdom's (UK) CSOs' funding mechanism is a highly developed and evolved sector, which is currently deemed as a third sector. The Canadian context was assessed as part of its international experience and the country's quest for financial and service delivery sustainability, civil society organisations using three models: charities, welfare and citizenship financing model. Lastly, the Brazil, Russia, India, China and South Africa (BRICS) nations' provide a balancing act in this funding model, which initially looked at the European framework that was contextualized on the afore-cited case studies.

The funding model is based on the NDA CSO classification levels, which contextualizes the CSOs needs assessment, types and levels of interventions to improve operations to remain functional and sustainable. Thus, Level 1, the community based organisations, Level 2 at local and district level, Level 3 at district and provincial level, and Level 4 at

provincial and national level, with international funding. The Ubuntu Funding Model, based on Ubuntu Principles in literature review, and most importantly anchoring, I am because we exist in light of the Great Spirit (Khoza: 2011). The Ubuntu Funding Model is in three levels, emanating from the four-level NDA CSO classification, with Level 1 as a standalone, Level 2 and 3 combined and Level 4 also evaluated as a standalone model. The first model will be referred to as the *Zebra Society* and it is attributed to top of the range Level 4 CSOs. The second is termed *Three-Legged Port* for middle of the lane CSOs, that is combining Level 2 and 3 and lastly, the third funding model is referred to as the *Kalahari Desert Flower* and is designed for the lower level 1 CSOs.

Conclusions and Recommendations

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.

First, this research study recommends proactive donor engagements, most importantly strengthening CSO/funder dialogue and engagement meetings to create a win-win and lasting strategic partnerships that would be a key enabler in accessing and/or continuing to access funding. Second, it encourages the creation of platforms for corporate partnerships, particularly, when streamlining funding that could further incentivize and empower CSO staff to take capacity building courses and by so doing add value to the CSOs' vision and strategic objectives. Third, the NDA must foster strategic alliances and

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

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

SECTION 1: OVERVIEW OF CIVIL SOCIETY FUNDING MECHANISM IN SOUTH AFRICA

1.1 Defining Civil Society Organisations

CSOs are defined as organised civil society and can come in many forms (informal and formal entities) and having a common purpose, in terms of fulfilling a particular mandate driven by need. Summarily, HSRC (2014) uses the popular UNDP (2000) definition which defines Civil Society Organisations (CSOs) “as the multitude of associations around which society voluntarily organises itself and which can represent a wide range of interests and ties, from ethnicity and religion, through shared professional, developmental and leisure pursuits, to issues such as environmental protection or human rights.” For the World Bank (1990), “CSOs include non-governmental organisations (NGOs), trade unions, faith-based organizations, indigenous people’s movements, foundations and other non-profit making organisations.” Many governments across the world network with a range of CSOs who critically monitor the governments’ work and engage the government in policy discussions.

For the purposes of this report, we will use the UNDP’s definition of CSOs as “organisations whose activity is not associated with major institutional systems such as government and administration, but exist as grass-root organisations that are non-profit entities which complement government and business.” Therefore, in the report, the word CSOs encompasses the different NGOs, CBOs, NPOs and other types of CSOs mentioned in the report.

1.2 Background

In post-liberation era, one of the main challenges for civil society organisations (CSOs) in South Africa is lack of financial security even though government and other developmental

partners or funders, in South Africa and internationally continue funding CSOs. Hence, the terms of reference for this research study commissioned by the National Development Agency, NDA, on Civil Society Funding Mechanism in South Africa. Evidently, CSOs are developmental partners to public and private sector, international donors and foreign governments, including philanthropic organisations, catalytic by nature (NDA: 2017):

“Civil society organizations bring together the voices of women, youth, disabled people, less privileged communities and more, many of whom are often NDA beneficiaries...They reach the most marginalised groups of society, and bring the positions and concerns of people to policy dialogue, normative discussions and community interventions. These organisations can play a catalytic role in improving and furthering the work of NDA, and vice versa, especially in the area of poverty alleviation in poor communities.”

In the leading publication on Corporate Social Investment (CSI), Trialogue (2012) reported private sector funding for civil society organisations to the amount of R8 billion through corporate social investment schemes. In 2009, the listed companies in the Johannesburg Stock Exchange (JSE) showed that about R1.9 billion was spent on social and development projects. In the NDA (2015) study on National and Provincial departments transfers to NPOs, it was shown that, in 2012/13 government allocated over R20 billion to NPOs and in 2013/14, the funding was over R15 billion (NDA 2015).

Evidently, these studies lack coherent mechanism or policy informing the funding of the civil society organisations. Moreover, the civil society sector has wide and diverse developmental interests. The literature review for this research study indicated that funding for this sector is a double edge sword, with the CSI leading funding flows into CSO in accordance with corporate organisations funding priorities, evidence within Trialogue and Business in Society publications. The NDA Act gives powers in section: 4(1) (a) [to] act as a key conduit for funding from the Government of the Republic, foreign governments and

other national and international donors for development work to be carried out by civil society organisations. However, the funding landscape of the civil society in South Africa currently, has limited publications from these sectors. To add, as previously stated the literature is from CSI perspective, hence, it has been characterised as a double edge sword.

On the funding landscape, the literature review report had evidence of reliable and resourceful information on the funding amounts by public and private sector in civil society sector. This information, however, did not have substantial evidence on the contributions from international donor and foreign governments in funding the sector over the past years. Thus, the requirements of the NDA in fulfilling its core function of being a conduit to civil society funding in South Africa has limitations in its undertaking while making it difficult to monitor funding to the sector. Moreover, there is need for extensive understanding of these limiting factors within the context of South Africa's civil society, with regards to structure, space, values and impact.

Taking the precedent challenges into consideration, the NDA needs to clearly understand the sector, its operations and needs. Consequently, there is need for policy guidelines on funding this sector from all funders organisations operating in South Africa, and those overseas to adhere to the NDA Act section: 4(1) (b) states: [the NDA must] develop, conduct and co-ordinate policy relevant to its objectives. Thus, the development of the policy, legislation and funding mechanisms including regulatory frameworks should be spearheaded by the Department of Social Development in partnership with the NDA, public and private sector, international and foreign donors including philanthropy organisations. Without these instruments, funding to the sector will lack fairness, justice,

transparency and accountability, as indicated in the terms of reference, for sustainable organisational funding.

This research report is a strategic intervention for crafting a civil society funding mechanism in South Africa with linkages into the NDA's primary objective of contributing towards the eradication of poverty and its causes through the granting of funds to CSOs for the purposes of carrying out projects or programmes geared towards meeting the development needs of poor communities. In essence, this research report provides evidence for the urgent need for policy guiding funding of this sector from all funding organisations within South Africa. Thus, taking into consideration how the South African civil society has over the years experienced fragmentation, NDA (2016):

“The national and provincial NGOs which maintained unity of purpose got engulfed by internal and environmental politics. The internal and environmental politics can also be traced to the scramble of resources. As funding to the sector became scares and difficult to access during the first 10 years of the democracy, the sector started to fragment, resulting in individual organizations having more access to available resources. The State recognised the unintended consequences should this sector remain unregulated.”

1.3 Legislative and Policy Framework

In South Africa, there are a number of key legislative provisions that have been put in place to ensure that the rights of CSOs are respected. The thrust of these legislations were broadly set out shortly after the inception of democracy but the development of the CSO sector has changed since then. For example, the way and manner in which the legislation has been construed and implemented by government agents and businesses in their policies, suggest that it might be time to revisit the legislative and regulatory regimes with respect to CSO funding. For example, some research has found that in recent years, the attitudes of government and big businesses towards CSOs in the “government-

business-donor” paradigm is one of just “tick the box”. This flows both from the scope and content of the existing legislation on CSO funding and thus impact the role of CSO in poverty eradication.

Secondly, it remains to be seen how much the existing legislation has fostered cooperation, networking amongst CSOs on the one hand, and collaboration between the CSO sector and government and business on the other hand. This problem has been exacerbated by fragmentation within the CSO sector and the existing legislation does not appear to adequately address such challenges especially at the strategic engagement level in local and provincial formations.

Furthermore, the above challenges create and, in some cases, exacerbate the funding gaps, the fractured and uneven patterns of resource mobilization and distribution in the sector. The development that have taken place in the sector since 1997, and the resulting progress and challenges creates room, and in fact, suggest the necessity for law and policy reforms in the CSO sector. In recent years, CSOs have alleged that funding from government has been very scarce and as a result, the latter may have infringed their legislative mandate or provision binding them to support CSOs. In light of the above, it is imperative to undertake a survey of the relevant legislation.

1.3.1 NPO Act No. 71 of 1997

The enactment of the NPO Act No. 71 of 1997 is considered one of the major exploits that the South African government has undertaken to create an enabling environment for CSOs to operate and thrive. In Chapter 2 of the NPO Act, the State’s responsibility to non-profit organisations must be carried out “within the limits prescribed by law, every organ of state must determine and co-ordinate the implementation of its policies and measures in a

manner designed to promote, support and enhance the capacity of non-profit organisations to perform their functions” (Non-Profit Organisations Act, 1997). According to the Act, the minister has a role of establishing in the national department a directorate that will be responsible for facilitating processes of developing and implementing policy. The act is also responsible for determining and implementing programs to support NPOs in their efforts to register and maintain the standard of governance within NPOs. The Act also works to ensure that there is liaison with other organs of the state as well as interest parties to facilitate the implementation of multi-sectoral and multi-disciplinary programs (NDA Report 2016).

1.3.2 NDA Act No. 108 of 1988

The National Development Agency was created by the state through the National Development Act, No.108 of 1988. The Act No. 108, 1988 outlined the NDA’s mandate attributing its primary objective as: to contribute towards the eradication of poverty and its causes by granting funds to civil society organisations for the purposes of:

- (a) Carrying out projects or programmes aimed at meeting development needs of poor communities; and
- (b) Strengthening the institutional capacity of other civil society organisations involved in direct service provision to poor communities.

The NDA (2016) Report further states that “the Act requires the Agency to implement programmes that respond, amongst others, the following areas of CSOs support:

- Act as a key conduit for funding from the Government of the Republic, foreign governments and other national and international donors for development work to be carried out by civil society organisations;

- Contribute towards building the capacity of civil society organisations to enable them to carry out development work effectively; and
- Grant money from its funds in accordance with such criteria and procedures as the NDA determines; with due regard to the NDA’s primary objectives referred to in section 3(1) to any civil society organisation for any project or programme that organisation intends to undertake is undertaking.”

1.3.3 NPO Policy Framework

NDA Report (2016) posits that the Department of Social Development under the Non-Profit Organisations Directorate that was established in terms of the Non-Profit Organisations Act 71 of 1997 is charged with administering the registration of Non-profit Organisations in South Africa. More so, the Directorate ensures compliance and provide capacity building to NPOs. Hence, for NPOs to qualify for funding from government, they first need to be registered as NPOs with the Department of Social Development. However, the Department has norms and standards that CSOs seeking NPO registration need to comply with although some never meet the requirements and are therefore operating illegally.

In addition, according to the Chief Directorate Specialist Social Services (2013), a policy on NPO funding process flow and decision making chain and its objectives has been developed by the Department of Social Development with the objective of realising the mandate of the Department and ensuring that government acquires all partners in the space of service delivery. This is vital because public and private donors require accountability for the programmes they fund. Thus, the need for accountability puts pressure on government to ensure that it evaluates the costs and benefits of NPO activities and ensures they account to society on how NPOs spend and allocate resources especially when it is to tax payers’ money.

1.4 Research Aims and Objectives

The aim 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.

In addition, the research objectives are the following:

- 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.

1.5 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.

1.5.1 Data Collection

The first phase, in data collection method for this research was an in-depth review of the literature, which detailed the conduit mandate of the NDA, as well as evaluating linkages between the civil society sector, and South African government. Moreover, the NDA in terms of developing, conducting and coordinating policy within NDA's objectives and contributions towards capacity building of CSOs, enabling them to carry out development work effectively. This literature review was a qualitative research approach detailing the global and African contexts of CSO sector respectively, as well as CSOs' operations in South Africa with regards to the National Development Plan.

The literature review further determined the current funding landscape in South Africa which drew variables with regards to corporate social investment and their symbiotic relationship and role in driving or enabling civil society sector funding. This comprehensive literature review collected in the 2013, 2014, 2015, 2016, 2017 and 2018 *Dialogue 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. Thus, the qualitative research were descriptive assessments based predominately on data from existing literature such as Corporate Social Investments' (CSI) records and *Dialogue Annual Sustainability Review publications*. This data collection method and qualitative research provided solid foundation for this research study in primarily focusing on the context of CSO funding using statistics from existing reports and other publications.

The second phase, the qualitative approach, through few in-depth face-to-face interviews with relevant stakeholders within civil society sector was conducted, which was highly restricted by the government-mandated Covid-19 lockdown restrictions in South Africa. This phase, supported by the qualitative research through questionnaires (a balanced mix of open-ended questions and close ended-questions) distributed to online respondents. Thousands of questionnaires were sent to CSO respondents online, the latter, mainly non-participative with inadequate response rate. However, the limited questionnaire respondents were analysed to enable sampling different levels of CSOs that participated, which were predominately NPO respondents, limiting analysis and findings of the research questions.

Summarily, this research study used the descriptive approach to ascertain the civil society funding mechanism in South Africa's historical and contemporary landscape context. By means of a non-invasive research method and qualitative observation with limited aspects of qualitative examination, each research variable was intrinsically assessed. Evidently, this approach helped in conducting in-depth analysis of current civil society funding climate, as well as validating other related issues, constraints and possible enablers that could impact the civil society funding scenario in South Africa.

1.5.2 Sampling Size

This research report sampling size was limited due to COVID-19 lockdown regulations, mainly Non-Profit Organisations, Faith-based Organisations, Non-governmental organisations and Community Based Organisations located across all nine provinces. In total, 4 613 questionnaires were distributed online and delivered on site. However, only 4 287 emails successfully sent and 326 questionnaires were distributed on site. The total

number of respondents were 108 including 26 questionnaires completed based on CSOs and NGOs annual reports. This qualitative research included some face-to-face interviews and the collection of information or data from CSOs' websites. This research approach captured the different dimensions of current funding mechanism scenario in South Africa while validating and strengthening consistency of research findings.

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.

1.5.3 Data Analysis

The research analytical tool used for data analysis was the Microsoft Excel Data spreadsheet which captured all information gathered from the qualitative literature review. This data was mainly from findings in the literature review (predominately 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. Hence, these research outcomes were limited to available face to face interviews and the questionnaire responses. All responses were classified using Microsoft Excel Spreadsheet in accordance with the different NDA CSOs levels (see Annexure 1), the analysis and interpretation of data variables was collated, aligning with multi-level findings towards developing the funding models as well as other pragmatic recommendations.

Based on the findings (presented in section 3 of this report) extracted during the data mining or analytical process, a comprehensive report was drafted addressing merits and demerits of the civil society funding mechanism in South Africa while developing practical recommendations for the sector. The literature review, face-to-face interviews and questionnaires provided insights on the analysis while the questionnaire feedback provided a broader context and analysis of the data collected. These insights informed the development of recommendations on how South Africa can address funding policies, legislation and regulatory mechanisms for the civil society sector while promoting this sector's contribution towards social and developmental challenges in the country.

1.5.4 Limitations

The research study limitations, the first and most fundamental was the lack of published or grey literature written from the perspective of the CSO. The methodological limitations were mainly due to 'imposed' restrictions of the COVID-19 lockdown, which were beyond this research study's controllable interest. Thus, when exploring active participation to enrich this research study, this served as limitations towards gaining access to CSOs by geographic location and type.

Evidently, this research study had a diminutive sample size, with no participation by CSO who were inaccessible due to COVID-19 lockdown and also their lack of motivation as they are well resourced nationally and internationally. Hence, the request for participation in the survey was declined by many organisations, with some providing valid reasons for their refusal to partake in the research study. Conversely, if more time was apportioned to conduct the research study a larger sample would have been solicited, time in the context of post-lockdown regulations. Despite the sample size, the research study provides a

sufficiently descriptive insight on the phenomenon of interest and addresses the research questions.

SECTION 2: LITERATURE OVERVIEW

2.1 Introduction

The NDA is a Schedule 3A, Public entity prescribed by the PFMA Act of 1999. The Agency was established through the National Development Act of 1998, as amended. The NDA Act requires the NDA in Section 3 (2) (b) to: “undertake research and publications aimed at providing the basis for development policy.” So, research undertaken by the Agency is for purposes of promoting, debating, consultation, dialogue and sharing of development experience between CSOs and relevant organs of state on development policy.

The NDA contributes towards the eradication of poverty and its causes by granting funds to CSOs for the purposes of carrying out projects or programs which are geared towards meeting the development needs of poor communities, and strengthening the institutional capacity of other CSOs involved in direct service provision to poor communities. It further promotes consultation, dialogue and sharing of development experiences between CSOs and relevant organs of state; promote debate on development policy; and undertake research and publication aimed at providing the basis for development policy.

According to Trialogue (2014), the first decade of democracy from 1994 to 2003 witnessed a transition within the civil society sector while creating a problematic scenario by shifting the social contract between government and civil society. The NDA therefore acts as a key conduit for funding from the Government of the Republic of South Africa, foreign governments and other national and international donors for development work to be carried out by CSOs; develop, conduct and coordinate policy relevant to its objectives; contribute towards building the capacity of CSOs to enable them to carry out development work effectively; and create and maintain a database on CSOs. The NDA’s vision

therefore ascribes to “a society free from poverty” while its mission is to ‘contribute to poverty eradication and elimination of its causes.’

South Africa is a major contributing global player as member of G20 and Bricks nations, and most significantly an active participant in the United Nations, hence, its commitment to Agenda 2063 living no one behind. This global policy creates an enabling environment for executing the NDA conduit mandate to ensure civil society sector is adhering to the UN Sustainable Development Goals (SDGs). Thus, strategically anchoring the NDA local mandate within a global context, as contributing to SDGs is critical to the future sustainability of the civil society sector.

South Africa is also a formidable ally within the African context, with its president leading the African Union and the Southern African Development Community’s Troika organ, thus, committed to Agenda 2063, as well as the Africa and the SADC envisaged. Thus, the NDA is a strategic government entity needing to align with the Agenda 2063, thereby solidifying its vision of a society free from poverty and a mission to contribute to poverty eradication and eliminating its causes, through CSOs in South Africa with partnerships and branches within Sub-Sahara Africa. This could further contribute towards peace and regional conflict resolutions, through civil society sectors with capacity as strategic and developmental partners for achieving Agenda 2063, which requires a sustainable African civil society sector.

In the South African national context, the NDA and the NDP have a common purpose in redressing poverty, inequality and unemployment. This requires a strong effective civil society sector as stated in National Development Agency (2016):

“Western countries have used the civil society of their respective countries to advance their development agenda in foreign countries.....South Africa has not invested in such relationships between its civil society sector and the state. The common enemies for the civil society sector and the state are poverty, unemployment and inequalities.”

Consequently, investing in the relationship between the civil society and the state towards redressing the common enemies is well articulated in National Development Agency (2019) which states that:

“South Africa lacks coherent strategies and programmes for the civil society sector to deal with poverty, unemployment and inequalities, where the sector takes charge of specific deliverables and offers appropriate resources to the sector to respond to the challenges. The relationship between the government and the sector is that of “master and subordinate. Such relationships are problematic, since the one waits for the other to issue instructions.”

This research report as a strategic intervention assesses coherent mechanisms or policy to inform funding of the CSO sector, to sharpen the double edge sword with public and private sector, international donors and foreign organisations, which being a continental and global formidable ally. The NDA can contribute positively as a state organisation; however, this requires policies, regulations or the mechanisms for conduit funding to the sector. Evidently, the literature overview provided a foundation for contextualizing the funding mechanism landscape in South African civil society sector. Thus, this research study will contribute in civil society sector engagements with the state on how to ensure fairness, justice, transparency and accountability in funding by all funders.

2.2 The Funding Scenario in South Africa

This research report on civil society financing mechanism in South Africa is contextualized as a double-edged sword during the literature review phase on the funding landscape. This sword with regards to corporate social investment and civil society sector funding (which both have symbiotic relationship) as each side is critical in the fight against the three common enemies: poverty, inequality and unemployment. The corporate social investment in its part defines the developmental sectors they support with resources; however, this report sharpens the other side of the sword by proposing civil society sector funding model. Evidently, this double edge sword requires Spirit of Ubuntu, which the democratic dispensation has been calling for within all development sectors, for balancing civil society sectors financing landscape towards redressing poverty, inequality and unemployment in South Africa.

This double edge sword evident in the Corporate Social Investment (CSI) and Business in Society (BIS) literature reviewed from 2014 to 2018, as well as Triologue publications providing solid foundation for this research study. Evidently, taking into consideration the Corporate Social Investment sector side of the way CSOs are managed, it is conflicting and problematic to say the least. This is further opined in the National Development Agency (2016) publication which reiterates that: *“Although the private sector is reporting high investments in its social corporate investment programmes (CSI), these programmes are not monitored and reported in a manner that can quantify and/or qualify the contribution of the investment in developing the sector.”*

The civil society side of the sword suggests with limited literature for review, thus, rendering it conflicted and problematic state requiring strategic intervention from the National Development Agency to exercise its conduit mandate while moving this sector

forward towards a common goal. Historically and in contemporary context, there needs to be a healthy tension between civil society and state while envisioning the common goal of redressing poverty, inequality and unemployment. However, this requires the balance act, embedded within the Spirit of Ubuntu and anchoring the affirmation “*I am because we are all existing in light of Great Spirit*” (Khoza: 2011) which reaffirms the symbiotic relationship between the state and civil society while healing any toxicity within their relationship. This Spirit of Ubuntu within the civil society enhances the voices of the marginalized while allowing for collectivism through strategic partnerships and collaboration within this sector towards redressing poverty, inequality and unemployment.

In recent years, fragmentation within the civil society sector has therefore exerted tremendous pressure in the funding landscape creating competitive resource mobilisation interests which to an extent negates the spirit of Ubuntu rooted on collectivism and collaboration. It further negates the Spirit of Ubuntu which is rooted in the context of common good within civil society sector towards redressing the common enemies, poverty, inequality and unemployment. These common enemies require the conduit mandate of the NDA, to promote consultation, dialogue and sharing of development experience between civil society organisations and relevant organs of state. This call is supported by the Trialogue (2014) assertion stated below:

“Corporates again provided the greatest portion (22%) of NPOs’ annual income, with private individuals being the second-largest source of income (16%). The distribution between the various sources of income remained largely stable, except for government funding: income from the South African Government dropped to 11% of total NPO income (2013: 15%), while income from foreign governments declined from 7% in 2013 to 4% in 2014.”

This contextualizes the tone for this research study as a double edge sword, as the funding drivers of civil society are Corporates followed by private individuals, thus, requiring consultation, dialogue and knowledge-sharing. The NDA through its conduit mandate needs to take the lead in the corrective distribution of resources of South Africa's CSOs' funding mechanism, protecting the controllable interest of South Africa's funding landscape courting private individual contributions, as well as increasing (as opposed to traditional foreign governments and original funders of this sector) the reach of funding resources. Thus, the Spirit of Ubuntu, supportiveness and solidarity is typically embedded within financing mechanism aimed at redressing poverty, inequality and unemployment. This notion is supported in the NDA (2016) publication and states that:

“Both government and the private sector, through its social corporate investment programmes (CSI), have contributed to the fragmentation and scramble for resources. Organisations contracted through the government or CSI programmes are forced to operate with a focus on the contractual agreements and deliverables rather than responding to community felt needs. This has caused the community to lose trust in the sector as champions of community development discourse.”

Moreover, Trialogue 2018 designates that *“NPOs remained the most popular channel through which companies directed their CSI expenditure, with 90% of Corporates giving to NPOs in 2018. The proportion of CSI funding directed to NPOs was half of total spend (51%), down from a peak of 56% in 2014.”* These triangulated facts from the different Trialogue publications in 2014, 2016, and 2018 indicate that the drivers of the civil society sector funding mechanism is corporate social investment ranging from 100%, 82% and 90% respectively. However, the corporate social investment expenditure funding directed to civil society sector has been on a steady decline in 2014, 2016, and 2018 ranging from 56%, 45% and 51% respectively.

2.3 Civil Society Funding Challenges Resulting in Failure

Understanding the geographic funding landscape is critical for this research study, which according to the Trialogue (2014) publication, indicates the greatest proportion of corporates (69%) supported projects in Gauteng, while national projects received the most funding (29% of CSI expenditure). Evidently, Gauteng province attracts more funding as this geographic area attracts both skilled and unskilled people who reside in remote areas to struggle for human and financial capacity highly necessary for human and socio-economic growth and sustainability.

2.4 Skewed Capacity in Funding

At the national level, the skewed capacity emanating from skewed funding landscape is evident across the provinces. Evidently, leaders within the civil society sector that have earned prestigious impact rankings as per the Trialogue (2018) publication is not surprising. However, due to lack of resources it would be interesting to juxtapose these organisations with the bottom ten to understand the drivers of this skewed capacity for funding. To add, since many CSI programmes addresses the symptoms rather than the cause, the assertion in probing whether the skewed funding landscape is mainly appropriated on redressing the symptoms of poverty, inequality and unemployment instead of the causal factors of these three common deficiencies need serious introspection between the funders and civil society sector, thus, tipping the skewed capacity funding landscape.

Tipping this funding landscape also required the wisdom of Professor William Gumede in the Trialogue (2017) publication when he asked the question: *“How can civil society better structure itself to not only withstand, but thrive during these challenging times? Civil society organisations (CSO) must get better at stretching available resources, become*

more innovative, streamline internal operations, strengthen internal governance and accountability systems, and improve transparency and project management skills. Boards should be appointed on the basis of skills they can bring to CSOs. In these times of stress, civil society should look for individuals who bring technical, professional and financial skills, which organisations need, but may not have.” Ubuntu, supportiveness and cooperation are therefore critical in tipping the skewed capacity funding landscape especially as this requires leadership within the CSOs, and thus, contextualising the conduit mandate of the NDA.

2.5 Development Sectors’ Funding Landscape

As previously stated, there is an existing disconnect between the developmental sectors funding landscape. This is evident in the Corporate Social Investment division which is leading in the Education sector while the Civil Society is leading in the Social and Community Development sector. Accordingly in the Trialogue (2014) publication, it is specified that *“Education once again attracted the most support: 94% of respondents invested in this sector and 49% of CSI expenditure was directed to education initiatives.”*

This becomes problematic when taking into consideration the funding channels espoused in the Trialogue (2018) publication which states that *“NPOs remained the most popular channel through which companies directed their CSI expenditure, with 90% of corporates giving to NPOs in 2018. The proportion of CSI funding directed to NPOs was half of total spend (51%), down from a peak of 56% in 2014.”* Thus the number one developmental priority of corporate social investment with the largest source of funding for civil society sector is education, this creates a highly prospective atmosphere and therefore requires Ubuntu and common good to balance the development sector funding landscape across board.

Civil society has prioritized the social and community development sector with education being its second priority, while emerging and claiming its space in terms of priority sector is social justice and peace sector. The definitive development sectors enable the civil society sector to evoke, Ubuntu, and consequently transcending narrow confines into community space to balance the development sector funding landscape. This is a critical intervention towards critically assessing the roles and expectations of funders, that is, government and corporate social investment development agenda and that of the civil society. This, therefore acts as an enabler for the civil society to claim its leadership role in the fight against poverty, inequality and unemployment and by defining community and societal priorities while balancing the speed bumps and humps within funding landscape.

This section on CSO's funding landscape, challenges and growth outlook has been vital as it contributes to the narrative that funding issues and failure emanating from a geographic context and a development-based prioritisation level are both drivers that are highly critical in sustaining the funding landscape. Thus, the importance of balancing these challenges through Ubuntu, supportiveness, cooperation, solidarity, communalism, common good, and transcending into the community space cannot be over-emphasized. Hence, creating the developmental space for the Spirit of Ubuntu to redress the three common enemy's poverty, inequality and unemployment is highly valuable especially in South Africa.

Taking a cue from the preceding view and in balancing the funding landscape while critically looking into the double edge sword pertaining to civil society and corporate organisations diversifying and streamlining their funding, the National Development Agency (2016) report posits that:

“The private sector development funding, includes giving by individuals and companies. It is important for the ideals of this report to disburse information on CSI.

Meaning that private sector contribution to civil society must be notarised and must be seen within the context of South Africa's developing state. This is required so as to demystify the CSI and understand its contribution toward development as a whole in SA's civil society."

In essence, the civil society sector in its fight against poverty, inequality and unemployment needs to acknowledge the entropy within these sectors. The civil society sector requires purposeful activity, discipline and foresight to negate this entropy through re-energising reciprocal leadership/followership aimed at minimizing uncertainty towards a sustainable funding base. This requires funding strategic alignment, as outlined in the Trialogue (2017) publication and declaring that:

"The most successful initiatives are those in which there is an invested relationship, with a shared vision and common goals between the funder and beneficiary organisation. A meaningful partnership also facilitates the exchange of nonfinancial support, including skills and knowledge sharing. A funder should therefore first look to identify ideological and strategic alignments with a prospective beneficiary organisation. For corporate funders, this alignment should be based on the nature of their core business activities. For individual donors, alignment may be based on a personal interest, passion or an emotional connection. In either case, alignment may be geographical or conceptual. A further determinant is the nature of the social change in which a funder would like to invest."

Developing a strategic alignment to funding would therefore provide the appropriate context and concept in ensuring that there is synergy between the funder and beneficiary organisation, including non-financial support. Hence, communication, reporting, regulation, monitoring and evaluation become the strategic mechanism for anchoring sustainable funding, as CSOs and their funders establish context and concepts of their relationships.

Thus, anchoring the Spirit of Ubuntu, reciprocal leadership/followership relationship must be embedded within shared vision and common goals, as well as the ideological and strategic alignments between funders and beneficiary organisations. This could be expressed within the corporate social investment core business, and the individual donor's interest or passion, its geographic proximity or via a conceptual basis.

SECTION 3: RESEARCH FINDINGS ON CSO FUNDING MECHANISMS IN SOUTH AFRICA

3.1 Introduction

This section of the research report on findings was obtained during the questionnaire analysis and the few face-to-face meetings conducted. These research findings were modelled from the interpretation of the research questions and the analysis derived from them. This section therefore provides an overview of current funding landscape and delineates the following: current funding structure, CSOs' access to funding, current funding transparency and accountability mechanisms, delineating CSOs' and Funders' sustainability and functionality roles and finally assessing if CSOs are skilled and whether predictable aid could lead to a more efficient use of resources and effective development results.

3.2 NDA CSO Classification Levels

The CSO classifications levels are clearly stipulated in accordance with the NDA's Civil Society Organisation Framework, Guidelines and Tools (2017) which states that:

“The effective design of appropriate interventions for CSOs development requires targeted approach. For interventions to have maximum impact, effective CSOs assessed should be classified and categorised according to assessed needs. The CSO development framework provides a description and classification of CSO based on assessed needs as well as types and levels of interventions required to improve the operations of the CSO. In addition, it provides an objective assessment to identify CSOs that can be used as a resource to support other CSOs at local level. The classification assists in modifying generic interventions into specific and appropriate levels of development of the CSOs...”

This rationale for the classification of CSOs provides the appropriate context for the research findings, below, and developing the funding model in the next section. These classification levels contextualize through needs assessment, types and levels of interventions to improve CSO operations, qualitative findings have been synced in this report to ensure that this sector remains sustainable and functional. Therefore, developing a funding model rooted within an objective assessment would not only ensure sustainability but predictability and planning for future funding programs. Evidently the research findings and funding model will be a strategic intervention focused on the NDA (2017), four levels of CSOs which are defined as follows:

According to NDA (2017), Level 1 is made up of:

“CSOs that provide services to a local community and they do not have any network except the founder(s). They do not have any systems and processes in place, no financial sources. In some cases, they are only funded by members of the organisation or "out of pocket" and they may not have a business operational space, thus making it very difficult to comply with the NPO Act and other registration legislation for its business operations. In literature they are often referred to as community-based organisations (CBOs).”

This classification level creates an enabling environment for CSOs with limited capacity, systemic issues and challenges requiring incubation and mentoring processes. Thus, CSOs within this level 1 require active participation as community based organisations in service provision due to grassroots and community proximity while mitigating poverty, inequality and unemployment in the short, medium and long term basis.

As per NDA (2017), Level 2 CSOs' are:

“CSOs that provide services at local or district level but are struggling to source required resources to be fully functional. They have very weak processes for management, financial records, plans and they lack basic infrastructure to operate. These CSOs also lack skills to manage and operate the CSOs. These are not compliant with their registration requirements and are at risk of being noncompliant if not supported.”

Referring to NDA (2017), Level 3 CSO are:

“CSOs that are usually larger and may operate at district or provincial level. They have structured operational environment and have staff with average skills to deliver on their mandate and objectives. They, however, struggle to attract enough financial and human resources to remain fully functional. They have acceptable processes, procedures and management structures. They are likely to remain compliant but are threatened by dissolution because of access to resources.”

Levels 2 and 3 are CSOs providing services in local, district and provincial level, with inherent risks emanating from weak to average financial records, operating infrastructure and environment as well as management skills. Therefore, creating an enabling environment for CSOs to attract financial, human and management resources to achieve their vision, mission, and strategy will likely strengthen service provision, eliminating poverty, inequality and unemployment.

According to NDA (2017), Level 4 CSOs' are:

“CSOs that have access to a range of financial and human resources from partnerships they have created and nurtured over a period of time. They have skilled operational and management staff. They are visible and vocal, they have strategies and abilities to mobilise resources and keep the CSOs operational. They may be

affiliated to national or international bodies and they are always compliant to the NPOs Act or other registrations legislation related to their operations. They are likely to raise funding from international donors and organisations.”

These level 4 classifications are CSOs with financial and human resources especially as it supports their vision, mission, strategy, organisational structure, needs and efficiency. Thus, these CSOs remain visible and vocal at national and international levels, while providing mentoring and incubation intervention and support to levels, 1, 2 and 3 CSOs. Moreover, this level of CSOs will ensure that the latter emerge as leaders with social innovation capacity and enterprise activity in service provision, fight poverty, inequality and unemployment.

A table of the different classification of the levels of respondents who participated in this research is attached as Annexure 1.

3.2 Assessment of the current CSO funding landscape

The total number of organisations surveyed was 108, which proportionally represented eight provinces: Gauteng, Western Cape, Free State, Mpumalanga, the Eastern Cape, Limpopo, Northern Cape and Kwazulu Natal provincial databases. However, NGOs from the Northern Cape and North West provinces did not respond to the questionnaires sent and due to COVID-19 lockdown it was not possible to conduct site visits. Moreover, the respondents were over-represented by CSOs from Gauteng, who participated in the questionnaires survey than other provinces. The findings below on the current CSO funding landscape in South Africa originate from questionnaire respondents.

3.2.1 Evaluating current donor funding, funding timeframes and type of support

From feedback during the qualitative analysis, Level 4 category respondents constituted 12.2% of the CSOs surveyed in this study and mainly emanating from social and community development and social justice and advocacy sectors. All CSOs agreed that they have access to a range of financial and human resources from partnerships predominately with international funding bodies as well as CSI partners in South Africa. They receive long-term funding or infrastructural donations through direct financial deposit and donations. During analysis, it emerged that these CSOs have processes in place to ensure sustainable operational and financial management. Moreover, they access a range of financial and human resources based on strategic partnerships nurtured over an extensive timeframe. In addition, the existing capacity to entrench strategies and abilities which mobilises resources and operational capabilities for CSOs provides them with adequate skills and capacity to support their operations sustainably.

Level 3 CSO respondents, mainly in the Education and the Early Childhood Development (ECD) sector formed 16.6% of the NPOs surveyed for this classification level. Their development priority areas were predominantly youth development, education, health, poverty and inequality and capacity building. In terms of donor funding, they attract substantial funding from non-government sources (i.e. 47% from CSIs and 23% from South African private donors). Moreover, CSI's expenditure on Education and Early Childhood Development as per feedback from respondents focused primarily on skills development, with 30% of funding obtained from the South African government. Thus, indicating that many ECD NPOs' income originate from CSIs, private South African donors and the South African government respectively. Majority of these organisations have long term strategic partnership with funders averaging 3 to 4 years, thus, suggesting mainly receiving direct financial deposits and other donations from funders.

When analysing 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.

With respect to funding timeframes, about 51% of clustered categories of CSOs receive funding on an annual basis, 28% biannually, 10% quarterly 7% on a monthly basis, while 4% of NPOs could not specify the period they receive funding. Thus, indicating the provision of medium to long term funding to level 3 NPOs as beneficial during massive economic downturn, particularly in the era of Covid-19 pandemic. With medium to long term funding significantly reducing NPOs' shortfalls and increases ability to cover operational costs while decreased financial and operational risks. Strategic partnerships between this category of CSOs and their funders range between 1 – 16 years, while principal mechanisms by which donors provide financial support are direct financial and infrastructural donations.

In level 2 NPOs surveyed formed 39.8% of total respondents, socio-economic rights, social and community development, education, health sectors are predominately their operating spheres of influence. This level emerged as highly competitive funding environment and from respondents' arguments, pushing NPOs into less stability and predictable funding, while creating barriers for cooperation. Level 1 CSO composed mainly

of ECDs, CBOs and NPOs surveyed constitute 31.4% of the total respondents, these CBOs operate with minimal resources while sustained by personal contributions of pioneers and community leaders driven by passion, majority of who are unemployed. Unfortunately this negatively impacts on capacity within organisational and administrative context. Moreover they continuously struggle with governance and implementing the required operational systems, while desperately requiring financial and material resources and skilled staff. This hampers operations and ability to adhere to donor requirements, such as financial statements and track records on project outcomes. In essence, CBO management tend to prioritize short-term emergencies and consequently have limited time for strategic plans and visions. Level 1 CBOs predominately rely on short-term small grants, 64% of CBOs disclosed they receive financial support on a quarterly basis, while 36% receive funding on monthly basis. In terms of short-term funding, Levels 1 and 2 respondents posit inadequate funding to cover operational overheads and asset purchase as South African NPOs, thus, they struggle with internal systems to strengthen management capacity. According to respondents, short-term funding creates uncertainty such that, local NPOs are unable to employ additional staff or invest in developing operational systems.

Evident in the precedent views, about 92% of levels 2 and 3 NPOs participating in the educational and early childhood development sectors indicated that short term funding is prioritised for operational resources. While long term funding would be used for the maintenance of the building and remunerations for its workers, thus, 8% of Education and early childhood development NPOs suggested that short term funding is utilised for meals, rent, stationery and monthly stipends while long term funding would be used for training and capacity building. Moreover, almost 91% of respondents from level 1 community based organisations (CBOs) agreed that short term funding would be utilised for projects

while long term funding for infrastructure development. They further stated how the principal mechanism for donors to provide funding should be based on an evaluation and monitoring commission with project operations for reviews and progress results.

Finally, in terms of medium to long term partnerships, almost all the NPOs across all levels surveyed agreed the need for strategic partnership and systematic approach developed with funders. Evidently, enhancing NPOs' accountability, deepen existing and future relations between NPOs and funders, while aligning NPOs' priorities in effecting greater coordination and harmonisation between funders and NPOs. In essence, this supported by mentoring NPOs while creating opportunities for monitoring project outcomes and initiating policy and project operations dialogue between NPOs and funders. This approach would enable the implementation of medium to long-term capacity development which is highly beneficial for NPO staff, core programme support and responsiveness to funding mechanisms.

3.2.2 Evaluating CSOs' funding challenges in South Africa

According to respondents' views, funding challenges negatively impact CSOs sustainability and development, within other NPOs across the seven surveyed provinces in South Africa. This partly arise from a dependence on external sources of funding while there is donor funding decline and limited South African government funding. Funding challenges are further exacerbated by lack of cohesion in funding approaches and strategies within civil society sector. This is evident in the challenges below faced by different types and categories of CSOs espoused by respondents.

In Level 1 CBOs and Level 2 NPOs, monitoring government and privately-funded programmes remains a great challenge due to limited staff, skills levels and dwindling

number of volunteers. These levels advanced how proactive they are, however, require interconnected system allowing level 1 and 2 CBOs and CSOs to monitor project deliverables and measure societal impact. This monitoring system would also assist in drafting project annual reports and ensure fairness, justice, transparency and accountability in funding. Moreover, respondents stated that practical monitoring and evaluation tools were not available initially; thus, producing leading to misinformation, lack of transparency and a perceived non-realisation of the project objectives.

Donors agencies need to diversify their funding paradigms because they are rigid since many struggling and newly formed civil society organisations (who fall under levels 1 and 2) rarely graduate from infancy stages to toddler stages because the environment for survival in the sector is very narrow and monopolised by the well-established and developed organisations. This environment has a potential of stagnating the sector with unintended consequences of stifling development in remote rural areas where there is limited economic activities.

The current funding model for levels 1 and 2 CSOs may position small & previously disadvantaged NGOs at a disadvantage as their funding mechanism is bias towards supporting powerful and well-resourced NGOs. In essence, these organisations play a leading role in the developmental arena, contributing social development while performing service delivery responsibilities. Some NGOs are self-sufficient, not depended on government subsidies for their existence as subsidies could compromise independence.

Moreover, Level 1 CSOs experience challenges with regards to the fact that Levels 3 and 4 CSOs with history of skills, accountability and quality service, attracting large share of funding available to the sector while operating within metropolitan areas. Level 1 CSOs

require capacity building for improving disadvantaged and smaller organisations in remote areas implement strategic plans. Consequently, this would improve current dependency syndrome of Level 1 organisations with limited access to funding as this inhibits internal capacity to attract funding.

Highlighted was how lack of vision and strategic plans is due to unskilled staff, unreliable and inaccessible data to evaluate and track rural based projects. There is also a lack of capacity for income generating mechanisms, sustainable funding, and inadequate managerial positions for project management. The inadequate cohesive strategic planning to execute mandates due to poor and disorganised networking systems, limited policy engagement, funding applications with budgets superseding project funding amount and lack of infrastructure.

On the operational limitations, the lack of vehicles and office equipment limit the CSOs capacity to meet contractual obligations and deliverables including community needs. The disorganized networking between CSOs and stakeholders, inflexible community development approaches while experiencing unpredictable financing. The lack of transparency in financial management, inadequate external funding, complexity and magnitude of corruption with cases investigated annually, and ineffective resource management are the core challenges raised by level 1 CBOs and Level 2 NPOs in the 7 provinces surveyed.

When respondents' opinions were sought in relation to the difficulties the NDA faces when executing its conduit mandate, CSOs overwhelmingly stated that the NDA does not respond to funding applications and do not assist CSOs and NGOs to access funding. However, some stated how provincial departments of Social Development are helpful with

regards to accessing funding. In level 3 CSOs challenges, inadequate funding, lack of skills and financial support from corporate and private donors, thus embed lack of financial security, technologies for efficient communication and networking. The insufficient income generating activities, lack of cohesive long term strategic planning negatively impact the operational activities and project deliverables, thus, limiting many level 3 CSOs' ability to effectively raise and manage donor financial support.

On the NDA's ability to execute its conduit mandate, many level 3 CSOs surveyed contend that the NDA processes are too rigid with stringent and inaccessible funding parameters for many NPOs and NGOs, thus, NDA does not align CSOs applications to budget execution and project scope. Moreover, they indicated that the NDA does not adequately respond to applications as well as provide enough support to the CSOs and NGOs reaching out for funding. In essence, they advocate that sometimes the NDA may direct financial funding to CSOs while not empowered to carry out community development projects.

The survey questionnaire respondents posited that the NDA is not maximising the use of technology to facilitate and capitalize on efficient communication and networking of CSOs with stakeholders, hence, the growth of disorganised networking. Level 3 CSOs indicated that the NDA needs to establish a coordinated in-house team to streamline funding processes while ensuring funds are equitably and widely distributed to majority of applicants seeking financial assistance annually.

The level 4 CSOs highlighted, insufficient funding as a major challenge leading to CSOs funding exhausted before community development programmes are fully implemented. The methods of building CSOs and NGOs sector capacity as highlighted as exclusive,

while research for informing national development policy has not been regularly conducted considering the constant evolution within funding sector. Many Level 4 CSOs surveyed claimed lack of relationship with the NDA, thus, suggesting the organisation is failing in providing predictability funding for new and emerging NGOs. This makes it difficult for these new NGOs to plan, innovate and respond to their project delivery mandate. Level 4 CSOs posited that the NDA's funding processes are directed towards certain 'big' CSOs, and therefore excluding smaller organisations. Thus, stating how the NDA needs to create an inclusive balancing framework for selection and apportioning funds to qualifying CSOs. This could enable the NDA to regularly review the funding criteria, processes and systems, aligned with growing needs of new, yet qualifying CSOs or NGOs applying for funding.

The inadequate funding of the civil society sector has direct consequences for NGOs, with regards to the myriads of documentation: project and operational plans, financial plans, annual reports and even audited statements or reports. Thus, decision-making processes are required to complete and approve applications (by the funders and CSOs respectively), which are complex application processes and a major hurdle for smaller CSOs. Ironically, small-level organisations cannot be audited due to lack of sufficient funding, thus, they are not recipients of medium to long term funding.

Public and private donors require accountability for the programmes they fund, thus, the need for accountability by government while evaluating the costs and benefits of its activities, and account to society on tax payers resources allocated. Evidently, there has been tension between CSOs partnering with government, since CSOs have experienced sustainability challenges over the years.

In relation to levels 1 and 2 CSOs the challenge is attracting highly educated, skilled and qualified workers to enable alignment and management of CSOs' activities. The shortage of critical personnel and technical support negatively impacts many small organisations, which are staffed by unqualified individuals with limitation with regards to performing their jobs effectively. Moreover, some of the staff members are unable to operate basic infrastructural equipment, due to lack of technological skills negatively impacting CSOs operations.

During registration, small CSOs experience challenges due to limited access to information. However, this has improved throughout South Africa in recent years. The CSOs and NGOs are therefore proposing that the Department of Social Development through the NDA create special websites as one-stop-shops for information-sharing on upcoming and ongoing projects that are being funded by the South African Government. There was common consensus on how the legal frameworks and policies in South Africa with regards to resources have a significant impact on the ability of CSOs to work effectively. Hence, CSOs in South Africa experience numerous legal and practical obstacles in accessing funding, despite the state and provincial levels carrying out operations evaluation.

In summary, taking into consideration these shortcomings and challenges while bearing in mind the lack of funding predictability, it is apt to state that the NDA (2018) view is still valid or relevant today:

“The unpredictability of funding in the sector makes it difficult for the sector to plan, innovate and respond to its own identified constituency...limited meaningful engagement by the sector with government also impacts on the ability of NGOs to influence developmental agendas and strategies. More so, the failure of donors and government to provide long-term funding and to

contribute to core costs including asset acquisition, staff benefits including pension and medical benefits negatively influences the sector's ability to attract and retain skilled, professional staff."

3.3 Delineating the Current Funding Structure

3.3.1 Assessing CSOs' funding structure as per their internal policies and regulations

In level 1 and 2 NPOs, there was common consensus that funding in the short term required being structured and apportioned, as majority CBOs are only funded on a quarterly basis or annually. This would enable implementation on funded projects, operational and sustainable planning and delivery within organisations, 96% of surveyed CSOs agreed on structured funding for project management, operational costs, infrastructure and donations, while 4% specified that funding should be allocated according to needs of each CSO and NGO.

In terms of the role that CSOs must play in ensuring that funding mechanisms and structures are well aligned and accountable, 92% of level 3 and 4 CSOs advanced the need to institute financial reporting and proper project finance and management audits. Thus, the enabling mechanisms to be presented to donors will be sound project management and financial stewardship. Moreover, Levels 2 to 4 CSOs need to adopt an accountable auditing and monitoring tools: effective financial accounting and managerial control practices, financial controls of assets and resources. This therefore, will enable an alignment of operational plans and keeping track of expenditure (project and running costs), drafting financial reports and produce financial statements that should be submitted on a monthly, quarterly and annual basis. In addition, level 2 to 4 CSOs need to provide transparent feedback to donors and beneficiaries, while their management establishes an oversight body to monitor project costs, efficiency and deliverables.

On the question, how best can funding be allocated by the state, private sector, foreign governments, philanthropies, bilateral and multilateral agencies to CSOs, 84% of the respondents agreed that direct financial deposits into their respective CSOs bank accounts are the preferred methods to receive funds, donations, grants, and buying project material. The 12% respondents stated that acquisition and delivery of materials needed for infrastructural project are also vital, while 4% of respondents across all levels stated that technical co-operation gifts and infrastructural funds, concessional funds and capital project funds are acceptable ways for receiving donations.

3.3.2 CSO's role in the alignment and accountability of funding mechanisms and structures

On the CSO's role, majority level 4 CSOs stated the need for active lobbying and advocacy for donor funding in a coordinated manner, while setting up a project funding monitoring tool to ensure equitable distribution and funding accountability. In addition, the need for Level 1 and 2 NPOs to develop and institute an internal oversight project management monitoring unit for accountability and safeguarding of donor funding is vital. Thus, the need for reporting tools, submission of annual reports, financial statements and progress reports and appropriate policies need to be put in place. Moreover, the utilisation of active bank accounts, keeping project financial records, instituting credible financial management, accounting and tracking systems is imperative.

Furthermore, 84% of level 2 CSO respondents suggested the monitoring and evaluation of annual reports, to ensure projects annual audits, while availing the project source documents, project registers, and financial statistics. This therefore, provides a project oversight mechanism and ensuring transparent project planning, execution and delivery processes to core stakeholders. In addition, 16% of level 2 CSOs respondents highlighted

the need for accountable financial transaction and tracking systems, the drafting of regular and comprehensive project management and financial reports as well as the auditing of CSOs' project deliverables and financial records that adheres to fairness, justice, transparency and accountability.

3.3.3 Assessing funders' current tools and systems that strengthens funding fairness, justice, transparency and accountability

On fairness, justice, transparency and accountability 83 % of levels 3 and 4 CSO respondents strongly believe in proper accountability and audit tools, publication of CSOs' annual project reports regularly, and donor reporting tools. Moreover, the regular drafting of financial reports must clearly indicate income/funding received. It needs to further clarify that the budgeted expenditure is used transparently and managed on a monthly, quarterly and annual basis, depending on the CSOs' reporting timeframes. 17% of respondents suggested the introduction of a Community Action Training (CAT) program linked to respective CSOs, project beneficiaries and CSOs' management safeguarding funding fairness and allocation process. CSOs required training on Social Accountability Monitoring (SAM) systems for ensuring management accountability to stakeholders for conducting checks and balances with regards to project execution and service delivery.

3.4 Delineating CSOs' Access to Funding

3.4.1 Assessing CSOs' difficulties in accessing funding and other related information

In accessing funding and related information from established donors, 86% respondents from level 4 CSOs surveyed indicated ease in accessing funds due to long term and strategic partnerships with local and foreign donors. Therefore, this category of CSOs is confident of their transparent and accountable use of donor funds. In level 1 and 2 CSOs

respondents, 2% respondents stated how self-generating funding model was managed through a Trust, although they experience enormous difficulties in accessing project funds. 98% of respondents specialising in ECDs stated limitations due to lack of accessing funding especially those operating from homes within communities. These level 1 and 2 CSOs complained about difficulties in accessing funding at national level although they are beneficiaries in district municipalities and regional offices of the Department of Social Development. These difficulties originate from loan applications, insufficient funds, bad credit records, most importantly lack of performance history or track record.

Moreover, the untimely distribution of funds, difficulties in setting realistic bench marks, limited funding information, lack of support from big funders, lack of skills or capacity and limited ineffective project management expertise. These factors deter funders in providing funding to this level of CSOs, compounded by the reality of lack of management capacity for managing funds and executing projects, thus, inherent risk for 'waste' or squander donor funds.

In responding to the question on how CSOs could access funding and funding information to ensure that funding is not skewed to well developed and capacitated organisations. The level 1 and 2 CSOs, 18% respondents agreed on the establishment of a regulatory body such as NPO forums to perform regulatory functions of monitoring and evaluation controls specific to accountable funding. Moreover, 4% CSO respondents suggested the need for ongoing funding capacity distribution processes, financial accountability, transparency, and methods of accessing funding. In addition, they suggested the use of external consultants and specialists for application process and the drafting of funding proposals will give them a fair advantage to apply and access funding. While 78% of levels 1 and 2 CSOs confer that using relevant media sources such as community radios, newspapers, posters, local

libraries, including creating a multimedia centre will positively impact on struggling organisations in sourcing funding.

Thus, these CSOs opine the need for accessible funding directories, within municipality websites (to help organisations that are in rural areas), credible donor websites and agencies, advertising agencies, research companies, development agencies and online adverts for accessible funding information. Evidently, CSOs require exploring resources mobilisation through finance generating economic activities, road shows or face to face workshops for fundraising purposes and create strategic partnerships with donor agencies and private individuals.

3.5 Delineating Transparent and Accountable Funding Mechanisms

3.5.1 Evaluating transparent and accountable mechanisms funders need for efficient funding allocation

In relation to transparent and accountable mechanisms, Level 3 and 4 CSOs suggested a project allocation model to ensure transparent and accountable funding. Moreover, a transparent CSO selection or adjudication process established by funders, which is publicly accessible. Thus, serving as a funding information dashboard to symbolise impartiality, and promote targeted, purposeful and systematic allocation of funds complemented by an open adjudication system ensuring fairness, justice, transparency and accountability in project allocations.

This requires funders to be impartial, hold high ethical standards, ensure good governance, strengthen accountability mechanisms, apply proper selection and adjudication processes that are transparent, conduct periodic audits and publish annual reports. Finally, funders need to publish online accessible annual reports and online formal complaint and grievance mechanism. The need for technical support for conducting

detailed analysis of projects, funding allocations, funding transfers, funding programmes, project deliverable effectiveness and set up a project management delivery tracking unit.

3.5.2 Evaluating transparent and accountable mechanisms CSOs need for efficient funding allocation

In terms of mechanisms for efficient funding allocation, CSOs require funding received from donor organisations, thus, bi-quarterly and annual project financial management with project completion audits. While setting up project funding oversight and management frameworks to ensure organisational compliance with funding expectations, including the following suggestions from respondents:

- CSOs institute innovative transparent accounting and auditing systems.
- CSOs prepare project evaluation and execution reports, draft and avail credible financial records and statements.
- CSOs create funding logbooks and operational registers and establish functional finance committees to oversee project expenses.
- CSOs regularly conduct project monitoring and evaluation, establish and implement performance management measuring tools that regularly monitors performance indicators.
- CSOs strengthen project management units and delivery systems.
- CSOs embark on capacity building in order to provide their staff with the necessary skills.

3.6 Delineating CSOs' and Funders' Sustainability and Functionality Roles

3.6.1 Assessing CSOs' role in the sustainability and functionality of their operations

CSO's role in sustainability and functionality for attaining funded projects goals, 66% of respondents express the need for staff member training courses on financial management,

project management, planning and accountability measures. 27% of respondents further indicated that new creative sources of generating income should be devised, instead of depending on donors. Lastly, 7% of respondents suggested CSOs must be proactive in creating community partnerships with regards to community based donor projects and should be transparent and accountable. Furthermore, CSOs need to comply with national funding frameworks and policies, enforce monitoring and evaluation exercises on running projects, and implement accountable and transparent systems to track project execution and delivery.

3.6.2 Assessing funders' role in the sustainability and functionality of their operations

In assessing funders' roles, 25% of respondents stated that funders need to regularly monitor expenditure records to ensure compliance with project deliverables or outcomes. Moreover, funding partners must properly assess project proposals by acknowledging the diversity of the CSOs and NGOs in terms of the sector, size, capacity and focus. Thus, social funding partners need to help CSOs with training programmes, skills development, capacity building and project management. Periodically, CSOs need to ensure social partners allocate highly skilled staff members to help them navigate funding application procedures, designing funding models and even project execution. Lastly, to generate and sustain funding they need to organise workshops, conferences and seminars in order benefit from participants' fees and sponsorships.

Social funding partners need to monitor funded projects, periodically conduct audits and evaluate CSOs' operations to ensure that project costs meet project deliverables. Thus, ensuring CSOs compile project and financial reports indicating income and expenditure on

a monthly, quarterly and annual basis. They must likewise regularly monitor their spending records to see if it is in line with the project deliverables or outcomes.

3.7 Prediction of Funding Programs

3.7.1 Determining if CSOs' internal structures and processes can ensure donor funding is managed transparently to strengthen strategic sustainability

On how organisations' internal structures and processes ensure that financial aid from donors is properly managed and integrated to ensure strategic sustainability, 57% of respondents from all 4 levels of CSOs approved the establishment of internal control committees and commissions. Furthermore, to provide an oversight role of auditing and project operations and expenses, indicating the need for regular committees, 41% of all levels of respondents suggested that the CSOs internal structures and processes must have proper financial controls and systems, proper accounting donor funding usage, conduct annual audits and compile financial reports to submit to donors.

The 2% respondents suggested the establishment of a publicly accessible and user friendly project accountability monitoring system for communities within areas where services are provided. CSOs, further suggested setting up a project management unit for effectively managing projects, conducting regular monitoring and evaluation of projects. Lastly, they need to involve external agencies to institute accreditation and certification of CSOs and NGOs for funding and operational norms and policies compliance.

3.7.2 Determining if CSOs are adequately skilled or capacitated to predict reliability, transparency and volatility of funded programs

On adequately skilled or capacitated, level 4 CSOs, are adequately skilled with internal mechanisms to predict the reliability, transparency and volatility of funded programs.

However, 89% of level 3 CSO respondents inferred that they are highly skilled, while 11% agreed that although they are adequately skilled with internal mechanisms, they require additional training for capacitating volunteers implementing projects. In addition, they require regular training on project management, project execution and project management innovative skills, while expressing the need for donors to support in skills development and capacity building.

Majority of the levels 1 and 2 respondents indicated lacking adequate skills, limited experience with no internal mechanisms for predicting the reliability, transparency and volatility of funded programs. However, they requested additional project management capacitation programmes for staff on effective and efficient management and execution of community-based projects.

3.7.3 Determining if predictable aid leads to a more efficient use of resources and effective development results

On whether predictable aid leads to a more efficient use of resources and effective development results, all the levels of CSO respondents, agreed that predictable aid helps give assurance, clarity and transparency with regards to proper adjudication of beneficiaries. In addition, they stated that predictable aid helps give assurance; clarity and transparency regarding the consultative process prior to projects' funding decisions being made. The respondents, suggested predictable aid positively impact on efficient use of resources while yielding effective community development results. This leads to proper financial planning and efficient use of resources. However, predictable aid does not lead to forced cutbacks of popular community-based programs nor does it destabilize project funding budget deficits.

SECTION 4: CSOs' BENCH-MARKING AND PROPOSED FUNDING MODELS

4.1 Introduction

This funding model originates from the literature review and qualitative findings, emanating from questionnaire responses and limited face to face engagements, as stated in the methodology section. The literature review premised on how the CSOs' funding landscape is considered a double-edged sword, and mostly leaning on the corporate social investment sector, requiring civil society sector's leadership role supported by the national government through the National Development Agency (NDA) conduit mandate is vital. In addition, this section of the research report is in line with the main research questions on how best funding should be allocated by the state, the private sector, foreign governments, philanthropies, as well as bilateral and multilateral agencies to the sector.

These research questions are critical in ensuring CSO funding mechanism and models for sustainability developed while providing global perspectives on effective civil society funding models as case studies for the South African civil society sector. This quest for a funding model is enriched by the International Practices on Funding Civil Society as stated by Sator, (2010):

"In order to ensure CSO sustainability, a strategic and systemic approach to CSO funding is needed, which takes into consideration the needs of CSOs for optimal operation as well as the possibility offered by the cultural context and fiscal environment."

Evidently, this NDA's funding model developed from the South African context, literature review, and qualitative findings culminates in the following funding mechanisms for CSOs: funding strategic alignment; community trusts; collaboration; community engagement;

volunteerism, social innovation scaling up and social enterprise approach. On funding strategic alignment, the Spirit of Ubuntu, reciprocal leadership and followership relationship provides an appropriate context and concept for ensuring synergy between the funder and beneficiary organisations, including non-financial support. In the context of Community Trusts, the Spirit of Ubuntu, interconnectedness and interdependency maximizes community wealth and assets through leveraging community resources such as land to strengthen relationship between funders, beneficiary organisation and community.

In the context of collaboration, the Spirit of Ubuntu, interconnectedness and interdependency, is important in the fight against poverty, inequality and unemployment. Thus, it creates an enabling factor in leveraging resources and economies of scale through CSOs at the apex of organisational structure. Community engagement in context of Spirit of Ubuntu, interconnectedness and interdependency broadens the active participation landscape towards an inclusive and democratic civil society organisation, while redressing parochial personality-based solutions. In the context of volunteerism, the Spirit of Ubuntu, interconnectedness and interdependency offers selfless services emanating from corporate and other organisational employees supporting CSOs while leveraging of resources.

In the context of social innovation scaling up, the Spirit of Ubuntu, Budlelwano, Strategic Alliances and Partnership enables CSOs to share innovations with social outcomes and track impact. It also ensures CSOs refrain from reinventing the wheel and leveraging resources invested by funders nationally, evidently, redressing financial challenges and enabling self-regulation.

Social enterprise approach in the context of Spirit of Ubuntu, Budlelwano, Strategic Alliances and Partnerships are impactful through income and reserves generation while funding diversification through social innovation. Thus, engaging in business activities in partnership with corporate social investment support and resultantly contributing to the corporate business value chain. Evidently, these seven funding mechanisms form the base of developing the funding model below, in accordance with the NDA classification levels, expanded in the previous section.

4.3 Global Perspectives of CSOs

4.3.1 European Context

The European CSO context provides a framework for interacting with the state and private sector, through a seven tools and systems that ensures fairness, justice, transparency and accountability. This framework is developed based on research conducted in Ukraine and five other European countries: Hungary, Croatia, Germany, United Kingdom, and Czech Republic. Sator (2010) articulates the following:

Funding Mechanism being the direct budget provided by CSOs primarily in the form of government grants but also subsidies and linked contributions, at both central and local level...Social contracting, ways in which the government engages CSOs in the provision of welfare services such as education, culture or social services, based on a regulated competitive procedures...Alternative funding mechanism, methods of government that cannot be categorised in the traditional scheme of grants and contracts...Private giving through institutionalized mechanism including various forms of foundations established to channel private resources to CSOs and other beneficiaries...Corporate giving encompasses a wide range of financial and non-financial support that companies provide to CSOs, as well as strategic partnerships and other forms of cooperation between the for profit and nonprofit actors...Individual giving refers to a range of giving techniques by which individuals may provide

financial support to CSOs...Income generation, revenue of CSOs from membership fees, selling services, goods, renting spaces, license fees, corporate contracts, investing assets and other economic or entrepreneurial activities.

The funding mechanisms from the European experience are in line with the literature review evidence led by the Corporate Social Investment Programs. For purposes of the funding model, it will be consolidated as: Funding Strategic Alignment, Spirit of Ubuntu, Reciprocal Leadership and Followership Relationship: funding mechanism, social contracting, alternative funding mechanism, private giving, corporate giving, individual giving and income generation.

4.3.2 United Kingdom Context

The United Kingdom's (UK) CSOs' funding mechanism is a highly developed and evolved sector, which is deemed as a third sector. Formally established within the Cabinet Office of the Third Sector (OTS), it articulates and supports the environment for a striving third sector by Wallace (2009). Office of the Third Sector which was created in the Cabinet Office in May 2006 brought together responsibilities of Active Communities Directorate from the Home Office and Social Enterprise Unit, from the Department of Trade and Industry (DTI). In the UK context, CSOs have evolved into high level of recognition distinguishes them from private and public sector, The Third Sector, this view supported by Wallace (2009):

“Organisations are non-governmental, value driven and which principally reinvest their surpluses to further social, environmental or cultural objectives. This term encompasses voluntary and community organisations, charities, social enterprises, housing associations, cooperatives and mutual.”

This recognition has enabled the UK civil society to create distinguished legacies, evident in Social Innovation as Impact on the Third Sector, this viewpoint, Mildenerger et al. (2014):

“We can see the potential role of the third sector not only in the cases of revolutions and radical social movements, but also in less contentious and less disruptive civil society activities and grassroots associations that advocate and realise actions in the interests of various social groups.”

Accordingly, the role of CSOs in transforming society is an international phenomenon, both at the macro and micro levels implemented through various civil society programs. This affirms the quest and importance of developing a funding model drawing inspiration from the UK experiences and aimed at enriching the South African CSOs to positively impact development at grassroots levels. Taking this into consideration, research on leading experiences is at the forefront of CSOs sustainability or Third Sector funding model drawing reference firstly from the social enterprise defined by Wallace (2009) as:

“...a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profits for shareholder and owners.”

This international experience is evident within the literature review as having been adopted in the South African context by the Corporate Social Investment sector. CSI is currently leading in the social enterprises domain; hence, this research study sheds light on the volatility of CSOs operations in some instances. Thus, the social enterprise as a funding mechanism will be part of the funding model as Wallace (2009) states:

“The multiple benefits of social enterprise...tackling the most difficult social and environmental challenges, changing the market, helping transform and improve public services and increase level of enterprises.”

Social enterprise within the UK context is further supported by Mildenberger et al. (2014) who asserts that:

“We can discern the social impact of the third sector when observing non-governmental organisations that significantly influence multinational corporations to be more environmentally or socially responsible, thus contributing to the evolution of new standards and practices.”

In addition, Wallace (2009) and Mildenberger et al. (2014) are in sync on how social enterprise can positively impact on social and environmental changes in the United Kingdom context. This notion is further supported by Chew (2008) who states:

“Social enterprises, like hybrid organizational forms, could emerge from different sectors such as private, public and charitable, voluntary and the wider non-profit sectors.”

This creates a solid base supporting social enterprise as a strategic intervention for transforming and improving the provision of service delivery within different sectors, including CSOs. Secondly, this research sought the UK’s experience on social innovation, and begins with the differentiation of the various forms of innovations for clarity, as noted by Mildenberger (2014):

“Social innovation relates more strongly to social problems and challenges and is thus a moderator of social productivity or performance. Governance innovation finally focuses on the actor constellations and ways of interaction involved in dealing with (public) issues and is thus related to “political performance” as regards for instance, negotiation processes, stakeholder involvement, etc.”

While the preceding viewpoints provide a baseline understanding on the importance of social innovation, CSOs must lead social innovation, which may include technological and

governance innovation. Moreover, for purposes of enriching the South African CSOs context like the UK Third Sector experience, social innovation will be within the context of what Mildenerger et al. (2014) suggests below:

“Social innovations are characterised by: first, their motivational character consists in meeting neglected social needs; second, their underlying image of innovation combines functionalist and transformationalist aspects; third, their primary impact is on the well-being of the beneficiaries as well as the actors involved, the borders between them being reshuffled and blurred by the underlying mechanisms of social innovation.”

In crafting social innovation into the funding model this will create an enabling mechanism for eliminating poverty, inequality and unemployment. In redressing social needs, it being functionalist and transformative will create an enabling environment for positive impact on beneficiaries and actors at micro and macro levels of society. This must be understood within the context of government’s developmental process. Mildenerger (2014) affirms:

“Social innovations involve a higher degree of bottom-up and grass-roots involvement than other types of innovation. This can make their impact broader and more sustainable, but social innovations will typically take longer to evolve and sustain than other types of innovation. The most critical moderator (beyond the very survival of the innovation) will be their ability to gain legitimacy in a socially grounded negotiation process.”

Lastly, the UK experiences on inter-organisational relationships to enrich the funding model on how to manage the following funding mechanism: strategic alignment, community trusts; collaboration; community engagement and volunteerism, notion supported by Lyon (2013):

“In the context of public service delivery, the need for closer relationships with commissioners is discussed in much policy documentation, with the recognition that social enterprises may not be sharing their experience and commissioners may not be using the knowledge of local areas held by social enterprises (IFF, 2007)...Similarly, there are programmes for commissioners to understand issues facing social enterprises and how to build relationships with the sector.”

Thus, Inter-organisational relationship requires a solid process for building co-operation to ensure an effective civil society sector embedded within its funding model, supported by Lyon (2013):

“Lyon (2006) also stresses the importance of building trust through working relationships, existing relationships and intermediaries who are known to each party...Mawdsley et al. (2005: 77) stresses the importance for NGOs of building up trust through face-to-face interaction, while NCVO (2008) identifies recent research on international NGO relationships that also require this interaction.”

In essence, this funding model seeks the UK experience to ensure financial and service delivery sustainability through solidifying inter-organisational relationships, as stated by Lyon (2013):

“Co-operation does not arise solely through the people wanting to act reciprocally. In each case there may be an element of being coerced into actions by the sanctions and controls of others. Much literature on the nature of trust now accepts that there is a ‘duality of trust and control’ with blurred boundaries and each assuming the existence of the other (Mollering 2005 and Reed 2001).”

Moreover, for purposes of this funding model, the UK experience will be contextualized in accordance with the evidence within the literature review and considering the following funding mechanisms for CSOs: Social Enterprise and Innovation, Spirit of Ubuntu,

Budlelwano, Strategic Alliances and Partnerships and Inter-Organisational Relationships, Spirit of Ubuntu, Interconnectedness and Interdependency in Community Trusts, Collaboration, Community Engagement and Volunteerism.

4.3.3 Canadian Context

This funding model seeks enrichment from the Canadian context as part of its international experience as this country's quest for financial and service delivery sustainable civil society organisations. The Canadian experience is crystalized in Phillips et al. (2010) notes:

“The charity model is based on the premise that private donors, not governments, should be the decision makers as to which organizations receive funds and for what kinds of purposes... The more direct welfare state funding model is focused on allowing government to procure services from nonprofits, although it may have a secondary interest in innovation and investment. The citizenship model uses public funding to support social change and active citizenship.”

Therefore, this research study takes into consideration how these three models have over the years evolved through policy debates and reforms seeking for new approaches to public financing. However, they bring into the South African context, practical approaches with track records on funding models from the international arena. Firstly, Phillip et al. (2010) clarifies the importance of the charity model by affirming that:

“...governments do not make funding decisions directly but transfer this responsibility to individual and corporate donors. Government's responsibilities are to establish the amount of the tax deduction (or credit), determine which types of organizations are eligible for access to the tax system, and register and monitor the activities of qualifying organizations...The emerging pressure on the charity model is likely to come from what Edwards (2008) calls 'philanthrocapitalism'—

donations of big money by single philanthropists to specific causes with a preference for the use of social entrepreneurship methods.”

This charity model within the Canadian context is further supported by Campbell (2018) who posits that:

“Government is not the only sector that has a part to play in enabling the civil society ecosystem. The private sector should support it in advancing socially-responsible outcomes, partially as a means of maintaining its own legitimacy and trust with citizens particularly at the local, community level. As was witnessed at the height of the #MeToo Movement, the private sector did have a role to play in holding men in power accountable for involvement in sexual harassment and/or sexual assault.

Secondly, Phillip et al. (2010) advances that for welfare states' financing model:

“Funding is short term, set up as competitive calls for specific projects or purchase-of-service agreements, often with requirements for standardized products as the ‘deliverables’...An emerging challenge for this approach to financing, which is focused primarily on providing services, is the evolution in some countries from a market-oriented welfare state to a “social investment state.” Under a social investment model, attention shifted from supposedly passive spending on social programs to ‘investments’ that will generate an active society and an active citizenship, and proactively insure against new social risks.”

This welfare state financing model is further supported by Campbell (2018) who states:

“...one of the main concerns for CSOs is long-term funding and how it is “felt that, in this period of great uncertainty, resource competition is driving division, just when the sector would benefit from greater cohesion.” Governments’ use of contracting for services can have huge impacts on CSOs, especially those that

deliver services. It is viewed by some in the sector as a constant challenge to prove one's value through measuring outcomes and the "administrative burden" that this approach requires, particularly in a world that requires continuous adaptability and strategic forward-thinking."

Lastly, the citizenship financing model according to Phillip et al. (2010):

"...is conducive to investing and innovating for the promotion of social change and the development of citizenship...in the citizenship model, governments play a more active hand in ensuring consistency in accessibility for citizens...Governments may need to establish more collaborative or relational forms of governance with the third sector to sustain an on-going relationship and manage interdependence...The main challenges to the citizenship model have come from the erosion of a concern about rights and the recasting of citizenship in terms of the obligations of citizens...."active citizenship" in the UK..."

However, it must be noted that the concept of active citizenship has been transformed by the use of social media, and Campbell (2018) avows by indicating that:

"Social movements are examples of less traditional actors now operating within the space of traditional civil society. Social movements are spontaneously organized (or unorganized) and fast moving around specific issues, usually based on values and interests. In many ways, they are collectivized and quasi- or fully-anonymous and impermanent. Through the use of digital technologies and platforms, those who are and/or feel marginalized and/or disempowered can have their voices heard and, as some of the literature review suggests, amplified exponentially."

Moreover, for purposes of this funding model, the Canadian experience will be contextualized in accordance with evidence embedded in the literature review and considering the following funding mechanisms for CSOs: Funding Strategic Alignment,

Spirit of Ubuntu, Reciprocal Leadership and Followership Relationship in Charity and State Welfare Financing Models. Inter-Organisational Relationship, Spirit of Ubuntu, Interconnectedness and Interdependency in Citizenship Financing Model and Social Enterprise and Innovation, Spirit of Ubuntu, Budlelwano, Strategic Alliances and Partnerships.

4.3.4 BRICS Nations Context

The Brazil, Russia, India, China and South Africa (BRICS) nations provide a balancing act in this funding model, which initially looked at the European framework, which was contextualized on Ukraine and five other countries as previously stated. South Africa is a member of the BRICS Bloc; thus this research will reflect how funding tools and systems which ensure fairness, justice, transparency and accountability can be enriched by BRICS context. Firstly, according to the BRICS' Enabling Environment Index originating from Civicus data: World Alliance for Citizen Participation (2013), elaborated in Poskitt et al. (2016) article in the Institute of Development Studies publication:

“...South Africa ranks the highest out of the BRICS countries, with high scores for government cooperation and an environment conducive to policy dialogue. This result also reinforces our research finding that the South African government has remained willing to engage with CSOs, despite the increasing tensions that have marked the relationship between civil society and the ruling African National Congress (ANC) following a rising tide of corruption allegations and increasingly opens conflict with parts of the labour movement.”

This statement sets the appropriate context on the importance of this research study being enriched by the BRICS Nations' funding models, to ensure synchronicity within the international CSO perspective. Evidently, South Africa's classification at 44 out of 109 on the Enabling Environment Index ranking is based on the BRICS Bloc's shared

characteristics that make their domestic policy a highly contextual and challenging environment for CSOs. Poskitt et al. (2016) upholds this assertion by affirming that:

“The first of these characteristics is a belief in a strong (developmental) state that is endowed not only with superior financial and technical resources for promoting national development but also with a certain moral superiority. This moral superiority derives from a mix of the political legitimacy of state elites as representatives of the interests of the people (whether or not they are formally elected to represent these interests) with a more generalised sense of entitlement to rule, sometimes combined with a specific claim to have restored the country’s greatness or with a revolutionary or otherwise transformative narrative attached to the ruling party...The second characteristic is a strong nationalistic tendency in which growing assertiveness is mixed with historically rooted anti-colonialism, making life particularly difficult for CSOs who are aligned with and/or funded by transnational actors based in the Northern ‘traditional donor’ countries.”

The BRICS Nations CSOs are advancing in social innovation, and the development of social technologies towards funding and sustainability. Poskitt et al. (2016) further uphold this view and advance that:

“The increased dependence of CSOs on government funding for tightly circumscribed local development activities is just one of the ways in which the funding environment for national and local civil society organisations in BRICS countries is being markedly affected by geopolitical and economic changes. CSOs interviewed during the study argued that there is a pressing need to consider new, alternative sources of funding, as philanthropic and solidarity-based flows alike are being redirected to poorer countries and traditional donors are reducing, and in some cases ending, bilateral funding to middle-income countries.”

Moreover, for purposes of this funding model, the BRICS nation's experience will be contextualized in accordance with the evidence found in the literature review and qualitative research thereby; solidifying the foundation for the South African CSO funding model.

4.4 NDA CSO Funding Model

4.4.1 Ubuntu Funding Model

This Ubuntu Funding Model takes a golden leaf from the Ubuntu Principles as contextualized within the literature review and subsequent findings. For example, the Charities Aid Foundation in Southern Africa (2012) states that:

“Since the advent of democracy, some politicians and leaders have promoted a return to African values, basing leadership practices on the South African philosophical and cultural notion of ‘Ubuntu’, which brings to the fore notions of supportiveness, cooperation, solidarity and communalism. Ubuntu places great importance on working for the common good. Ubuntu implies a social contract that stems from, but transcends, the narrow confines of the nuclear family, to the extended kinship network – in other words the community.”

However, Ubuntu, for purposes of this research study was expanded beyond the above post-liberation sentiment to include other schools of thought as indicated in the literature review. This Ubuntu Funding Model further expands the Ubuntu context with other schools of thoughts and those included in the literature review to create an enabling environment for South African CSOs to identify with this model by the NDA.

The fundamental foundation of this Ubuntu Funding Model is anchoring the *I am because we are all existing in light of Great Spirit* principle as espoused by (Khoza: 2011) and to reaffirm the symbiotic relationship between the state and civil society. This Ubuntu

Funding Model will be in three levels, emanating from the four-level NDA CSO classification as expounded in the previous section of the report. The first model will be referred to as the *Zebra Society* and is attributed to top of the range Level 4 CSOs. The second is termed *Three-Legged Port* for middle of the lane CSOs, that is combining Level 2 and 3 and lastly, the third funding model is referred to as the *Kalahari Desert Flower* and is designed for the lower level 1 CSOs.

4.4.1.1 Ubuntu Funding Model: Zebra Society

The Zebra Society, Ubuntu Funding Model is top of the range, and covers Level 4 CSOs in accordance with the NDA's classification framework. In summary, these CSOs have capacity for affirming Ubuntu through their symbiotic relationships between the state, civil societies and international donors. Thus, they can manage a variety of funding mechanisms from the literature review, including those from the European (United Kingdom) and Canadian and BRICS nations' experiences above. The level 4 CSOs' like Grandmother Zebra is endowed with Ubuntu through maturity and wisdom as stated by Zulu (2014):

“Her unconquerable spirit powers the imagination of many negations on a long and arduous road in the quest to reach their destination where the land is teeming with diversity of vibrant life. As teacher and professor emeritus, the grandmother zebra has gathered the young to instruct them about the myths and legends of those who have gone before them.”

Thus, level 4 CSOs are top of the range with respect to their strategic position within the CSO sector and need to lead by example. Learning from the European and BRICS' Experience, tools and systems including funding mechanisms, social contracting, and alternative funding mechanism, private giving through institutionalized mechanism, corporate giving, individual giving and income generation are vital in sustaining this model.

Secondly, level 4 CSOs like the zebra stallion are endowed with trailblazing legacies, successes and failures required in the 'third sector.' Zulu (2014) affirms this by stating that:

“The vicarious stallion and great protector who protects the clan with his life, provides assistance by offering his domain knowledge on the rudiments of tactical defense and survival.”

This zebra stallion's legacy is required to lead by example especially with Level 4 CSOs, when considering learning and knowledge sharing of the United Kingdom and Canadian liberal experiences. Thus, leading social enterprise, social innovation and inter-organisational relationships, to contribute and maintain a hybrid model ranging from charity model through CSI funding, welfare state model from NDA grants and direct allocations from national, provincial, district and local governments. Evidently, creating an enabling environment for the citizenship model that advocates for social changes and active citizenship like the Zebra society as Zulu (2014) reinforces that:

“The zebra society uses cultural knowledge as a time-tested template on which their survival depends. This gives the young members of society a head start in exploring their natural environment while obeying the supreme law of self-preservation. The green pastures are inviting and the zebra who finds them irresistible embarks on the journey that requires tenacity to embrace the land that nurtures their way of life.”

Evidently, the European (United Kingdom), BRICS, and Canadian liberal experiences already exist within the Corporate Social Investment sector within South Africa. As a result, it is challenging the NDA and core CSOs to strategically position the sector in leading and unleashing Ubuntu, embedded within zebra society by finding this model irresistible for the journey towards CSOs' medium to long term sustainability. This Zebra Society's Ubuntu Funding Model embraces sustainable funding including the CSI sector funding mechanism

premised in the literature review, incorporating community trust, collaboration, community engagement and volunteerism, enabling stallion zebra to lead from behind, Zulu (2014) states:

“The African zebra assumes the role of a rear guard when the cruel winds of death blow strongly against the clan. The ruthless predators who throws the clan in disarray, have the power to instill great fear in the hearts of the beautiful zebra...While the zebra does not underestimate the magnitude of demise before him, the selfless stallion accepts the challenge with aplomb and immerse bravery so that the clan can live to fight another day. The new generation must forever pay tribute and model themselves after the unequivocal zebra that ensures the clan’s survival with his own life.”

Below is a diagram that represents the Zebra Society’s Ubuntu Funding Model:

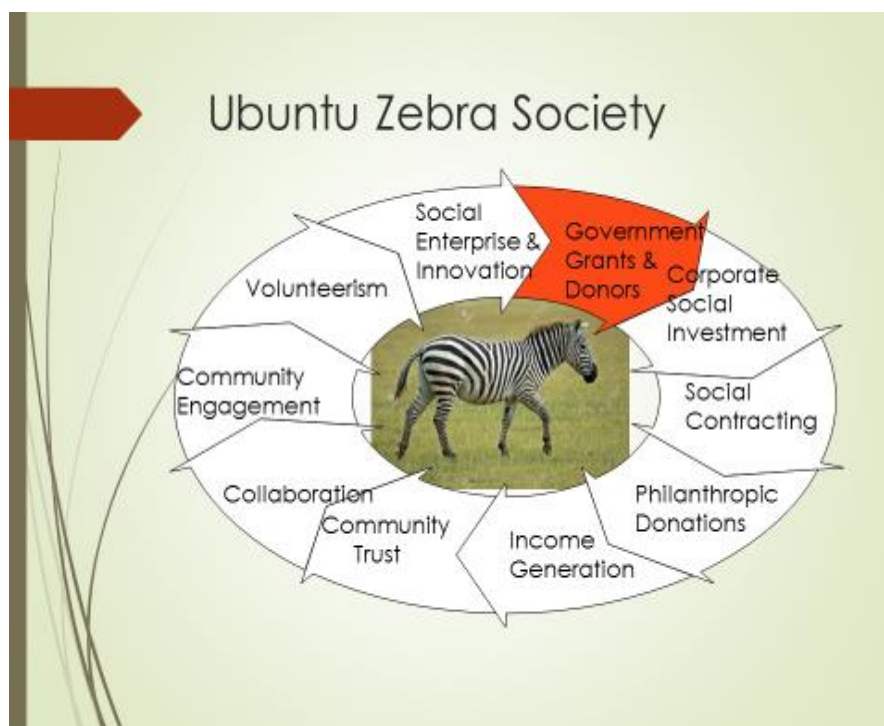


Diagram: 1 Zebra Society Funding Model

4.4.1.2 Ubuntu Funding Model: Three Legged Pot

This middle of the lane level combines level 2 and 3 in accordance with the NDA framework classification. In summary, level 2 and 3 CSOs provide services at local, district and provincial levels. Although they have capacity limitations with regards to financial and human resources, compliance with regulations and continuously surviving threats of dissolution and resultantly negating their sustainability, they are still thriving in South Africa. Accordingly, this model could be enriched by some of the European (United Kingdom), Canadian and BRICS nation's experiences above. First, levels 2 and 3 CSOs, like the Three Legged Pot are also endowed with the Ubuntu principle that advocates for feeding the nation while embracing the direct heat required to transform contents of its dark beauty.

Evidently, there are funding uncertainties negating levels 2 and 3 CSOs, synonymous with the African heat on the three legged pot during the food preparation process. In the context of Ubuntu, the process of preparedness for being of service to humanity is significant as these CSOs are serving at local, district and provincial levels respectively. Therefore, requiring the European and BRICS Experience tools and systems that incorporate: funding mechanisms, social contracting, alternative funding mechanism, private giving through institutionalized mechanism, corporate giving, individual giving and income generation is vital. Secondly, like the African matriarchy, levels 2 and 3 CSOs prepare within the three legged pot, nourishment for the areas they provide with service delivery.

This matriarchy undergoes a preparatory process of the food that will be cooked in the three legged pots prior to being of service to humanity. This requires levels 2 and 3 CSOs to learn and share the knowledge from United Kingdom and Canadian liberal experiences.

While these liberal experiences are seen as forms of social enterprise, social innovation and inter-organisational relationships and allowing for the fermentation process of funding models ranging from charity through CSI donations, welfare state model from NDA give grants and direct allocations from provincial, district and local governments. This creates an enabling environment for the three legged pot to absorb the African fire, and cook fermented Ting, symbolizing the solidification of ideas and rootedness within the South African context. Zulu (2014) supports this view:

“The preservation of this ancient wisdom has since been broken by Afrophobic modernity and it is not apparent if the new generation will take a page from the past to walk in the footsteps of their ancestors. At least for now, the modern generation chooses to suppress the traditions of the past for purposes of appeasing the demands of Euro-centricity and emulating the methods and techniques of modernity. For their own survival, the new generation will have to invoke the legend of Sankofa by taking a page from the past in order to carry on the teachings of the matriarchy.”

Below is a diagram that represents the Ubuntu Three-legged Pot Funding Model:

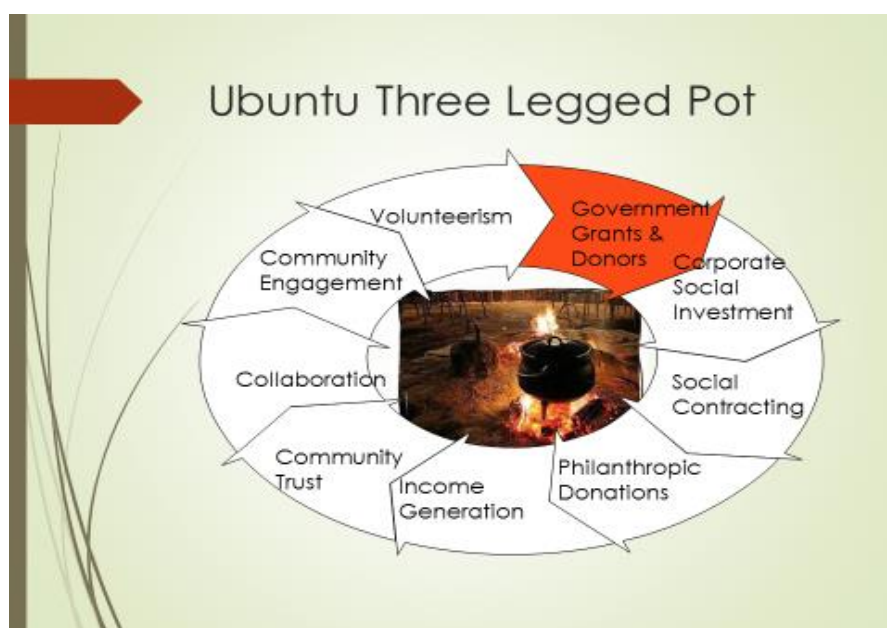


Diagram: 2 Three Legged Pot Funding Model

4.4.1.3 Ubuntu Funding Model: Kalahari Desert Flowers

In accordance with the NDA framework classification, this is predominantly CBOs that are considered stand-alone or fall within the lower tier of the classification table. Their funding model caters for level 1 organisations mainly. In summary, level 1 CSOs provide services to local communities although they have highly inadequate capacity with regards to financial and human resources. To add, they face compliance difficulties with respect to adhering to regulations and live out of pocket, with no operational spaces and therefore severely impacting or negating their sustainability. They could be enriched by some of the European (United Kingdom), Canadian and BRICS nations' experiences above. Firstly, level I CSOs, like the Kalahari Dessert Flowers are endowed with Ubuntu self-preservation and are potential catalysts for change at local community level. Zulu (2014) attributes that:

“The great desert flower Mponeng is attuned to her survival goals. While other plants are still struggling to come out of the ground, she is already dancing in the breeze. For her, the desert terrain is like a playground. These envious plants wonder as to how she is able to come out and enjoy the breeze before anyone else? She was the first to embrace the first showers of rain. She was able to overcome her fears of speculative risks while others wanted to be assured before venturing into the open.”

Thus, the number of Level 1 CSOs within local and grassroots levels symbolizes their founder's dance in the breeze as the desert terrain is no match in limiting their financial and human resources, driven by passion to serve the community. In the context of Ubuntu, the self-preservation process evoke thoughts and ideas that manifests in Level 1 CSOs that are eager to serve humanity with all the financial, human and operational limitations that prevail within communities. This requires the European and BRICS Experience tools and systems: funding mechanisms, social contracting, alternative funding mechanism,

private giving through institutionalized mechanism, corporate giving, individual giving and income generation.

Secondly, the establishment of Level 1 CSOs like the Kalahari Desert Flowers is highly acknowledged by community members for their commitment to serving humanity, without the rain, the 'out of pocket' and no business operational space overcoming speculative risks, this requires self-restraining attitude as Zulu (2014) best ascribes that:

“It’s both unfair and hard for Mponeng to remain confine underground when she can be showing off her ruddy beauty in the open. Nonetheless, this is what she must do in order to stay alive. She must maintain a perpetual state of readiness while awaiting the advent of the coming rain. She is vulnerable on the surface without the nurturing of the falling rain. Her survival advantage lies underground.”

This self-restraining attitude is nurtured from underground, when the founders and proponents of community based organisations are confronted by the issues and challenges propelling their commitment to being of service to humanity. This further requires Level 1 CSOs to learn while preparing to grow from the knowledge gained from the United Kingdom and Canadian liberal experiences, particularly inter-organisational relationships. By doing this, they are allowing for the underground nurturing process of this funding model that emanates from the charity model espoused through CSI funding, welfare state model from NDA grants and direct allocations from provincial, district and local governments.

In essence, creating an enabling environment for the Kalahari Desert Flowers to maintain a perpetual state of readiness while awaiting the advent of the coming rain with restraint, discipline and gentle starvation, Zulu (2014) points out that:

“The desert flower Mponeng of the great Kalahari lives a disciplined life of rationing. The scarcity of rain forces her to develop superior skills in economizing her survival resources. She only uses what she needs and saves the rest of rainless days. Her lightning speed in welcoming the falling rain is incredible. Although she appreciates and adores the falling rain, she is very patient in waiting for the beloved rain. She uses the rain well and collects enough rainwater to last her longer. In spite of many distractions that hold sway over the desert, she is able to remain impervious to the powerful influences like a duck of Matamong that dives many times into the deep waters but still manages to remain dry for the most part. How is that possible?”

Below is a diagram representing the Ubuntu Kalahari Desert Flower Funding Model:

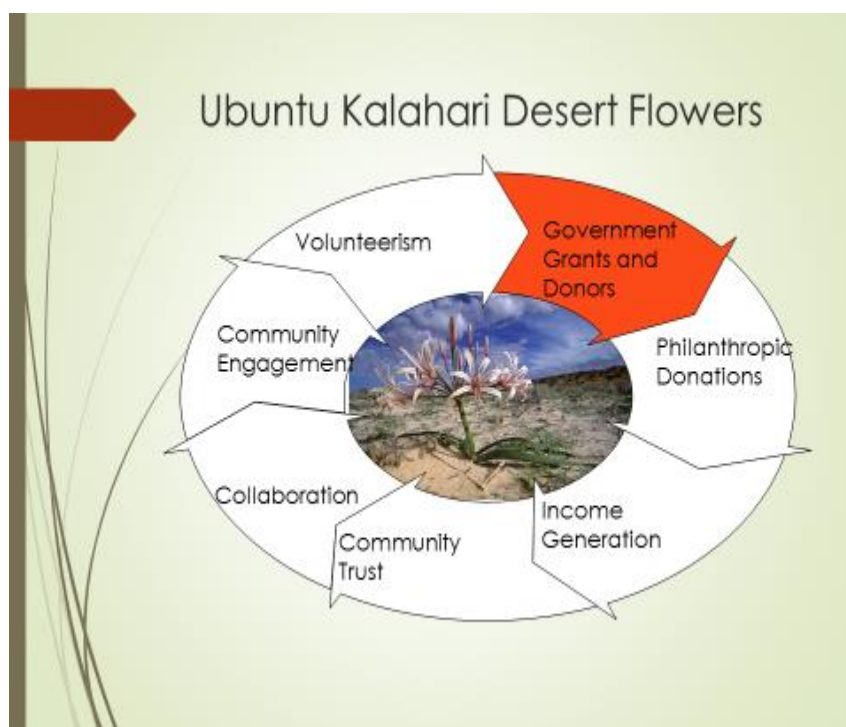


Diagram 3: Kalahari Desert Flower Funding Model

SECTION 5: CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The NDA's primary objective is to contribute towards the eradication of poverty and its causes in South Africa. Thus, adhering to its key conduit function for providing funding to civil society organisations and acting as an oversight on how these CSOs receive funds from multiple donor agencies including the South African government through various departments, foreign governments and other national and international donors. While the NDA plays a key role in supporting organisations working towards meeting the development needs of communities. The funding landscape of the civil society in South Africa requires further research studies to document and provide a clear picture on how organisations in the sector are funded by who, for what and how much.

Although there is information on public and private sector funding, there are some international donors and foreign governments which have contributed in the sector over the past years. The requirements of the NDA in fulfilling its function of being a conduit to civil society funding still need further undertaking, thus, limiting knowledge production on the extent of funding provided to CSOs in South Africa. While many reports estimate this funding to run in several billions of Rands annually, funding for the sector does not adequately adhere to fairness, justice, transparency and accountability, and consequently making it difficult to track. In addition, there is no coherent mechanism or policy informing funding the civil society sector to compound this, the sector has no direct control over funding flows with no monitoring mechanisms. The NDA has the responsibility to perform this function on behalf of the state, thus, requiring policies, regulations or the mechanisms ensuring acting as conduit for funding to the sector.

Therefore, this report provides an understanding of the current South African civil society sector funding mechanisms landscape. In addition, it explains how CSOs engagements with the state can ensure funding transparency in civil society sector by all funders. In the findings of this report, it evaluates and outlines current shortcomings and challenges for funding the sector, including the difficulties experienced by the NDA in executing its conduit mandate. Lastly, it must demonstrate how funding needs to be structured including the role of CSOs in achieving this.

Furthermore, this report assessed how funding can best be allocated by the state, private sector, foreign governments, philanthropies, bilateral and multilateral agencies to the sector with tools and systems ensuring fairness, justice, transparency and accountability. Moreover, it outlined how the sector should access funding and funding information to ensuring that funding is not skewed to well developed and capacitated organisations and mechanisms required for funding CSOs. The report findings also highlighted the steps needed to be implemented by the sector and its social funding partners to ensure that CSOs remain sustainable and functional and the importance of predictability of funding programs in the sector to aid long term and sustainable planning. The report culminates into the development of a funding model and other recommendations that could be used to track and manage sector funding in South Africa.

5.2 Recommendations

Demonstrated by the respondents' views, many of the levels 1 and 2 CSOs are lagging behind in their response to the changing funding environment. While some are currently exploring new funding modalities and analysing the new areas in which large NGOs are having success to reflect upon lessons learnt. Others, arguably who are "ahead" in trend

setting, are developing strategies for diversifying their funding base, below are outlined recommendations as per findings from the research study.

5.2.1 Proactive Donor Engagements

Many respondents indicated it is unnecessary to meet donors or initiate regular meetings whether quarterly or bi-annually, even though regular meetings with donors could prove effective in increasing the understanding between the CSOs. In addition, increasing the co-creation of funding programmes, flexible reporting and establishing a joint learning and project execution and financing problem-solving framework is highly recommended. Thus, the importance of strengthening CSO/funder dialogue and engagement meetings creates a win-win and lasting strategic partnerships, a key enabler in accessing and/or continuing to access funding.

5.2.2 Creating Platforms and Corporate Partnerships

Majority CSOs especially those in levels 1 and 2 are still unforthcoming in partnering with the South African private sector, thus, it is time for fostering practical and mutually beneficial and reinforcing alliances and platforms with other Corporates outside their traditional partners. These alliances and platforms needs to focus on maximising partnerships with the private sector, mutually beneficial from in-kind support, research, logistical and technical support and free training courses. Moreover, this streamline funding could further incentivise and empower CSO staff to take capacity building courses while adding value to the CSOs' vision and strategic objectives.

5.2.3 NDA Must Foster Strategic Alliance and Partnerships with Corporate Social Investment Sector

The NDA has vast networks and platforms with unique strengths, skills and resources that can be mobilised to generate further income and resources for CSOs in South Africa. The NDA needs to foster strategic partnerships and alliances with the Corporate Social Investment Sector and develop knowledge production and dissemination linkages. Thus, NDA working closely with local CSOs and local/foreign donors to understand what each stakeholder brings to the table as well as understand their funding values. This strategically positions the NDA in a better and stronger position to leverage on the types, characteristics, levels and values of both local and foreign funding. For example, the NDA needs to leverage on and maximise funders' humanitarian mapping work as such data represents an invaluable service for some large donors seeking ready access to such data to inform their wider funding programming.

5.2.4 NDA Need to Boost its Advocacy Levels for CSOs

The NDA must strive to foster expertise for small level CSOs, strengthen consulting and advocacy since regional platforms are essential for ensuring that resources are availed to the poorest CBOs and NPOs, and that NPOs are heard. Therefore, NDA needs to be an active participant in its monitoring role to cement the core of local CSOs and donor agencies relations. Moreover, the NDA should position itself into a leading role in its advocacy programmes aimed at existing and emerging donors, to raise awareness and understanding of the unique role of funding platforms and networks, while advocating for sustainable funding to influence local and foreign donors through effective funding modalities.

5.2.5 Need for Further Research

In relation to the funding of regional and national civil society networks and platforms, as capacity development providers, it emerged during research an urgent need to undertake evidence-based advocacy to influence donor policy, including addressing research gap and donor advocacy on behalf of CSOs for proposed funding models that support sustainability, independence and innovation. Thus, further research must be undertaken in rural and disadvantaged areas of South Africa, drawing lessons on CSOs at the end of the funding chain, while undergoing capacity development, to fully understand sustainable best practices. This research must consider rural networks and platforms, as well as the monitoring and learning of new approaches that supports struggling CSOs and thereby ensuring their survival.

5.3.5 Development of a Funding Model

The diversity of contexts within which CSOs in South Africa are operating, creates opportunities for appropriate approaches to emerge. This is evident in the recommended proposed funding model in this report for consideration as guidance for the NDA on incorporating South African CSOs from different localities, political frameworks, size and structure. Therefore, enabling CSOs to apply the funding model responsive to their unique context aimed at better managing and operating funding accounts within different cultural, social and economic frameworks is primordial. Hence, in monitoring the proposed funding model and ongoing experiences of organisations towards sustainable funding, the NDA can continue to provide relevant resources to all contexts and connect CSOs for inter-organisational learning and knowledge sharing.

5.3.6 Strategic Approach to Funding and Fundraising

A strategic approach to funding and fundraising for future sustainability of CSO networks in South Africa, some respondents stressed the need to develop clear fundraising strategies. Thus, a clear direction proposed fundraising exercise taking into consideration changing global and local trends. However, other respondents were dependent on a single donor, operating “hand to mouth”, with limited time or resources to think strategically about future funding. Therefore, it is recommended that when core funding is available, it is very important to take the time to reflect and strategise for sustainable funding. In addition, before donor and partner support can be maximized, it is recommended that South African CSOs must know their own ‘value offer’ within local community knowledge and experience or position of trust and remain relevant in the global space.

5.3.7 General Recommendations

Infrastructural Support

CBOs also urgently need infrastructure, equipment (IT and communications) and skills for their programmes, which private sector companies should consider donating under-used equipment and providing staff expertise. Capacity-building programmes should be put in place to assist the CBOs receive these grants. Providing grants without additional support is a potential recipe for failure, because many CBOs don’t have the requisite management skills at the outset. Therefore, need intensive and ongoing support to establish themselves to meet donors’ delivery and reporting requirements.

Enhancing CSOs’ Visibility

CSOs and NGOs should learn how to publicise their activities, through the press and internet. Publicising activities enhancing visibility, projects, implementation accountability and further promote public trust. They need to further develop programmes that will assist

them with implementing community based programmes, transforming communities with the purpose of enhancing quality and sustainable livelihoods for families and individuals living in poor areas.

Proper Assessment of NPOs' Needs

NPOs especially CBOs must have a good understanding of community dynamics as they are best placed to identify what they need and offer a particular service to their communities. The exact requirements should be determined through an assessment process conducted by a specialist NGO consultancy before any major project is given to them to manage. This must take into account a number of factors, including the CBO's objectives in the community, the environment in which it is functioning, the capabilities of its staff and volunteers and its existing systems. This needs analysis should therefore form the basis of a service contract between the NGO consultancy and the CBO in question, with detailed nature of the relationship between these two parties. Service contracts should extend for two to three years and define specific milestones, such as the achievement of registered NPO status. It is a common misconception that CBOs can develop capacity in short term, evidently CBO capacity building is a systemic and engaging process that cannot be achieved overnight.

Training and mentoring

In addition, the assumption that CBOs only require initial training to become fully operational is misguided. According to ETDP SETA (2019), "Training focuses on the group and creates an initial knowledge base, mentoring assists and empowers individuals to implement the lessons learnt and to deal with the ongoing dynamics in their communities and organisations." Therefore, relevant training provided to CBO's level of maturity is wasteful, because it won't be applied and will be forgotten, thus, training must be relevant

and customised, as far as possible, to the needs of each CBO. However, training should also be experiential, using their own CBO lessons learnt with monthly on-site visits for mentoring progress.

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ANNEXURE

Annexure 1: Respondents that participated in the research

Classification Levels	NDA 2020 Research Respondents	CSO Types	CSO Sectors of Operation	Location of the CSO
Level 4	1) World Vision, South Africa	NGO	Critical Eye Care and Wellness	Randburg, Johannesburg
	2) Charities Aid Foundation Southern Africa	NPO/PBO	Health and Wellness	Johannesburg
	3) Black Sash	NGO	Social and Community Development, Education and training Social Justice and Advocacy.	Cape Town
	4) Africa Gender Institute.	NGO	Social and Community Development, Education, Health, Safety and Security, social justice and advocacy	Cape Town, WC
	5) Humana People to People in South Africa (HPPSA)	NPO	Community Development, Food Security, Education & Health	Roodeport, Johannesburg
	6) Frederic Naumann Stiftung (Foundation) for Freedom	NGO	Social Justice and Advocacy, Safety and security, Education, Human rights and access to law.	Johannesburg
	7) Open Society Foundation for South Africa (OSF –SA).	NGO	Social and Community Development, Education and Social Justice and Advocacy.	Cape Town
	8) Corruption Watch, South Africa	NGO	Transparency and Accountability Watchdog	Johannesburg
	9) Human Rights Institute, South Africa(HURISA)	NGO	Social Justice and Advocacy	Johannesburg
	10) The Centre for Environmental Rights	NGO	Environmental Protection and Environmental Justice & Advocacy	Cape Town
	11) Save the Children, South Africa	NGO	Child Care, Educare & Social Justice and Advocacy	Pretoria
	12) South African Red Cross Society	NGO	Social and Community Development; Education; Health, Food Security and Agriculture; Safety and Security; Social Justice and Advocacy.	Lynwood Glen, Pretoria
	13) Foundation for Human Rights	NGO	Social Justice and Advocacy	Houghton, Johannesburg

Level 3	1) The Diepsloot youth programme	NPO	Early Childhood Development; Social & Community Development	Diepsloot, Johannesburg
	2) Mamelani Project	CBO	Community Health & Youth Development	Cape Town, Western Cape
	3) St. John's Child and Youth Care Centre	NPO	Early Childhood Development;	Barberton, Mpumalanga.
	4) Ikamva Labantu	NPO	Social and Community Development, Education, Health and Social Justice and Advocacy.	Cape Town
	5) Khulisa Social Solutions	NPO	Social and Community Development, Education, Safety and Security, Social Justice and Advocacy.	Johannesburg
	6) Open Society Foundation for South Africa (OSF –SA).	NPO	Social and Community Development, Education, Safety and Security, Social Justice and Advocacy.	Cape Town
	7)Development Action Group	NGO	Social and Community Development, Education and Social Justice and Advocacy.	Cape Town
	8)Democracy Works Foundation	NGO	Social-political Justice and Advocacy.	Johannesburg
	9) Relapile Cooperative	CBO	Socio-economic development & Poverty alleviation	Bloemfontein
	10) Xitlakati Agricultural Mega Project	CBO	Trade, Socio-economic development & Poverty alleviation	Giyani, Limpopo
	11) Sedibeng Agricultural Cluster	CBO	Environmental Sustainability	Sedibeng
	14) Seda Limpopo Jewellery Incubator	NPO	Education and Skills Capacitation	Polokwane
	15) Masifundise development Trust	Trust	Marine and Biosphere Protection & Advocacy	Cape Town
	14)Johannesburg Child Welfare (JCW)	NPO	Children Welfare and Capacitation	Johannesburg
	15) NICRO	NPO	Social development, Youth Empowerment, Social Justice & Advocacy	Cape Town
	16) Inyathelo	NPO	Socio-economic development, Education and Capacity-building	Cape Town

	17) Kome Farming and Agriculture Co-operation	CBO	Socio-economic Development & Poverty Alleviation	Ekurhuleni
	18) Centre for Integrated Rural Development	CBO	Socio-economic Development & Poverty Alleviation	Stellenbosch, WC
Level 2	1) Masikhathalene Multi Complex	CBO	Social, Community Development, Social Justice & Advocacy	Petrusville, Free State
	2) Hantam Community Development Centre	CBO	Community Development & Education, Health & Food Security and Agriculture	Calvinia, Northern Cape
	3) Emthonjeni Awareness Centre	CBO	Social & Community Development, Health, Food Security & Agriculture	Emfuleni, Gauteng
	4) Makhuva Nhlayiso Youth Development Project	CBO	Social, Community Development, Social Justice & Advocacy	Johannesburg
	4) Phakama Youth Development Projects	CBO	Youth Capacitation & Development	Mkhambathini Municipality, KwaZulu-Natal
	5) Vongani Child and Youth Care Development Project	CBO	(Early Childhood Development) Home-based Care, child and youth care, and lay counselling	Giyani, Limpopo
	6) Kgotsong Day Care Centre	ECD	Early Childhood Development	Thabo Mofutsanya District, FS.
	7) St Catherine Educare Centre	ECD	Early Childhood Development	Thabo Mofutsanya, FS.
	8) Makwantini Multipurpose Primary Coop	CBO	Economic Development and Trade	Mbizana (EC)
	9) Bokamoso Education Care Centre	NPO	Early Childhood Development	Johannesburg
	10) Viva Foundation, South Africa	NPO	Socio-economic development & Poverty alleviation	Mamelodi, Pretoria
	11) Southern Africa Youth Project	NPO	Education, Skills building and Community Development	Diepsloot, Jo'burg Pretoria
	12) Safer Spaces	NPO	Community safety & Violence Prevention	Johannesburg
	13) Refilwe Community Project Pre-School	ECD Centre	Education	West Rand, Gauteng
	14) The Zion Combination	FBO	Community Empowerment &	Kimberly,

	Church of South Africa		Socio-economic development	Northern Cape
15)	Presbyterian Church, Hatfield	FBO	Community Empowerment & Socio-economic development	Pretoria
16)	Presbyterian Church, Bramley	FBO	Community Empowerment & Poverty Alleviation	Johannesburg
17)	The General Mountain Assembly in Zion Church	FBO	Community Empowerment & Poverty Alleviation	Kimberly, NC
18)	Arise & Shine Child Development Centre	NPO	Education	Johannesburg
19)	Matewu community day care and pre school	ECD	Education & Development	Mbombela
20)	Emjindini Trust Youth Information Center	NPO	Youth Development	Mbombela
21)	The Salvation Army Creche	NPO	Education	Mbombela
22)	Injabulo Nokuthula Gender Based Violence	NPO	Gender	Mbombela
23)	Sizanani Cooperative	CBO	Socio-economic empowerment	Sekhukhune, Limpopo
24)	Ratanang Day Care Centre	ECD	Education	Modjajiskloof, Limpopo
25)	Sweet Black Rose Entertainment	NPO	Youth Development	Modjajiskloof,, Limpopo
26)	Livi Lesive Community Development	NPO	Youth Development	Secunda, Mpumalanga
27)	Ukuvela	CBO	Trade and community development	Umvoti
28)	Duzadu Trading Association	CBO	Trade and community development	Umvoti
29)	Masithuthuke LTD	CBO	Trade and community development	Umvoti
30)	Nomtshilwana	CBO	Trade and community development	Umvoti
31)	Kopano ECD	NPO	Education	Johannesburg
32)	Ikhwezi Women Support centre	NPO	Gender Development & Social Justice & Advocacy	Stutterheim, Eastern Cape
33)	Eyethu Sonke	CBO	Poverty Alleviation	City of Tshwane
34)	Sokhabathini Poultry Farming Co-Operative Limited	CBO	Poverty Alleviation	City of Tshwane

	35) St. Mark's Church	FBO	Community Empowerment & Poverty Alleviation	Yeoville, Johannesburg
	36) Grace International Orphanage and Happy Hearts Creche and Pre-School	NPO	Education & Poverty Alleviation	Ekurhuleni
	37) Sedibeng Cluster Cooperative	CBO	Environment	Sedibeng
	38) Lebone Service Primary Co-operative	CBO	Environment	City of Tshwane
	39) The Dawn Organisation	NPO	Poverty Alleviation	Johannesburg
	40) Healing Stripes Fellowship	FBO	Education	Welkom
	41) Youth Development Agency	CBO	Youth Empowerment and community Development	Groblersdal, Limpopo
	42) The Holy Home Care Services	NGO	Health/Education Sector	Alexandra, Johannesburg
	43) Ithembaletu Projects	NGO	Health/Social development	Durban
Level 1	1) Zenzeleni Educare Centre	NPO	Early Childhood Development	Villiers, Free State (FS)
	2) Theunissen Boitelo VEP	NPO	Social and Community Development & Advocacy	Theunissen, FS
	3) Bez Kidz Educare	NPO	Early Childhood Development & Education	Mitchell's Plain, Cape Town
	4) Fifth Avenue Day Care Centre	ECD	Early Childhood Development & Education	Vanguard Estate, Cape Town
	5) Boiketlong Community Care	CBO	Social and Community Development	Sasolburg, FS.
	6) Makhuva Nhlaysi Youth Development Project	CBO	Social, Community Development, Social Justice & Advocacy	Sedibeng, Gauteng
	7) Reya Hola Day Care Centre	ECD	Early Childhood Development & Education	Welkom FS
	8) Word Pre-School	ECD	Early Childhood Development & Education	Welkom FS
	9) Save Nature Project	NPO	Environment	Sedibeng
	10) Modisa Ya Molemo Creche	ECD	Early Childhood Development & Education	Xhariep, FS.
	11) Petsana Child Care Forum	ECD	Early Childhood Development & Education	Petsana, Reitz

12) Langkloof House of Hope	NPO	Community Safety	Kou-Kamma, Eastern Cape
13) JA South Africa	NPO	Socio-economic Development	Woodmead, Johannesburg
14) Tswelopele Bakery Primary Cooperative	CBO	Poverty Alleviation	Modjadjiskloof
15) Uthando South Africa.	NPO	Socio-economic & Community Development	Claremont, Johannesburg
16) Arise & Shine Child Development Centre	NPO	Education	Johannesburg
17) Matewu community day care and pre school	ECD	Matewu community day care and pre school	Nelspruit
18) Gudani Tshino Day Care Centre	ECD	Education	Vhembe, Limpopo
19) Conquerers ECD Centre	NPO	Education	Johannesburg
20) Takalani Day Care Centre	NPO	Education	Johannesburg
21) Thutukani Early Childhood Centre	NPO	Education	Johannesburg
22) Leboneng Day Care Centre	NPO	Education	Johannesburg
23) Thusanang Community Creche	NPO	Education	Johannesburg
24) Life Lessons	NPO	Education	Kimberly, NC
25) Seoding Community Development Forum	NPO	Youth Development	Kuruman, NC
26) Hearts of compassion	NPO	Health Care	Kuruman, NC
27) The Caring Samaritans	ECD	Education	Kuruman, NC
28) Bonik Early Childhood Development Centre	NPO	Education	City of Johannesburg
29) Langa Educare Forum	NPO	Education	Cape Town
30) Impendulo Day Care Centre	NPO	Education	Secunda, Mpumalanga
31) Tembisa Youth in Art and Culture	NPO	Education and Youth Empowerment	Tembisa, Ekurhuleni
32) Thusano Day Care Centre	ECD	Education	Sedibeng
33) Cross of Life Ministries	FBO /NPO	Poverty Alleviation	Bushbuckridge
34) Salvation in Church of Christ Ministry	FBO/NPO	Poverty Alleviation	Bushbuckridge