CHAPTER ONE

INTRODUCTION

1.1 Introduction
Non-Governmental Organizations (NGOs) play a pivotal role in addressing issues such as poverty, HIV/AIDS, crime, violence, family dysfunction and numerous other social problems (Patel, 2005). However, service delivery on the part of these organizations would appear to be inextricably linked to funding resources. This introductory chapter describes the research problem and the rationale for addressing the issue of funding. In addition, an overview is provided of the research methodology, the limitations of the study and the organization of the report.

1.2 Statement of the Problem and Rationale for the study
According to Patel (2005, p, 59), NGOs in South Africa are involved in addressing priority areas such as HIV/AIDS, promoting the needs and rights of women and children and in poverty reduction initiatives. South Africa still continues to be challenged with poverty, health problems, violent crime, and many other social ills, despite the high presence of a vibrant NPO sector operating in the country. In 1997, the government of South Africa passed the Not-for-Profit Organizations Act which was intended to encourage the smaller community-based organizations to formalize their governance structures and procedures to enable them to access government financing for their programmes (Patel, 2005, p.194). In 2000, the Taxation Amendment Act followed which was mainly meant to create a more enabling environment for NPOs. It would seem that the government passed these acts out of acknowledgement of the importance of NPOs in the development process in South Africa. However, welfare service providers in South Africa have been known to express concerns about the challenges of the collaborative partnership between the state and NPOs in general. For example, in 2004, Solly Mokgata of the National Coalition of Social Services (NACOSS), which represents about 4000 service providers in the welfare and development field, noted that there were funding disparities and there was a need to address the funding crisis pertaining to welfare
services and the lack of human resources (Patel, 2005, p.194). NACOSS expressed the view that a more enabling environment was needed to promote the collaborative partnership.

Given the pivotal role NPOs play in South Africa, the issue of funding appeared to need further research and exploration. The question to be answered was whether the non-profit organizations had adequate funding to counter such challenges as the major collaborators of government in welfare, economic and developmental issues. Since these NPOs exist largely to assist with development in South Africa, they are partners in government efforts and make a significant contribution to welfare in this country. In terms of development, South Africa has national goals to meet as well as international goals i.e. the Millennium Development Goals targeted for achievement by the year 2015. By looking at the challenges of NPOs, particularly those stemming from funding and finances, it was felt that the study might be able to ascertain if funding, particularly under-funding was a major inhibiting factor to development. The assumption underlying the study was that the issue of funding appeared to be the key factor that triggers all the other challenges that NPOs face.

It was therefore deemed important to ascertain how funding affected service delivery either positively or negatively and what, if anything, needed to be done to create a more enabling environment in which NPOs could flourish and which could accelerate the development path of the country. It was envisaged that preliminary exploration in this area might be used as a platform for further research of other NPOs given the fact that the NPO sector is extensive. It was also anticipated that data gathered might be useful to policy makers as partners with NPOs in the development process of the country. Given the efforts which the state has made to create an enabling environment for NPOs and to acknowledge their input, the research sought to identify the funding challenges confronting NPOs in Johannesburg, particularly in relation to service delivery. These NPOs are located in a country where strategic plans such as the Ten Point Plan, national policy as expressed through the White Paper on Social Welfare and the Nonprofit Organizations Act all acknowledge the critical role NPOs play and go further to pledge
their partnership to organizations and pass supposedly friendly Acts designed to enable the sector to thrive. The question here was whether these commitments and acknowledgements on paper translated to reality in the operating environments of NPOs in Johannesburg in terms of the legislative, economic, political and social environment. The current study sought to investigate the perceived relationship between funding of NPOs and their output in terms of service delivery.

The study appeared to be particularly relevant and significant given the fact that the NPO sector in South Africa today is a vibrant sector in development of the country. Moreover, the sector is a major force in the economy as suggested by the large number of people it employs, estimated to be in excess of half a million. In fact, the figure of 645,316 people indicates that in 1999, the sector employed far more personnel than other key sectors in the South African economy such as mining, transport, financial and construction sectors (Swilling & Russell, 2002, p. 16). However, the assumption of the researcher was that despite these statistics, the sector continues to face challenges mainly emanating from under-funding which then compromises service delivery efforts by this sector. The researcher reflected on the research topic and acknowledged her own personal assumptions and opinions such as the perception that NPO were under-funded and faced challenges with service delivery. In reflecting on the study, it was further assumed that funding challenges continue to hinder optimum performance for many NPOs. According to Nightingale and Cromby (1999), reflexivity requires an awareness of the researcher’s contribution to the construction of meanings throughout the research process and an acknowledgement of the impossibility of remaining outside of one’s subject matter while conducting research. Reflexivity then urges us to explore the ways in which the researcher’s involvement with a particular study influences, acts upon and informs such research (http://www.psy.dmu.ac.uk/michael/qual_reflexivity.htm). Reflexivity also involved the researcher acknowledging that the study had its limitations. It was envisaged that the research project would provide a vehicle for testing these research assumptions, and thereby enhance knowledge and understanding of NPO funding.
1.3 Purpose of the Study
The primary aim of the study was to investigate the funding of a group of NPOs in Johannesburg and ascertain how funding affects their service delivery.

1.4 Research design and methodology
The research design utilized was exploratory-descriptive, incorporating both qualitative and quantitative dimensions. The study employed a partly purposive and partly a convenient sample. For data collection, semi-structured interview schedules were used. The researcher personally conducted in-depth interviews with Managers from 15 NPO organizations in Johannesburg. All interviews were carried out by the researcher in order to enhance reliability of the study. In addition, all interviews were tape-recorded following informed consent by all participants to the study in order to further enhance reliability. Data were analyzed using descriptive statistics for close-ended questions while thematic content analysis was employed for analyzing open-ended questions.

1.5 Limitations of the study
The study had certain limitations that can be articulated as follows:

Nature of the sample
Generalizability refers to the extent to which it is possible to generalize from the data and context of the research study to broader populations and settings (Van der Riet & Durrheim cited in Terre Blanche, Durrheim & Painter, 2006, p.93). Given the fact that there were over 100 000 NPOs in South Africa at the time of the study, the non-probability sample of 15 NPOs, drawn predominantly from the Johannesburg area precluded generalization of the results to the broader NPO population at provincial as well as country level. The findings are therefore not representative of any other NPOs outside of the sample utilized for this research. In addition, due to time and resource constraints, the sample utilized in the study was partly a convenient sample as the researcher utilized NPO representatives who were readily willing to participate in the study. Consequently, although efforts were made to include the main fields of service,
some specialty fields were over-represented in the study whilst others were not represented at all. For example, the child welfare sector was well represented in the study whilst there was no representation of NPOs that dealt mainly with women’s issues for instance.

**Socially desirable responses**

Socially desirable responses refer to the phenomenon when subjects deliberately or inadvertently provide responses (answers or actions) that they believe to be socially acceptable (Welman, Kruger & Mitchell, 2005, p. 143). It is possible that some of the participants may have responded by furnishing socially desirable answers that were deemed appropriate. In other words, some participants may not have given honest answers to some of the questions in order to avoid appearing negative and critical in relation to sensitive questions to do with government funding.

**Articulation of themes**

In analyzing the data, some of themes were articulated by only one or two participants hence precluding generalization of such themes to the sample of participants.

**Memory decay**

Responses to some of the questions appeared to be affected by memory and recall due to the length of time that had elapsed since some of the NPOs were originally established. Some of the participants could not remember specific details of their organizations whilst others could not respond to specific questions on the basis that they may have not yet joined the organization. For example, when asked about the registration process of their organizations, the majority of participants could not remember if they had experienced any difficulties in the process or not.

**Unavailability of key participants**

In two instances, the researcher had to meet interview participants that were not originally part of the study due to the unavailability of Directors from two NPOs. This could possibly have had a bearing on the quality of responses obtained.
Research tool

In hindsight, the interview schedule did not include a specific question probing participants on income generation activities. However, despite this oversight, the researcher still probed the issue indirectly when participants were asked about fundraising activities of their organizations. In this way, sufficient data were gathered.

1.6 Organization of the Report

This chapter provided an introduction and overview in respect of the study. Chapter Two provides a review of the literature and theoretical framework for the empirical research component. The research design and methodology is explicated in detail in Chapter Three while the results are presented and discussed in Chapter Four. Chapter Five contains a summary of the main findings, conclusions and recommendations emanating from the study.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
The Nonprofit sector worldwide plays a pivotal role in economic and development issues. In South Africa, this sector has long established itself in all facets of the country’s public policies, including among others welfare, health and education. The NPO sector has a long history intertwined with the country’s political system stemming from the Apartheid era through to the post-democratic era where these organizations continue to exist in a collaborative partnership with the state and other non-state donors. On the other hand, the country continues to face challenges, with key issues being poverty, unemployment, HIV/AIDS, crime and violence. However, the country has set targets to meet in order to alleviate and eliminate these challenges in the long-term. As such, there is mutual dependence between the state and the Non-profit organizations suggesting that at this stage, South Africa cannot survive without this sector as an additional arm to help the country in all the aforementioned challenges.

2.2 Unpacking the terminology: Definitions of Non-Governmental Organizations (NGOs) and Non-Profit Organizations (NPOs)
The term NGO is so broad and it has been argued that there is no clear definition of an NGO as the term has different connotations in different circumstances. Salem and Eaves (as cited in de Beer & Swanepoel, 2000, p.109) advanced the idea that “until 1983, there was no World Bank statement which clearly and comprehensively defined NGO’s”. Swilling and Russell (2002), advanced the idea that the language used in the 1980s and 1990s did not include the term NPO because donor language at the time tended to refer to the term NGO. It was only on the late 1990s that policy makers and NGO partners settled for the term NPO. In modern discourse, the term NPO is used although NGO still remains a popular term. It is therefore not surprising that the two tend to be used
 interchangeably to refer to the same thing. It is also not surprising that various authors
tend to offer different definitions of NPOs although there are inherent characteristics that
tend to be common to Non-profit organizations. Salamon and Anheier (1992, cited in
Lewis 2001, p. 37) in their response to the terminological confusion that the third sector
presents, developed what they termed the ‘structural/operational’ definition for the non-
profit sector in which they basically postulated five main characteristics of NPOs. They
proposed that an NPO was (1) formal, (2) private, (3) non-profit distributing, (4) self
governing and (5) voluntary. They argued that this definition fitted well in general terms
with the various types of organizations accorded non-profit status in different country
contexts around the world (Salamon & Anheier, 1997 cited in Lewis, 2001, p. 37). It is
further argued that this definition is useful in defining those organizations that are
broadly termed non-governmental organizations (NGOs).

For example, the South African Coalition of NGOs defined Non-profit organizations as
those organizations and groups or formations of people operating in the space between
family and the state which are independent, voluntary and established to protect or
enhance the interests or values of their members or founders, whilst the Department of
Welfare and Population Development (currently the Department of Social Development)
in the Nonprofit Organizations Act of 1997, defined an NPO as a “trust, company or
other association established for a public purpose and the income and property of which
are not distributable to its members or office bearers except as reasonable compensation
for services rendered” (Swilling & Russell, 2002, p. 8). From these definitions, one can
easily see the common characteristics or themes that distinguish Non-profit organizations
from other types of organizations. The issue of non-profit making, promotion of public
interests and well-being and welfare, among other themes, emerge as the dominant
characteristics of Non-profit organizations. However, whilst they tend to have these
common characteristics, they tend to differ in terms of typology and functionality.

Clark (1991, cited in Hall & Midgley, 2004) identified six major types of domestic and
international NPO functions as follows:
• Relief and welfare agencies that undertake emergency and charitable work such as Catholic Relief services;

• Technical innovation organizations that operate their own pioneering projects such as technology development groups;

• Public Service Contractors who work closely with government and official aid agencies and are hired to provide services such as health, basic education and so forth. A keynote feature of such Non-profit organizations is their heavy dependency on government/donor funding;

• Popular development agencies that normally operate community based projects and may be involved in lobbying for policy change e.g. Oxfam and Save the Children;

• Grassroots development organizations (GSO) which are usually local community based Non-Profit Organizations, which are often small scale in operation; and

• Advocacy groups and networks that have no field projects of their own but usually exist for education and lobbying purposes and influence policy and its implementation.

However, what is important to note in this classification is that this categorization is illustrative of what Non-Profit Organizations do in the broader sense but is not entirely exhaustive. Clark also goes on to acknowledge the important role played by NPOs with respect to social policy and social development. He states that 12% of all Western aid is channeled through NPOs (Clark 1991; UNDP, 2000 in Hall & Midgley, 2004, p.15). Hall (cited in Powell, 1987) defines an NPO as a non-profit organization and a body of individuals who associate for any of three purposes: (1) To perform public tasks that have been delegated to them by the state; (2) To perform public tasks for which there is demand that neither the state nor the for-profit organizations are willing to fulfill; and (3) To influence the direction of policy in the state, the for-profit sector or other Non-Profit Organizations (Powell, 1987). Given these varied definitions of NPOs, it is quite common that many terms are used interchangeably to refer to the broader term NPO. Examples include MSOs which refer to membership support organizations, GSOs referring to grassroots support organizations; CBOs referring to community based
organizations, NGOs referring to non governmental organizations, PVOs referring to private voluntary organizations, CSOs referring to civil society organizations and INGOs referring to international non-governmental organizations. Kotren (as cited in de Beers & Swanepoel, 2000, p.111) states that NGOs can embrace any organizational type such as voluntary organizations, public service contractors, people’s organizations or governmental and non-governmental organizations. Looking at the definition of NPO closer to home or in the South African context, the South African NGO Coalition defined Non-Profit Organizations as those organizations and groups or formations operating in the space between the family and the state, which are independent, voluntary and established to protect or enhance the interests and values of their members or founders (Swilling & Russell, 2002).

What is important to appreciate is that the term NGO/NPO is embedded in terminological confusion such that organizations which are called NGOs in one country are termed voluntary organizations or Non Profit Organizations in another for little or no apparent reason. There is therefore no straightforward way through the terminology of third sector organizations (Lewis, 2001). However, for purposes of the present study, the terms NPO/NGO are used interchangeably. It is acknowledged that there may be an overlap in terms of how Non Profit Organizations are classified. The assumption is that NGO/NPO mean the same thing and this can be supported by a definition advanced by Erasmus, (1991, p. 13 cited in De Beer & Swanepoel, 2000, p.109) who defined NGOs in terms of being non-profitable organizations that seek to ‘amass financial and / technical/scientific resources to meet socially identified needs”. A distinguishing factor is that organizations, regardless of the terminology used can only be classified as NPO if they are not formed for profit, meaning they cannot distribute profit, otherwise there is no cut and dry distinction. Furthermore, they tend to operate in the institutional arena of civil society, meaning they form part of civil society or the third sector.

The third sector refers to that sector operating after the state and the market or business; hence it is generally agreed that NPOs/NGOs fall under the ‘third sector’. There is however no common definition of the term ‘third sector but researchers generally agree
that civil society cannot be ignored as a separate sector. Levitt, (1975, p. 49 cited in Lewis, 2001, p.59) clarified the concept of ‘third sector’ by referring to it as “a bewildering array of organizations and institutions with differing degrees of visibility, power and activities. Although they vary in scope and specific purposes, their general purposes are broadly similar - to do things business and government are either not doing, not doing well or not doing often enough”. It is a sector that is run on voluntarism, donations of time and money and quiet persuasion as its dominant characteristics.

Having considered these definitions, it is important to review the various theories on the origin or genesis of NPOs and the roles that they play.

2.3 Economic theories of the Non-Profit Sector

2.3.1 The Public Goods Theory
Weisbrod (1974 &1977 cited in Powell, 1987) suggested that NPOs exist to serve as producers of public goods. His argument for such a theory was that the government and its entities tend to provide public goods only at the level that satisfies the median voter and consequently, there are likely to be some residual dissatisfied consumers. NPOs arise in order to meet this residual demand by providing goods supplemental to those provided by government (Powell, 1987, p.29). The theory assumes that donors sponsor NPOs and obtain the specific services that they want given their willingness to pay. In addition, the theory also assumes that the level of public services is too low and this eventually leads dissatisfied citizens to make contributions to voluntary organizations that may be willing and able to produce the public goods (Ackerman, 1986).

2.3.2 The Contract Failure Theory
Nelson and Krashinsky (1973 & Nelson 1977 cited in Powell, 1987) suggested that NPOs arise as a response to meeting demand due to a competitive survival advantage over profit making firms. People tend to opt for services from NPOs which they can easily monitor and not be taken advantage of as seems to be the case in the for-profit sector where they
are likely to encounter monitoring problems. The theory postulates that NPOs are chosen as efficient vehicles for delivering services unlike the for-profit sector which may exploit consumer ignorance to its advantage. Non-profit organizations are seen as being efficient primarily because of the non-distribution constraint where basically they cannot distribute their profit even if they make one and because of this, the incentive to cheat consumers is reduced as opposed to the for-profit sector which is mainly driven by profits. The theory then assumes that NPOs can perform certain tasks better and therefore act as signals assuring people that they will not be sacrificed for private monetary gain as happens in the for-profit sector. In fact, it is assumed the NPOs arise as a result of failure of contractual arrangements in the for-profit sector.

2.3.3 Subsidy Theory

In most industries in which they are found, NPOs benefit from a variety of explicit and implicit subsidies. Such benefits include tax exemptions and favorable employment conditions via unemployment tax systems (Powell, 1987, p.33). The Subsidy Theory bases its justification for the existence of NGOs on the premise that these subsidies are largely responsible for the proliferation of NGOs. For instance, in South Africa, the Not-for-Profit Organizations Act of 1997 and the Tax Amendment Act of 2000 were introduced with a view to creating a more enabling environment for NGOs.

2.3.4 The Consumer Control Theory

In summary, this theory argues that some NPOs may not have arisen due to contract failure as such. Instead, there are some organizations like exclusive country clubs that are established as a means to exert control over patrons (Hansmann 1980 & 1986 cited in Powell, 1987, p.33). Such organizations, it is argued are formed in order to move away from the concept of a monopoly and all its members can exercise control over such organizations and avoid exploitation.
2.3.5 A Critique of the Aforementioned Theories

The main criticisms that can be leveled against the aforementioned theories is that all four theories have explained the role of NPOs only in terms of economic needs and have disregarded the concept of social welfare and the government as a major driver of such organizations. In South Africa for example, the Welfare budget has been known to devote 62% of its budget for welfare services to voluntary organizations in the welfare field (Patel, 2005, p.109). The relationship between government and NPOs is that of a complimentary role where the government mainly finances public services and NPOs deliver these services.

The Subsidy Theory works on the assumption that NPOs arise due to the various subsidies made available to them by the state such as tax exemptions and so forth. The theory ignores the fact that some, if not most of these NPOs arise out of a genuine need to assist the poorest of the poor and disadvantaged in the community largely to work towards a more equitable distribution of resources given the history of Apartheid in the country. The history of South Africa shows that most civil society organizations arose out of the need to resist, fight and dismantle apartheid. NPOs act as government conduits in public service delivery and development. John Simon as cited in Ackermans, (1986) differs with the charitable deduction theory and advanced the notion that there are NPOs concerned with correcting income inequalities or with assuring legislative equity and fairness. However, to a certain extent, the assumptions of this theory are applicable to some NPOs and can therefore not be totally disregarded especially in light of some fly-by-night organizations that seek, not to benefit the public but to exploit benefits extended by the state and to misuse donor funds.

The Public Goods Theory assumes that NPOs arise only to fulfill a residual demand for public goods that the government has failed to provide. The theory assumes government only exists to satisfy the median voter and again ignores the welfarist approach to provision of public goods. The theory in this case seems to be referring to a public good only in the strictest economic sense. However, it is true that NPOs at times arise in order to reach those persons that the broader government policy and benefits may have ignored.
or overlooked such as minorities. This is especially true when the history of South Africa is taken into account. During Apartheid, the welfare system was segregatory in nature which resulted in the mushrooming of many civil society organizations to serve the needs of the marginalized Black African people. The Apartheid government deliberately excluded social welfare services to Africans. The researcher is therefore in agreement with the Public Goods Theory in so far as NPOs have tended to reach and link with grassroots agencies for provision of services due to state failure. The Contract Failure theory as analyzed by Powell (1987) suggests that NPOs arise as a means to provide consumers (the people) with adequate means to police producers which can be likened to the NPOs in South Africa that are engaged in advocacy for policies or other forms of social movements.

What is apparent about the NPO sector is that it is mainly driven by the non-distribution constraint. This idea refers to the notion that NPOs cannot distribute profits even if they realize them. What must be done is that if NPOs realize a profit, it is not shared or distributed but rather is expected to be channeled towards furthering the organization’s goals i.e. those goals that they were originally set up to achieve. Profits of NPOs can therefore not be used for anything beyond reasonable compensations for their employees and this is in fact their unique characteristic as opposed to profit making firms (Ackerman, 1986). This explains why Ackerman defined a non-profit organization as “an organization that is barred from distributing its net earnings, if any, to individuals who exercise control over it such as members, officers, directors or trustees” (Ackerman, 1986, p.58). However, according to McLaughlin, (1986), the fact that an organization is an NPO does not necessarily imply that it should not make a profit because they can still make a profit but legally it is the distribution of that profit that is prohibited mainly because profitability is not a primary but subsidiary goal to the broader organizational goals. The proceeds or profits must remain within the organization and this is what forms the major distinction between Non-Profit Organizations and For-Profit Organizations. An NPO is not based on capitalist principles, which are mainly driven by profit motives.
In conclusion, the researcher is of the opinion that these theories are to a large extent applicable to the South African context and the NPOs that operate in it. NPOs were formed and arose firstly as part of the system that fought to dismantle Apartheid before 1994 and in the post Apartheid era, they still continue to exist in the reconstruction of the country and they help by working mainly with the poorer and marginalized groups of society. Even in the new democratic dispensation, provision of public goods by the government has still not reached every poor person in South Africa. NPOs are therefore fulfilling this gap where capacity permits them to still reach out to the poorer communities. However, the issue of grants as advanced by the Subsidy Theory is not the main reason for their existence if at all. The researcher therefore acknowledges that whilst these theories explain NPOs from an economic perspective, the assumptions underlying these theories can to a large extent be related to the South African context.

2.4 Social Origins Theory of the Non Profit Sector

The public goods, contract failure, subsidy and consumer control theories are economically reductionist theories of the non-profit sector, which have been explained in economic terms. As an alternative to these, the ‘social origins theory’ was developed by the John Hopkins Comparative Sector Study but mainly influenced by Moore Jnr’s work (Swilling & Russell, 2002). The social origins theory distinguishes between four different non-profit types. The first type is the ‘liberal regime’ which is characterized by low government spending on social development but with a well funded non-profit sector. It is believed that this normally arises when a strong middle class is coupled with a weak elite class. The second type is the ‘social democratic regime’ which is often characterized by extensive state intervention in social development and a relatively weak non-profit sector. The state, in this instance is influenced by Keynesian economics and usually NPOs get displaced by the state. This normally arises when there is strong working class movement that gains control of political power and uses it to foster social development (Swilling & Russell, 2002).
The third regime is the ‘corporatist regime’ which is characterized by extensive state expenditure on social development but in partnership with the non-profit sector. NPOs are then used as service delivery agents in place of or in partnership with state agencies. It normally arises when elites are in control of the state and must accommodate other elites and classes who yield power through well organized non-profit structures. In addition, it can also be used where the state wants to counter threats from more radical anti-capitalist social movements. In the researcher’s view, the Confederation of South Africa Trade Unions (COSATU) and its negative attitude towards the government’s economic policy namely the Growth, Employment and Redistribution Programme, can serve as an example. The fourth regime is the ‘statist regime’. Low levels of state support for social development are characteristic of this regime. It normally arises when economic elites gain control of the state and are under no pressure or obligation to deliver social development. Social movements of the poor and working class will have been repressed and are therefore powerless.

Swilling and Russell (2002) further expanded on the social origins theory by adding a fifth regime which they termed the ‘colonial regime’. In their view, this regime is characterized by limited social spending by the state and a largely autonomous non-profit sector originating from the colonized group and therefore based on survival and opposition. Colonially oppressed classes form oppositional movements via NPOs and are usually encouraged by the middle class to seize state power. It is only after seizing state power that they establish themselves as either corporatist, liberal or statist regimes depending on available resources and popular demands. In terms of this theory, the South African non-profit sector is now built on a corporatist regime (Salamon & Anheirer, cited in Swilling & Russell, 2002).

2.5 Civil Society and the United Nations
The United Nations acknowledges the importance of building strong partnerships not only with states and the private sector but also with civil society. The United Nations also acknowledges that Non Governmental Organizations helped found the UN and as such, Article 71 of the UN Charter embeds arrangements for UN consultations with NGOs
www.un.org/issues/civilsociety. The United Nations therefore maintains formal associations with a variety of NGOs by organizing and hosting meetings and conferences for NGOs accredited to the UN offices, programmes and agencies. In addition, the United Nations Millennium Development Goals (MDGs) emphasize the ever increasing partnerships of the United Nations and civil society organizations www.un.org/issues/civilsociety/partnerships.asp. NGOs are therefore recognized as important partners in development issues.

A paper presented by Pasha at the 6th Global Forum of the United Nations in 2005 sought to analyze and assess the role of civil society organizations in development. He highlighted limited resources as one of the major impediments to growth particularly in developing countries. The paper acknowledged that funding constraints hinder and limit the scale and functioning of civil society organizations thereby impairing their ability to deliver and maintain services. Civil society organizations have a heavy reliance on donors and this tends to make civil society organizations reflective of donor interests rather than those of their communities or targeted groups; whilst competition for resources also limits opportunities for coalition building and capacity enhancement. Pasha (2005) highlighted funding difficulties that NPOs as part of civil society face and how lack of funds retards their growth and compromises service delivery.

In 2000, governments of 189 different countries signed the Millennium Declaration at the United Nations General Assembly where 8 main goals were set. The 8 Millennium Development Goals (MDGs) sought to address at global level issues of poverty eradication and extreme hunger, health and disease control, particularly to combat HIV/AIDS and malaria, education especially focusing on universal primary education, reduction of child mortality, improvement of maternal health, improvement of environmental sustainability and development of a global partnership for development (Hall & Midgley, 2004, p. 172). Civil society engagement in ensuring that the millennium goals are met is considered as vital for every country and this is partly because the issues targeted by the MDGs are central to the efforts of civil society organizations worldwide (Pasha, 2005). It was therefore necessary for the millennium
campaign to consult with civil society because it has the potential of bringing the people’s rights and voices into the millennium process. This is supposedly so because civil society organizations are known to be flexible, in contact with grassroots and more responsive to local needs of the poor. From this perspective, it is important to note that civil society organizations are acknowledged within the international arena as important global partners in development. Their role becomes pivotal, especially in developing countries in assisting with the achievement of the millennium goals, national development plans and poverty eradication. The fact that they are accorded a stage on the international platform underscores the fact that this is a sector that cannot be left out of the development equation by any country and their funding therefore determines whether or not they can play their role to full capacity.

2.6 The History of Civil Society and Social Welfare in South Africa
Civil society is an arena embracing a range of entities that have become key drivers in the design and implementation of social policy. These entities include Non Governmental Organizations (NGOs) on both domestic and international levels, grassroots and community based entities such as village associations, trade unions and the churches as well as social movements (Hall & Midgley, 2004, p.15). Civil society, which in this report refers essentially to NPOs, was largely shaped by two factors in South Africa i.e. the traditions of the Dutch settlers and the rise of civil opposition in response to this factor (Salamon et al, 2004) The period of industrialization in South Africa following the discovery of minerals in 1860 transformed the country from a predominantly agrarian society to a highly industrialized society through exploitation of minerals (Patel, 2005). However, the process of industrialization also impoverished both Blacks and Whites and this led to the justification for the system of racial differentiation in social welfare. Black persons became the ready made pool of labor to work in the mines and factories mainly through coercion and land displacement. One can concur with Patel (2005) when she states that industrialization resulted in mass poverty, housing and health problems. In 1929, the Carnegie Commission of Inquiry conducted an investigation into the “poor White problem” to address the poverty of White people and it was the Carnegie report that resulted in the creation of the first state welfare department in 1937 and the
professionalization of social work (Patel, 2005). It was then that the notion of partnership between the state, church and private initiative was encouraged with the state giving financial support to voluntary welfare organizations.

The National Party came into power in 1948 and actively sought to deal with the issue of White poverty in a comprehensive manner. LeRoux (1978, cited in Patel, 2005) advanced the idea that this strategy meant extensive state intervention and support of social services for Whites. Hence from 1948 “social welfare policy in South Africa was influenced by Darwin’s theory on the evolution of human society and the belief that a natural hierarchy of races existed on a scale from the primitive to the civilized” (Chisholm, 1990; Dubow 1987 cited in Patel, 2005, p.70.) This idea can be interpreted to mean that the Afrikaners were civilized whilst the Africans were primitive and this type of ideological thinking meant there were two classes of people, namely the superior Whites and the inferior Blacks and these were the beliefs that justified racially segregated welfare policies and programmes under the Apartheid regime. Apartheid was therefore institutionalized based on Darwinism and Apartheid entailed racial discrimination where the population was divided into four groups namely, White, Indian, Colored and African. Race simply determined one’s access or non access to welfare services and benefits.

Successive governments perpetuated the Apartheid system as the National Party enjoyed massive electoral support from the Whites who were the beneficiaries of Apartheid policies and benefits such as good education, subsidized rents, good access to health, employment and many other social benefits. The welfare system prior to 1994 existed largely to serve the White population exclusively whilst Black people were left to survive on their own, usually with the help of informal organizations which subsequently played an important role in dismantling Apartheid. These factors tend to support the notion advanced by Swilling and Russell, (2002) that race and class divisions played a key role in the rise of the civil society in South Africa. NPOs during the Apartheid era tended to play specific roles which mainly fell into three broad categories namely, development NPOs, survivalist NPOs and oppositional NPOs (Swilling & Russell, 2002). Development NPOs tended to be engaged directly in improving the social, cultural and
economic well-being of certain sections of the society and were often supported by state resources until the late 1980s, with most development NPOs catering for White interests. Survivalist NPOs tended to be concentrated in communities where the majority could barely survive and with meager resources, they engaged in provision of community services that the state and private sector could not provide. Lastly, oppositional NPOs tended to be mainly involved in organizing and mobilizing the people usually to pressurize the government bodies and major institutions to make specified changes. Thus the policy of Apartheid reinforced the rise of Black survivalist organizations and the Apartheid policy also placed obstacles against funding of those organizations that were seen to be in opposition to state policy.

Civil organizations continued to grow with many of these registering under the Fundraising Act of 1978 and they enjoyed a privileged relationship with the state as they perpetuated the state policy of Apartheid in the welfare field. By 1966, the Apartheid regime had issued a circular known as Circular 66 of 1966 which required welfare organizations to implement Apartheid policies in the welfare field (Patel, 2005.). A few of the welfare organizations resisted this policy but the majority complied and therefore collaborated with the state to further Apartheid policy. Various other policies were enacted mainly to curb the activities of progressive organizations that resisted Apartheid policy. For example, the Fundraising Act of 1978 was adopted as a means of curbing and controlling foreign funding of progressive welfare organizations that resisted collaboration with the Apartheid government (Patel, 2005). Those that collaborated with the government of the day found it easier to collect donations from donors as they were allowed to do so once assigned a fundraising number.

Through the Apartheid system in the welfare field, poverty continued on a massive scale for the Africans who were excluded from welfare benefits and this increasingly became connected to political instability and unrest. The racial social welfare system is what gave rise to many opposition grassroots organizations as well as social and political movements. Voluntary welfare services by community organizations were established to address the plight of the disadvantaged. For example, the Durban Indian Child Welfare
Society was established in 1927, the Bloemfontein Bantu Child Welfare in 1945 and the Johannesburg Indian Social Welfare Association in 1934 plus many other civic organizations mushroomed to fight and mitigate the effects of Apartheid policies on their communities. Mine workers formed ‘home groups’ in the 1940s and these groups played a pivotal role in worker solidarity and resistance. Burial societies, women’s self help groups and stokvels also emerged (Patel, 2005.) Burial societies became popular as a means of social support with burial needs of migrant workers, whilst stokvels reflected a spirit of togetherness of the disadvantaged groups mainly in the African townships.

It is within this history that the role of civil society can be traced back to the demands and political struggles of the disadvantaged groups and protest action in the 1980s which gave rise to more civic organizations which continued to multiply. This period was also characterized by the mushrooming of student, women’s and youth organizations. These organizations later formed the membership of the United Democratic Front (UDF) in 1983 to lead the campaign against the Apartheid regime. The UDF was built on non-racial unity and was made up of 700 grassroots’ organizations. These grassroots’ organizations resulted in urban uprisings and two states of emergencies were declared but the challenges to the Apartheid government did not stop (Patel, 2005). Progressive grass- root organizations continued to provide services in areas that were neglected by government or not serviced by government as a critical response to the dominant Apartheid welfare system.

These developments would appear to provide support for the theory on NPOs arising as a result of the need to meet residual or unfulfilled needs by the government (Public Goods Theory) that was advanced by Weisbrot (1974). He suggested that NPOs emerge as a result of government failure to provide public goods to the satisfaction of everyone and only serve the interests of a particular group of voters. “Progressive social welfare and development organizations were funded by sympathetic foreign donors; many were aligned with or sympathetic to the mass democratic movement and were people-centered and participatory in their approach to service delivery” (Patel, 2005). Hence the activities of the progressive organizations were closely linked to the activities of professionals who
were active in anti-Apartheid activities such as the UDF and the South African Congress of Trade Unions. Collaboration in the form of collaborative projects and campaigns was manifest as these organizations sought to demonstrate that social welfare in Apartheid was unworkable (Patel, 2005).

The ANC was democratically elected to power in 1994 and immediately launched the Reconstruction and Development Programme (RDP) which was a policy framework designed to inform political, economic and social development in the post Apartheid society. The RDP was therefore the official guide to the dismantling of Apartheid welfare and the enactment of a just and democratic welfare system for all South Africans. This policy was subsequently followed by the promulgation of the Non Profit Organizations Act of 1997 which marked the repeal of the Apartheid Fundraising Act of 1978 and the Taxation Amendment Act all in a bid to create an enabling environment for civil society in the new South Africa. The welfare system had been unjust, based on racial lines and had given rise to many civil society organizations which directly or indirectly resisted the Apartheid policies. The system had also created powerful formal organizations that collaborated with the state to perpetuate Apartheid policies in the welfare field. This also resulted in discriminatory funding of the civil society sector with progressive organizations failing to access state funding for welfare services. NPOs in South Africa therefore arose mainly out of the system of racial discrimination and ideologically were either collaborators or non-collaborators. It is not surprising that civil society organizations in South Africa have developed as part of broader social movements and in response to the political order of the Apartheid era with its distinctive ideologies.

The unfortunate history of the welfare sector in South Africa has been acknowledged by the sector itself and led to the welfare organizations in the Gauteng region apologizing to the people of South Africa for their implicit and explicit compliance with human rights violations in the welfare field during their submissions to the Truth and Reconciliation Commission in 1999 (Patel, 2005) The Greater Johannesburg Social Services and Development Forum, in their submission to the Truth and Reconciliation Commission indicated that if they had refused to cooperate with Apartheid policies in welfare right
from the beginning, history might have been changed. It is not surprising that the Apartheid welfare system had far reaching consequences for the majority of South Africans. Consequently, one cannot consider the NPO sector and its funding without acknowledging this history that has shaped the civil society and development sector into what it is today.

In conclusion, the summary of this turbulent history was necessary in order to understand this sector in post apartheid South Africa in terms of the environment it now operates under in the legal, political and financial spheres. This history influenced the new government to engage civil society by funding NPOs in terms of delivery of service and development projects as well as active engagement in public policy formulation. Today, government is the dominant source of revenue for the NPO sector. The state and the NPO sector heavily rely on one another with the state funding the sector to help realize its development goals and the sector accessing funds for its activities. The Centre for Development Enterprise noted that after 1994, the state-civil relations changed from an adversarial opposition that characterized the opposition politics to a more collaborative and development oriented focus. One can therefore conclude that racial discrimination played a critical role in shaping current civil society in South Africa (Swilling & Russell, 2002).

2.7 History of funding NPOs in South Africa

As already alluded to, it is clear that during Apartheid, state funding of NPOs was racially discriminatory. Exclusively White NPOs tended to be funded by the state to reinforce the Apartheid system and Black problems were not seen as something that needed to be addressed by Whites. However, during the years before 1994 which marked the end of the Apartheid era, many European donors tended to fund any NPOs that represented opposition of the Apartheid system. This strategy was meant to put pressure on the government to change its policies of Apartheid which faced worldwide condemnation. In fact, the mere denunciation of anything to do with Apartheid often attracted donor sympathy (Kihato & Rapoo, 1999, p.15). However, after 1994, donors redirected their funding to the new government and this led to a severe funding crisis in
Many donors after the Apartheid era stopped seeing progressive NPOs as deserving recipients for funds and many of these donors that had been sympathetic to them during the Apartheid era chose instead to establish bilateral links with the new democratic government led by the ANC Alliance. This donor shift in funding policy was therefore the main reason for the funding crisis in the NPO sector. The crisis was followed by a loss of skills from NPOs to either government sectors or the business sector (Dangor, 1997), because many skilled employees in the NPO sector deserted to join the public or private sector due to financial uncertainty. This shift in donor policy landed many NPOs in serious financial difficulties and the weaker ones verged on collapse. This was confirmed by the Independent Development Trust (IDT) which conducted a survey of civil society organizations in the aftermath of the new era (Kihato & Rapoo, 1999, p.40).

Essentially, the funding crisis led to the formation of the Transitional National Development Trust (TNDT) which had a life span of two years. Basically, TNDT was mandated to deal with the financial crisis in the NPO sector and was involved in processing applications from NPOs and disbursing government and donor funds to the organizations. Due to the severity of this funding crisis, the then President, Thabo Mbeki even launched an official inquiry into the problems that were being faced by civil society. This inquiry led to the formation of the National Development Agency in 1997 which took over from TNDT permanently. However, it was also interesting to note in the Independent Development Trust report that the general feeling among NPOs that participated in the survey was that the government itself may have worsened the financial crisis because of its intermediary role in the disbursement of funds from overseas donors.

This was explained by the fact that when government received overseas funding for example (bilateral funding), it then chose the organizations to fund for implementation of projects and services delivery. The role of the government as the funding middleman was seen to be problematic by the civil organizations that participated in this survey (Kihato & Rapoo, 1999). In addition, the civil organizations that participated in the study also felt that their funders, whether government or other donors, had their own interests and political agendas that were not necessarily driven by the needs of the communities.
Funding comes with strings attached. As advanced by Kihato and Rapoo (1999), there is a strong possibility that NPOs portray themselves largely in a manner that their funders want them to project themselves. They are aware of their funder’s priorities and preferences and tend to align themselves with these priorities. The issue of capacity building at times tends to be severely compromised as donors of NPOs usually assume that because they are the funders, they know what is best for NPOs and how to capacitate them. Sometimes their prescriptions for capacity building fail as the actual recipients of their funds i.e. the NPOs fail to take ownership and in the end, they are not capacitated.

Donors, whether government or Northern NGOs, tend to have excessive power (James, 2002). Donor dictatorship or donor prescription therefore tends to occur and in the process, NPOs may lose their autonomy and ultimately deviate from their original purpose. Government as a donor may also require that NPOs undertake certain programmes in line with their own policies and drive their own political agendas through the NPOs they fund.

In the post Apartheid era, registered NPOs may access funding from the government or the National Development Agency or the National Lottery Distribution Trust Fund (NLDTF). In addition, they may have other donors or still access donor funds through bilateral funding given to the government. It is therefore not surprising that there have been strained relations between NPOs and their funders at times due to non disbursement of funds allocated to the NDA and through the National Lottery (Latchman, 2007). At times, it has been due to delays in disbursement of funds which have had huge implications for the services of NPOs. Latchman (2007) highlighted the looming funding crisis that was widely covered by the media in 2007. Some of the civil society organizations funded by the National Lottery were contemplating court action against the NLDTF over its failure to disburse payments as outlined in grant agreements. Some of these organizations rely solely on NLDTF for their funding. It is important to note that it is only registered NPOs that can access funding from state funding agencies in terms of the Lotteries Act, the National Development Agency Act and the Taxation Amendment Act of 2000. Informal unregistered organizations cannot access such funding and it is
interesting to note that these unregistered organizations form the bulk of Non-Profit Organizations and offer a variety of social services to various communities, particularly the poorer communities. Habib (cited in Barnard & Molale, 2007) referred to these organizations as mainly operating in marginalized communities, having no relationship with the state but they are preoccupied with assisting people to survive the ravages of neo-liberalism and they receive neither resources nor recognition from the state.

2.8 State – NGO Relations in South Africa and the Legislative Framework

Having considered the theories of NPOs and the history of their development, it is imperative to discuss the legislative framework within which NGOs in South Africa operate. A brief background to the formation of this Act is necessary in order to appreciate why this Act was put in place in 1997. Prior to 1994, South Africa had a common law that did not hinder or bar the formation of NPOs. However, there was no deliberate and conscious support for the formation of such organizations (Swilling & Russell, 2002). Hence, in 1997 the government of South Africa passed the Nonprofit Organizations Act which was “intended to encourage smaller community based organizations to formalize their governance structures and procedures to access government financing for their programmes” (Patel, 2005, p.94). The legislation was then followed by the Tax Amendment Act of 2000 which was ideally meant to create a more enabling environment in which NGOs could operate more effectively. NPOs in South Africa play a crucial role in service delivery and compliment government in ensuring that services /public goods reach the poorest communities. According to Patel (2005), policy and enabling legislation were developed to promote inclusive partnerships. The Welfare Laws Amendment Act 106 of 1997 was also passed to make financial awards to NPOs rendering developmental social welfare services. This legislation was followed by the Taxation Amendment Act of 2000 which “also provided for a more favorable tax regime to support non-profit organizations” (Patel, 2005, p.108).
The Nonprofit Organizations Act of 1997 was created with five specific objectives in order to encourage and support these organizations in their contribution towards meeting the diverse needs of the population. The Act seeks to:

1. Create an enabling environment in which nonprofit organizations may flourish;
2. Establish an administrative and regulatory framework within which nonprofit organizations can conduct their affairs.
3. Encourage nonprofit organizations to maintain adequate standards of governance, transparency and accountability and to improve those standards;
4. Create an environment within which the public may have access to information concerning registered nonprofit organizations; and
5. Promote a spirit of cooperation and shared responsibility within government, donors and amongst other interested persons in their dealings with nonprofit organizations (Nonprofit Organizations Act No.71, 1997).

The Act also outlines the State’s responsibility to Non-Profit Organizations by creating an enabling environment that enhances the capacity of such organizations. In order to fulfill this commitment, the Act makes provision for the Minister to appoint a Director within the National Department as Director of Nonprofit organizations. The Act then elaborates on the functions of this Directorate as well as makes further provision for the Minister to appoint a Panel of Arbitrators and an Arbitration Tribunal. The Act also empowers the Minister to appoint a technical /advisory committee. In addition, and as a matter of law, all Nonprofit organizations that are not organs of the state are required to apply for registration through the Director of Nonprofits after which, if they satisfy the minimum requirements, they may then be registered. Where registration is denied, the Act makes provision for an appeal.

In as far as the funding framework is concerned; the Act established a centralized agency for funding NPOs through the National Development Agency Act of 1998 and the Lotteries Act of 1997. The primary role of the National Development Agency is to contribute towards poverty eradication by granting funds to civil society organizations working with the poorer communities (Swilling & Russell, 2002). Financial support was
further enhanced by the Taxation Amendment Act of 2000 which sought to reduce the tax burden of NPOs by exempting them from income tax as well as exempting donors from donations tax. The assumption in this instance is that NPOs are contributing towards what is termed in the Companies Act as public benefit in a non-profit manner. Hence most formally registered NPOs in South Africa are also registered as public benefit organizations and in terms of the country’s Taxation Amendment Act, a public benefit organization is one that is engaged in public benefit activities. The Act in terms of section 30 (1) defines a public benefit organization as “any organization of a public character, which is a section 21 Company trust or association and the sole objects of which are to carry one or more public benefit activities in a non-profit manner and subject to certain trading restrictions (Swilling & Russell, 2002, p. 78).

In accordance with this legislative framework, the government’s main aim has been to draw NPOs into funding and delivery of services and social development projects. The government’s arrangement includes a national registration procedure for NPOs which is managed by the state itself, a national lottery and a state funding body as well as taxation laws to stimulate grant making and donations to the sector. However, it is important to note that while the state manages the registration procedure, the Act does not give it the power to decide who is and who is not allowed to organize as an NPO or form an NPO (Swilling & Russell, 2002). However, in the passing of this act and other supporting Acts such as the Lotteries Act, the National Development Agency Act and the Taxation laws would seem to demonstrate the government’s willingness and commitment to deliver public services. This conclusion is further supported by the fiscal resources the state commits annually to social services.

There is however a concern in relation to government’s fiscal commitment in funding communities. This concern arises from the research findings of Swilling and Russell (2002). In their study of civil society, they established that the NPO sectors which received most of government’s funds were characterized by well developed, formal NPOs which tended to be more active in established, urban, working class and middle class communities than in poorer communities. This finding suggested that NPO funding
is relatively more difficult to access if the organizations are operating in poorer communities, a finding that is supported by the fact that most NPOs in South Africa are less formalized community-based organizations that are not recipients of government aid. For example, the study found that 53% of NPOs in South Africa were less formalized (Swilling & Russell, 2002). This finding highlights a problem as it implies that funding may have an urban bias to it, meaning that less resources are likely to be directed to the poor especially in the rural areas where the majority are trapped in the poverty cycle.

Chambers (1983) postulated that rural poverty is under-perceived by outsiders who have not experienced rural life and live in the urban areas. In his analysis, ‘outsiders’ were defined as those people concerned with rural development who are themselves neither poor nor rural with many of them being government staff, aid agency personnel, businessmen, bankers, researchers and workers in voluntary agencies among others. If these ‘outsiders’ visit the rural areas, their visits are often hurried and brief and therefore they do not access the poorest of the poor who often live in unknown hinterland where there are bad roads and where the poor live in places hidden from the main centres of activity. As a result, the real poor are seldom seen or met by the outsiders who then sit and make policy decisions which are not well informed in terms of the dynamics of rural poverty because they basically choose what to do and what not to do.

The commitment from government is there but more still needs to be done so that adequate funds are channeled to NPOs which in turn target the poorest of the poor with no biases if poverty is to be eradicated on a wider scale in South Africa. Patel (2005, p. 51) posited that poverty remains one of the greatest challenges facing Southern Africa countries. As it stands, poverty is probably the worst threat to the country and with unemployment and the HIV/Aids pandemic; poverty continues to rise in South Africa at alarming levels. The state is increasingly under pressure to increase funding for social security grants particularly the foster child grant and child support grant as more and more children continue to be orphaned mainly because of HIV/Aids (Patel, 2005). Patel (2005, p. 133) further advanced the notion that a more sustainable foster care model was needed to meet the challenges of the HIV/AIDS pandemic. There is therefore increasing
fiscal pressure on the state as the demand for grants continues to rise and this call for more collaborative efforts between the state and NPOs which have been contracted by the State to deliver the bulk of social services. The collaborative partnership will require increasingly sustainable funding bases for NPOs as well as timely and efficient disbursement of funds to this sector if the country is to mitigate the effects of poverty and eventually eradicate it at national level. Swilling and Russell (2002, p. 35), noted that NPOs which received most government funding tended to be well developed and formalized organizations and they tended to be more active in established urban working class and middle class communities than in the poorer communities.

In light of this finding, state funding patterns will need to be inclusive of the poorer communities. In addition, it is the researcher’s view that state funding to Non-Profit Organizations should be structured in such a way that it encourages NPOs to re-direct their efforts to poorer communities not only in urban areas but most importantly rural areas. State funding should also effectively demonstrate the level of importance that government ascribes to poverty eradication in communities as well as rural development. Without these fundamentals being addressed, service delivery will continue to be compromised whilst poverty continues to flourish in South Africa. On a positive note, government’s commitment is acknowledged; however it is the transforming of this commitment into action on the ground that poses a threat to the NPO sector service delivery mandate. It is widely accepted that service delivery in South Africa is problematic especially for the poorest of the poor who are unemployed, impoverished by disease, lacking shelter and basic sanitation services to mention just a few social problems. The xenophobic attacks that erupted in Alexandra in May 2008 point to the growing public frustrations over service delivery in poorer urban communities. In view of this scenario, it is the researcher’s opinion that the government cannot do without NPOs; neither can NPOs do without the state. Service delivery will only thrive if the two are engaged in a healthy partnership coupled with private sector engagement.
2.9 Importance of the NPO Sector in South Africa.

2.9.1 The Ten Point Plan
In 2000, the Ministry of Social Development came up with a strategic plan for the department and this plan was launched in January 2000. This strategic plan came to be known as the Ten Point Plan. However, for purposes of the current research, consideration will only be given to strategy plan number 9, Commitment to cooperative governance. The Department pledged that all its work must be based on a commitment to cooperative governance that includes working with different spheres of government and civil society. For purposes of clarity, civil society is defined as “an arena embracing a range of entities that have become key actors in the design and implementation of social policy. These include non-governmental organizations (NGO/NPOs) at both domestic and international levels, grassroots or community based entities such as village associations, trade unions and the churches as well as social movements that may bring together one or more CSOs in the pursuit of specific goals” (Hall & Midgley, 2004, p.15). An important aspect of this strategy is the recognition by state departments of NPOs and the critical role they play. It is emphasized that if government strategies are to succeed, they have to cooperate with civil society. It therefore seems reasonable to assume that the role of NPOs in welfare and development in South Africa is necessary for the State to meet its goals.

Section 20 of the White Paper for Social Welfare states that South Africa has a fairly well developed social security system and a rich institutional framework of welfare services delivered by NGOs and that these organizations have the infrastructure and other resources which could help them to play a significant role in reconstruction and development (White Paper for Social Welfare, 1997). This statement suggests that the role that NGOs play is taken seriously as it acknowledges that these organizations have greater capacity for development and the White paper is based on the principle of partnerships with civil society. Earlier in 1994, the Reconstruction and Development Programme (RDP) had been drawn up with assistance from a wide range of NPOs. Even
when the RDP was replaced by the Growth, Employment and Redistribution Programme (GEAR) in 1996, the central role played by NPOs in alleviating poverty was emphasized. Basically, the programme expected NPOs to act as monitors of public goods provision and take care of the interests of the disadvantaged by actively expanding social and economic services to the poor (Swilling & Russell, 2002).

In conclusion, like many other organizations, there are a number of challenges that NPOs tend to face and central to these challenges is invariably the issue of a funding gap which in turn tends to exert effects on all other operations of NPOs. These effects range from high staff turnover, incomplete projects, hostility among NPOs as a result of competition for resources, non synchronization of projects, duplication amongst NPOs themselves and poor quality of service among many others. On the other hand, there are scholars who argue that the reliance or rather over-reliance of NPOs on grants from Government or donors tends to diminish their independence and their purpose may be overridden by the sponsor/donor whichever is applicable. Consequently, there is growing interest in sustainability of NPOs and how they capacitate themselves to move away from financial over-reliance on donors. Hulme and Edwards (1997 cited in Hall & Midgley 2004, p.16) conceded that “their contractual role as service providers and project implementers can make NPOs heavily dependent on financial support from government and international agencies, compromising their traditional autonomy, bringing them ‘too close for comfort’ to the State and weakening their links with the grassroots”.

2.10 Size of the Non-profit Sector in South Africa

It would appear that the literature available on the size of the NPO sector in South Africa is not based on highly accurate statistics. The first major study was conducted by the University of the Witwatersrand Public and Development Management Graduate School and the Centre for Civil Society (CCS), University of Natal and published in 2002. In this report, civil society is taken to refer to the Non-Profit sector. The statistics point to the fact that the NPO sector plays a diverse and critical role in both the economy and social development of the country. The report acknowledges that civil society represents a
vibrant third sector in South Africa after the state and the market. This assertion can be supported by the following facts:

It was found that the total operating expenditure of NPOs in 1998 was 9.3 billion rands which represented about 1.2% of the gross domestic product. The NPO sector was also found to be a major employer in that it employed about 645, 316 people in either full, part time or voluntary categories. This number far exceeded the number of employees in other key sectors of the country such as mining, construction, transport and the finance sector. In 1999, it emerged that there were about 98, 920 NPOs operating in the country although about 53% of these NPOs were less formalized and community based. In addition, it emerged that most NPOs were found to be located in the social services, development and housing sectors. Moreover, the study found that total employment in the sector in 1999 exceeded the number of employees in many of the major economic sectors in the country such as mining, construction, transport insurance and real estate to mention just a few. Tables 2.1 and 2.2 demonstrate the fact that the sector is a major employer in South Africa.

Table 2.1: Number of Fulltime Equivalent (FTE) employees (including volunteers and part-time employees) in the non-profit sector (extracted from Swilling & Russell, 2002, p.16).

<table>
<thead>
<tr>
<th>Employee type</th>
<th>Number of employees</th>
<th>Percentage of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time employees</td>
<td>305 011</td>
<td>47</td>
</tr>
<tr>
<td>Part-time employees (FTE)</td>
<td>23 314</td>
<td>4</td>
</tr>
<tr>
<td>Volunteers (FTE)</td>
<td>316 991</td>
<td>49</td>
</tr>
<tr>
<td>Total number of employees</td>
<td><strong>645 316</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Table 2.2: Non-profit Fulltime Equivalent (FTE) workforce compared to workforce in other economic sectors (extracted from Swilling & Russell, 2002, p.16).

<table>
<thead>
<tr>
<th>Sector</th>
<th>FTE Workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-profit sector</td>
<td>645 316</td>
</tr>
<tr>
<td>Mining industry</td>
<td>534 000</td>
</tr>
<tr>
<td>Public servants in national departments</td>
<td>436 187</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>309 203</td>
</tr>
<tr>
<td>Construction</td>
<td>301 371</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
<td>267 779</td>
</tr>
<tr>
<td>Financial intermediation, insurance and real estate</td>
<td>218 378</td>
</tr>
</tbody>
</table>

In terms of the income and expenditure of NPOs, it was found that government was the major funder and contributed about 42% of their income in 1998 out of an estimated total of 14 billion rands. Other funding comprised private sector funding to the tune of 25% and about 34% was from self generated income (Swilling & Russell, 2002). These findings highlight the economic importance of the NPO sector. The government itself recognizes this role and appears to take it seriously. This explains the government’s efforts in funding this sector, their emphasis on the role of NPOs in development as expressed in their various programmes and the sector’s inclusion in policy debates from the green paper stages to the publication of white papers. It also explains and justifies the government’s commitment of fiscal resources to the sector. The interdependence between the state and this sector can be said to be rooted in the government’s corporatist approach where NPOs act as conduits for government in development and public services and the government is heavily involved in funding and investing in social programmes.

The Government sees the benefits of this collaboration if it is to achieve its development goals. The NPO sector continues to grow and drive the country towards achieving national goals as well as the Millennium Development Goals. As South Africa stands, it would appear to be on track in terms of the first three millennium goals only but more needs to be done to achieve the 2015 target (United Nations Development Programme, 2007). The targets can only be achieved and accelerated with active participation and continued as well as timely funding of the third sector.
2.11 Major strengths of Non-profit organizations

Much of the literature on the non-profit sector focuses on the many advantages that characterize NPO organizations in relation to other types of organizations. Writers such as Lewis (2002) have therefore tended to portray NPOs positively. This section outlines the major strengths that have been attributed to these organizations followed by a section outlining the major criticisms that have been leveled against the very same organizations that have been portrayed as saviours of the poor.

Firstly, it is widely accepted that NPOs can encourage and facilitate participation of the poor because they can reach those segments of the population that have been bypassed by public delivery systems of the government which normally suffer from resource shortages. In addition, government sector agencies tend to be heavily influenced by the interests of the elite (Lewis, 2001). Further advancing the support for NPOs is the economic argument which postulates that NPOs are generally more efficient than government because they provide services in a more cost effective manner than government. Smith (1987 cited in Lewis, 2001, p.76) found that these organizations were more efficient than government because they enjoy a greater cost advantage due to lower labor costs, because of voluntary local inputs which make no provision for depreciation, hence omitting transaction costs such as site selection, information gathering and the long range of recurrent costs. The economic argument postulates that these organizations are more cost effective than government agencies because they are able to generate sufficient, self-reliant and sustainable interventions (Lewis, 2001).

The researcher disagrees with this argument to the extent that it is based on the notion that NPOs can be self reliant. This is irreconcilable in the face of ever increasing sustainability problems faced by these organizations, particularly in capitalist South Africa, with NPO reliance and at times over-reliance on donor funding and the day to day difficulties they are subjected to as a result of delayed disbursement of funding and diminishing donor retention. Political arguments have also been advanced in support of non-profit organizations with the major argument being that these organizations are less vulnerable to sudden political changes than government agencies. In addition, it has been
argued that government agencies often have hidden agendas which are primarily motivated by the desire to win votes and establish client-patron relationships. To add to this dimension is the assumption that government policies and finances are typically urban based and deliver mainly to politically favored areas and NGOs can counter this by targeting poverty in a better manner. NGOs are then portrayed as being honest because their work is not influenced by political considerations (Lewis, 2001, p.77). However, this argument raises questions about those NPOs that are mainly involved in advocacy and lobbying and simultaneously seeking a change of government. The question here is whether or not these NPOs can then be said to harbor political ambitions because in terms of history, some NPOs have been known to actively seek and influence a change of government. Would it then be entirely true that their work is not influenced by political considerations? The cultural argument in favor of NPOs postulates that these organizations are more sensitive to local culture and hence are better equipped to assess as well as meet local needs (Lewis, 2001).

Their innovativeness is seen in light of the fact they can involve local communities in the identification and resolution of development problems compatible with community values and norms. In cases of community based NPOs, members of these organizations may live in the community or belong to the community they serve; hence they may tend to enjoy more community legitimacy and support. In turn, support from the community may result in community members applying their knowledge and technologies which they have developed themselves over time to suit their own needs. In this instance, NPOs may be well placed to unlock local knowledge and talent with more success than the government (de Beer & Swanepoel, 2000). Their comparative advantage over government agencies is seen in terms of four main areas. Cernea (1988, cited in Lewis, 2001, p.77) in his report for the World Bank, described the four main areas when arguing that (1) NGOs reach the poor in remote areas where government does not reach; (2) they operate at a lower cost due to the voluntary nature of their activities and lower technological overheads; (3) they are able to promote local participation by working with community groups as partners and promoting local control of programmes; and (4) they are better able to innovate and adapt to local conditions. In his pro-NGO report, Cernea
(1988, cited in Lewis, 2001, p.77), basically sought to illustrate and support one common assumption about NPOs, namely that they are effective and good at what they do.

Lastly, there are some writers that believe these organizations, by playing an advocacy role, promote effective governance. This is true but not in all instances and largely depends on the financial circumstances of the NPO. Some NPOs rely on government funding and may find that it is not in their best interests to speak against their donor as it may be tantamount to biting the hand that feeds you as well as inviting reprimands and penalties on the part of government. Such reprimands may come in the form of withholding resources and knocking the concerned NPO out of the game. However, there are other writers who believe that it is a myth to assume that these organizations are effective and one finds that there are many other writers who have adopted an anti-NGO stance.

2.12 Major criticisms and weaknesses of Non-profit organizations

Much importance has been ascribed to the non-profit sector. However, despite the many arguments that have been advanced in support of non-profit organizations over private and state organizations, there have also been fair criticisms leveled against them. For example, writers such as Tendler (1982 cited in Lewis 2001, p.78) have written about the critical weaknesses of NPOs and advanced arguments to support these claims. In her analysis of donor evaluations of seventy-two NGO projects around the world, Tendler found that many of these organizations were often top-down rather than participatory when it came to decision making and that villagers (the recipients/clients) of the project were often not involved in NGO project design and if they got involved at all, it was a very marginal involvement. Farrington and Bebbington (1993, p. 24) summed up the issue around representativeness by saying, “while NGOs may be seen by some as vehicles of democratization, their own house is not always in order in this regard”. This criticism is tantamount to implying that these organizations must practice what they preach and live in the shadow of how they are generally perceived i.e. as vehicles for democracy. In addition, the analysis advanced the idea that local elites often influenced
or controlled NGO programmes and that NGOs tended to introduce known techniques into new areas rather than innovate new techniques themselves.

Other writers have put forward the notion that NPO/NGOs do not constitute real movements of the poor because they are simply groups of people brought together on the strength of provision of resources from outside. Furthermore, due to the fact that they tend to rely on resources from outside, their sustainability tends to be very weak because these organizations fade as soon as resources (external) no longer flow in their direction. The external flow of resources also renders them ineffective in decision making or actions in which they are not independent (Lewis, 2001). The other argument that has been advanced as a weakness of the third sector is that these organizations, contrary to popular belief that they help the poor, actually harm the interests of the poor because they help in diffusing possibilities for genuine radical action by the poor as they assist them in keeping them just above the poverty line, hence worsening the position of the poor (Arellano-Lopez & Petras, 1994 cited in Lewis, 2001, p.79). This critique suggests that if NPOs were not there, the poor would rise into action and fight for their own rights. The neo-colonialist critique further implies that NGOs are simply servants of foreign capital serving its interest in the Third World (Lewis, 2001). It is however this researcher’s opinion that the neo-colonialist critique is weak in that it fails to take into account the fact that not all NPO/NGOs are funded by foreign capital and resources. It does not appear to take into consideration organizations such as community-based organizations (CBOs), grassroots organizations (GSOs) and governmental based organizations that work with the poor and do not receive foreign resources.

The small scale size of NGOs has been another criticism leveled against third sector organizations. The argument advanced is that these organizations can never meet the needs of all the poor because that is not their role but rather the role of government. It is argued that NGOs are too small and operate in too piecemeal a fashion and in fact may, according to the UNDP, (1993 cited in Lewis, 2001, p.79); end up weakening government in the long run as well as perpetuating and encouraging government’s inefficiency. To support this argument, an example is advanced of NGOs in Bangladesh
where the sector is characterized by some of the most large scale influential NGOs anywhere in the world yet the total combined effort may only reach about 20% of the landless population of the whole country and still leaves a huge gap (Lewis, 1992 cited in Lewis 2001, p.79). Arguing against the small size of NGOs and their limitations, Sheldon Annis (1988, p. 209 cited in Farrington, Bebbington, 1993, p. 23) posited that “in the face of pervasive poverty, small scale can merely mean insignificant, politically independent can mean powerless or disconnected, low cost can mean underfinanced or poor quality and innovative can simply mean temporary or unsustainable”.

The small scale weakness of NGOs is further exacerbated by capacity problems in that they tend to have limited technical and professional resources at their disposal and may lack the expertise to address specific problems or challenges that may confront them (Farrington & Bebbington, 1993). Edwards and Hulme, (1992, cited in Hall and Midgley, 2004, p. 221) further contribute to the criticism of NGOs by asserting that “despite the claim that the voluntary sector is able to avoid the bureaucratization and rigidity of government, and that it is more innovative and responsive to local needs, there is a great deal of evidence to show that bureaucratization and unresponsiveness are not the prerogative of government” They go further to assert that agencies can be inefficient, exclusive in their approach and wasteful of resources. This line of argument basically demonstrates that whilst inefficiency and ineffectiveness are normally associated with government’s bureaucratic machinery, the same can be applicable to non-profit organizations.

In addition to these criticisms, the problem of accountability is believed to constitute a major problem in these organizations. “NGOs are seen as relatively unaccountable to local citizens, and their receipt of increasing amounts of foreign funds conflicts with the sovereignty of the state” (Sogge et al 1996; Wood, 1997;Trevdt, 1998 cited in Lewis, 2001, p. 79). The argument in this instance is that NGO accountability may easily shift towards foreign governments and Northern NGOs and away from local people and local structures. Such a pattern is supported by Lewis (2001, p.79) when he refers to the periods of the humanitarian crisis in Somalia and Sudan. Tied to this argument is the
notion that NGOs tend to interact poorly with government and weaken local institutions (Abdel Ati 1993; de Waal & Omar, 1993 cited in Lewis, 2001, p.79).

The argument of paying allegiance to donors or funders or being more accountable to them by NGOs holds some merit as these organizations normally tend to tilt their loyalty more to their resource bases, particularly when they rely on funding as the backbone of their existence. However, the argument is still weak in the sense that it works on the assumption that these organizations are always foreign funded. Even where they are locally funded, NPOs may still tend to be more accountable to their local funding sources to ensure their continued existence in the absence of their own sustainability strategies. However, foreign funding poses more problems of accountability in the sense that it is not subject to mechanisms of accountability and therefore poses problems to developing country governments. Farrington, Bebbington et al. (1993, p. 22 argue that NGOs “may receive money in the name of the rural poor but the only mechanism to ensure that funds are properly used is follow-up by the financing agency” This argument supports the notion that these organizations may distance themselves from government and local institutions as well as weaken government.

On the other hand, it may mean that because of the foreign funding aspect, they remain dependent on a foreign policy environment which they have no control over and cannot influence foreign donor policies which may change at any time and this is the same policy environment that is said to often determine the outcome of NGO projects (Bebbington, 1991; Carroll, 1992; Clark, 1991 cited in Farrington, Bebbington et al., 1993, p. 22-23). However, on the other side of the accountability issue is the argument that developing country governments may be more motivated to monitor NGOs and make them accountable, merely out of the desire to gain access to their funds and monitor them for political reasons other than for accountability to the citizens. This scenario could occur, especially where NPO-state relations are adversarial and NGOs are oppositional to governments.
Among the many other criticisms of NGOs, issues of efficiency have been advanced as a major weakness. It is believed that NGO projects often have very poor cost-benefit ratios, they are unsustainable in the long run and they lack the capacity to replicate within the wider society (Ellis, 1984 cited in Lewis, 2001, p.80). A further idea that is advanced is that NGOs spend more time in service delivery than governments do so that it is not surprising when they claim better results. According to this argument, because they have far more resources than government and if the government could access the same funding, they could still achieve success and claim the same level of success with service delivery. Merrington, (1991, p. 16 cited in de Beer & Swanepoel, 2000, pp.118-119) summarized the weaknesses of NGOs by postulating that NGOs demonstrate inadequate planning, organization and management, they experience inadequate staff training, display an inability to replicate projects and ensure sustainability and they are also unable to effectively collaborate with government services.

In addition, he identified a lack of co-ordination of the efforts of individual NGOs to ensure an effective macro-level spread of development. According to Clark, NGOs pay too little attention to leadership and management training (Clark, 1990, p.57 cited in de Beer & Swanepoel, 2000, p.119). He further criticizes NGOs for their inability to learn from the mistakes of other NGOs because they normally experience high levels of isolation and the rivalry that exists among them renders them incapable of implementing truly integrated development actions which would benefit from economies of scale. Their weakness in leadership and training is their nemesis which renders them incapable of performing complex projects and tasks which in turn may hinder the ability of NGOs to scale up and replicate projects on a regional or national scale (Brown & Korten, 1989, p.16 cited in de Beer & Swanepoel, 2000, p.119)

Lastly, it has been said that NPOs suffer from what has been termed the ‘founder’s syndrome’ (Block, 2004). He defined founders as those who establish non-profit organizations as extensions of their personal visions and drive. “Founder’s syndrome consists of an array of influential powers and privileges that are either exercised or attributed to the founder of a non-profit organization” (Block, 2004, p. 136). Syndrome in
this instance therefore connotes troublesome conditions and Block basically argues that balancing and sharing power are not normally the norm of the founder as founders tend to dominate and influence the direction of the organization and seek to control the destiny of the organization. Founders versus non-founding members of non-profit organizations may appear to be engaged in behaviours that tend to escalate problems. This syndrome may pose a problem for NPOs, particularly where the founder’s actions may not be consistent with those of the non-founding members and this can transform into an autocratic type of leadership causing internal problems for the organization.

It is therefore not surprising that NPOs have been criticized for suffering from the ‘founder’s syndrome’ in some instances. However, it is the researcher’s contention that founder’s syndrome cannot be exclusive to NPOs only as it can be equally applicable to private organizations in a business setting and especially to political parties particularly in Africa where some political leaders tend to hang on to power at any cost because they believe they founded the political party, and they cannot trust the party to proceed “successfully” in their absence. Hence dictatorship and political repression often become the order of the day as they remain adamant that no other political party can rule the country and they cling to power. Any opinions contrary to those of the founder are seen as threatening and confrontational to the political order and democracy merely becomes a concept which is paid lip service only, but in practicality, cannot be pursued. The syndrome only becomes visible if the founder lacks professional and leadership skills to steer his/her organization in the right direction. Such managerial incapacities and deficiencies can therefore be present in any type of organization and not necessarily NPOs and it is what is done to address such deficiencies that can either erase or perpetuate founder’s syndrome.

In conclusion, many criticisms have been leveled against NPOs and issues have mainly centered around their accountability, capacity challenges, professional and technical limitations, problems of coordination and limited impact and replication to the wider society, problems of being small in their operations and lastly their perceived lack of democracy and a participatory approach to the poorer citizens whom they supposedly
serve. It should be accepted that NPOs have many weaknesses and functional limitations but this does not negate or erase the contributions of this sector to service delivery but merely diminishes their impact in some instances as these criticisms cannot be applied as a blanket assessment to all NPOs.

These organizations are unique and there are examples that point to the fact that they are often better equipped to deliver services to the poorest of the communities just like there are examples where government impact on service delivery has managed to surpass that of third sector organizations. Much of their success or failure is externally influenced by government policies, the environments they operate in, their external donors and the political environments under which they operate. Their contributions can therefore never be dismissed at face value nor compared to government (the first sector) and the private sector (second sector). Rather, they should be seen as a vibrant and widely diverse sector existing alongside the state and the market. They cannot function like the government or the market and in similar vein; the state and the market cannot function like NPOs. The state, the market and civil society are unique structures that should ideally compliment each other in service delivery and poverty alleviation.

2.13 Major problems and challenges confronting the Non-profit sector
NPOs, in their diversity and nature, tend to face many problems and have to be constantly on their toes in order to survive. Swilling and Russell (2002) in their report on civil society in South Africa found that the lack of a sustainable funding base and lack of organizational and managerial capacity constituted major problems for the sector. In their survey of civil society, the three most serious problems facing the sector were mainly to do with government’s lack of financial support, government’s lack of general support and lack of contributions from the public. The problems faced by NPOs that participated in this survey in South Africa are demonstrated in Table 2.3. What can be noted from this study is the problem many NPOs seem to face when it comes to dealing with government and yet in South Africa, government is the largest funder of NPOs. The contents of Table 2.3 underscores the diversity of challenges and problems non-profit organizations face and this is not only applicable to the South African context where the study was
undertaken, but may be applicable to any other NPO in any country. What may differ is the severity of the problem as it tends to be largely influenced by the country specific environment under which these organizations operate, that is the legal, financial, economic and political environment. Hence one may find that whilst political instability was among the least of the problems among NPOs in South Africa, it may be rated as a serious problem in a country like Sudan, Somalia, Rwanda or Zimbabwe where for instance, the country is facing political challenges that have affected the operations of many NGOs that are now perceived as working in cahoots with the opposition and pursuing an international agenda. Although in South Africa at the time of the Swilling and Russell study, political instability was insignificant, it is possible that that this factor might appear to be a major problem, particularly in light of the in-fighting and divisions within the ruling ANC party at the time of the study. Table 2.3 also illustrates the point that the most serious problem confronting NPOs tends to be a lack of financial support.

Coupled with the financial difficulties of NPOs is the issue of capacity problems with capacity mainly referring to a lack of administrative capacities, lack of effective management, lack of technical and professional skills and limited communication systems and monitoring. Financial incapacity means that they are not in a good position to attract professional expertise because many cannot offer market-related salaries (Kihato & Rapoo, 1999). It would then appear that major problems faced by NPOs emanate from a lack of financial resources and their continual struggle to build as well as maintain a sustainable funding base.
Table 2.3: Problems NPOs rated as most serious by percentage of all NPOs surveyed
(data extracted from Swilling and Russell, 2002, p.87)

<table>
<thead>
<tr>
<th>Problem</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of government financial support</td>
<td>55</td>
</tr>
<tr>
<td>Lack of government support</td>
<td>53</td>
</tr>
<tr>
<td>Lack of contributions from the public</td>
<td>45</td>
</tr>
<tr>
<td>Lack of contact with potential funding sources</td>
<td>44</td>
</tr>
<tr>
<td>Inadequate office equipment and supplies</td>
<td>39</td>
</tr>
<tr>
<td>Delays and red tape in releasing financial support</td>
<td>32</td>
</tr>
<tr>
<td>Low salaries and benefits</td>
<td>30</td>
</tr>
<tr>
<td>Difficulty locating affordable office space</td>
<td>30</td>
</tr>
<tr>
<td>Lack of experience in fundraising</td>
<td>28</td>
</tr>
<tr>
<td>Lack of favorable tax treatment for contributions</td>
<td>25</td>
</tr>
<tr>
<td>Inability to generate income from client fees</td>
<td>24</td>
</tr>
<tr>
<td>Limited public awareness of type of organization</td>
<td>23</td>
</tr>
<tr>
<td>Difficulty recruiting volunteers</td>
<td>23</td>
</tr>
<tr>
<td>No exemption from, or reduced rates for taxes and services from local government</td>
<td>21</td>
</tr>
<tr>
<td>Bureaucratic requirements of NPO Act with no reward for registration</td>
<td>21</td>
</tr>
<tr>
<td>Competition from for-profit business</td>
<td>20</td>
</tr>
<tr>
<td>Pressures to raise income from selling services and products</td>
<td>20</td>
</tr>
<tr>
<td>Lack of clear legal status</td>
<td>19</td>
</tr>
<tr>
<td>Inaccessible policy processes</td>
<td>18</td>
</tr>
<tr>
<td>Difficulty recruiting able staff</td>
<td>18</td>
</tr>
<tr>
<td>Lack of staff training</td>
<td>17</td>
</tr>
<tr>
<td>Excessive reliance on foreign funding</td>
<td>16</td>
</tr>
<tr>
<td>Lack of policy direction</td>
<td>16</td>
</tr>
<tr>
<td>Difficulty managing volunteers</td>
<td>16</td>
</tr>
<tr>
<td>Inadequate professionalism amongst staff</td>
<td>14</td>
</tr>
<tr>
<td>Low employee morale</td>
<td>11</td>
</tr>
<tr>
<td>Hostile public attitudes</td>
<td>10</td>
</tr>
<tr>
<td>Ethical issues</td>
<td>9</td>
</tr>
<tr>
<td>Political instability</td>
<td>9</td>
</tr>
</tbody>
</table>
2.14 Integrated Service Delivery Model

Service delivery of social services in South Africa has come a long way since the end of the Apartheid era. As already mentioned the government and NPOs’ partnership to deliver services has seen an improvement in the lives of communities previously disadvantaged but still, to date not all the social needs of the poor have been adequately addressed for the poor. The Department of Social Development therefore developed the Integrated Service Delivery Model in 2006 in-order to provide a comprehensive national framework that clearly sets out the nature, scope, extent and level of social services. The purpose of the model was to also set the appropriate norms and standards for social service delivery. Underpinning this model was the need to have an affective service delivery system based on the principles of equity as advocated in the White Paper for Social Welfare and the constitutional, legal and international obligations that inform the mandate of the Department of Social Welfare in the provision of social services (Integrated Service Delivery Model, 2006, p.5).

The emphasis of the model was based on integration across departments, in order to have effective and efficient service delivery. According to the Department of Social Development, the model was adopted against the background of the developmental challenges facing South Africa, given its unique history as well as the need to promote sustainable development. The other equally important rationale for adopting the service delivery model was based on the fact that over the past years, the focus on social services was dominated by social security but to the detriment of other social services because of the crowding-out effect on the social security budget (Integrated Service Delivery Model, 2006, p.8). Due to this crowding-out effect, the Department of Social Development acknowledged that social service practitioners had been forced to adopt a “make-do” approach dictated by resource limitations rather than the actual needs, priorities, statutory and internationally ratified obligations.

Given the purpose of the service delivery model, it is worth noting that there are still challenges to delivery of social services, chief among them being the issue of funding. However, poor service delivery cannot be attributed to funding only and it is important to
acknowledge the other factors that come into play, such as lack of human resource skills and lack of human resources such as social workers. As such, South Africa has from time to time experienced waves of protests from citizens demanding quality service delivery. For example, during 2004-2005, a series of protests erupted in a number of municipalities. These protests were actually termed service related protests and centered on complaints such as lack of housing delivery, lack of health care and sanitation services to mention just a few (Botes, 2007). Bond (2000, p. 150), in commenting on service delivery, stated that “in post-apartheid South Africa, these breeding places of disease - the mass shanty towns and squatter villages, the hostels, the decaying inner-city areas, the nooks and crannies where the homeless congregate are all found to be growing, not shrinking”. These factors suggested a lack of service delivery and the failure to fulfill the promises given to the masses at the dawn of the new era in 1994.

Given this background, service delivery in South Africa has not reached sufficient and effective levels despite the efforts of both the government and NPOs. Huge needs are yet to be addressed in-order to curtail future protests which have resulted in loss of lives and destruction of infrastructure in the past. For example, the xenophobic attacks that erupted in 2008 were partly attributed to the lack of effective service delivery to the poor who form the majority of the population, although there were also criminal elements involved in the attacks. Service delivery in NPOs, although largely tied to adequate funding, also has to work within the principles of the Integrated Service Delivery Model so that there is effective integration between state departments and other social service practitioners such as NPOs. The model acknowledges NPOs as an important work-stream whereby funding and support of NPOs should be provided adequately for effective service delivery.

2.15 Summary of chapter
This chapter provided an outline of civil society or the ‘third sector’ with particular focus on non-profit organizations. Efforts were made to unpack the terminology and definitional issues surrounding NPOs/NGOs. Theories on NPOs were discussed with the aim of illustrating why they are formed. The public goods theory, subsidy theory, contract failure theory and consumer control theory were described as part of the
theoretical framework within which non-profit organizations function. A comprehensive history of civil society in South Africa was discussed in order to provide sufficient background and understanding of how civil society emerged in South Africa, how it evolved and the main factors that shaped its current existence.

State-NPO relations in the post apartheid period were explained as well as the legislative framework under which these organizations operate. Sources of funding for the sector were discussed with particular reference to the funding crisis that characterized the sector following the democratically elected government led by the ANC Alliance assuming power in April 1994 and how donor funding patterns changed following this development. State policies such as the White Paper for Social Welfare (1997) were discussed with a view to illustrating the importance of NPOs in South Africa in assuming developmental and poverty alleviation roles. Attention was also given to the sector from the perspective of the United Nations and the international arena. The value of the NPO sector was further illustrated through Swilling and Russell’s (2002) assessment of the size of the sector in comparison to other major sectors such as mining, transport and construction, with the key indicator being the number of employees they employ. Limitations of NPOs were advanced with the main weaknesses being NPO’s lack of capacity, weak managerial skills and donor over-reliance and how it compromises their independence and watch-dog role.

Their inability to replicate programmes for the wider society, rivalry and inability to consult amongst themselves for better and more integrated service delivery was also highlighted as a major weakness of NPOs. Their strengths were noted, including their ability to reach the poorest of the poor, connect with the grassroots and ensure participation of the communities they serve. Mention was made of their often apolitical stance which has placed them well above government in service delivery because their work is usually not influenced by political considerations and they also tend to operate at lower costs because of the voluntary nature of this sector. However, it was also acknowledged that NPOs may also be politically motivated as well.
The chapter culminated with the outlining of the major problems and challenges confronting this sector. The major problems identified have been mainly to do with the lack of a sustainable funding base and capacity problems which arise through lack of adequate funding and result in the inability of NPOs to attract professional and technical skills because they are unable to offer market-related salaries. Against this theoretical backdrop, the methodology that was used in the study is described in the following chapter.
3.1 Introduction
This chapter provides a detailed explication of the research design, methodology and analysis used in the empirical phase of the study.

3.2 Research Questions
How are NPOs in Johannesburg funded and how does their funding affect service delivery?

3.3 Primary Aim
The primary aim of the study was to investigate the funding of a group of NPOs in Johannesburg and how this funding affects service delivery.

3.4 Secondary Objectives
In pursuit of the afore-mentioned aim, the study’s objectives were:

(i). To elicit the views of NPO representatives on the registration process in terms of the Nonprofit Organizations Act of 1997
(ii). To explore how NPOs were funded and to elicit the views of NPO representatives on government and other funding sources, the adequacy of such funding and how it impacted on service delivery.
(iii). To establish if NPOs were engaged in any forms of fundraising and to elicit their views on self sustainability of their organizations
(iv). To ascertain any other challenges directly linked to financial resources that NPOs faced
(v). To establish if funds from donors came into NPOs as tied funding, with conditions attached.
3.5 Research Design
The study employed an exploratory-descriptive research design which incorporated both qualitative and quantitative dimensions. Babbie (1992) defines exploration as the attempt to develop an initial understanding of some phenomenon and description as the precise measurement and reporting of the characteristics of some population or phenomenon under study. Descriptive designs result in description of data while exploratory designs allow the researcher to explore and examine all aspects of a research problem with the purpose of finding out more. The current study was exploratory-descriptive in that it endeavored to explore and describe how funding affects service delivery of NPOs. Tashakori and Teddlie (1998) posit that in social and behavioural sciences, research questions are best answered with both qualitative and quantitative methods combined rather than sole reliance on either method. Whilst the two methods are different, they complement each other in most research studies and are not mutually exclusive. A quantitative design is where observations are given some sort of numerical presentation whilst a qualitative design is where observations are not quantified, and where words, pictures, descriptions narratives are used as data (Wysocki, 2004, p. 101). Qualitative research methods are used to establish the socially constructed nature of reality, to stress the relationship between the researcher and the object of study as well as to stress the value-laden nature of the inquiry (Denzin & Lincoln, 1994 cited in Welman, Kruger & Mitchell, 2005, p. 8).

Durrheim (cited in Terre Blanche, Durrheim & Painter, 2006, p. 47), in differentiating between quantitative and qualitative designs noted that qualitative methods allow the researcher to study selected issues in depth, openness and detail as they identify and attempt to understand the categories of information that emerge from the data, and quantitative methods, in contrast begin with a series of pre-determined categories usually embodied in standardized quantitative measures and use this data to make broad and generalistic comparisons. The study employed qualitative dimensions in the sense that the data derived from open-ended questions were categorized into themes. It also employed a quantitative dimension in the sense that the data from close-ended items were converted into numerical analysis using descriptive statistics.
3.6 Sampling
Data were collected via non-probability sampling from a group of 15 Non Profit Organizations operating in Johannesburg. Purposive sampling refers to the process when researchers rely on their experience and ingenuity to deliberately obtain units of analysis in such a manner that the sample they obtain may be regarded as representative of the relevant population (Welman, Kruger & Mitchell, 2005). The researcher uses his/her own judgment in selecting a sample. The selection of this sample was initially based on purposive sampling as the researcher had deliberately sought and targeted NPOs in different but specific areas of specialty in order to obtain a good mix of different fields of service. Permission was therefore sought from the selected NPOs in specialty fields such as child welfare, women and gender, housing, environment, HIV/Aids, disability, the aged, drug and substance abuse and so forth.

However, some of the NPOs targeted either did not respond to the researcher’s request for permission to undertake the study, several granted permission verbally but failed to honour their commitments and others declined to participate in the study. As a result of these problems, the actual sample ended up being partly a convenient sample as well as partly purposive. It became partly a convenience sample in the sense that the researcher resorted to collecting data from those NPOs that were readily available. A convenience sample involves selecting those cases that are easiest to obtain for a sample (Welman, Kruger & Mitchell, 2005). It involves choosing individuals that are easiest to reach as selection is based on relative ease of access to participants. It also ended up being partly purposive in the sense that some of the NPOs originally and purposely targeted by the researcher readily consented to participate in the study. However, overall, the study still produced a good mix of participants representing various service fields in the NPO sector in Johannesburg. However, it is acknowledged that the small, non probability sample precluded generalization of the findings to the broader population of NPOs in Johannesburg.
3.7 Research instrument

The research instrument took the form of an interview schedule, a copy of which is set out in Appendix A. An interview schedule is prepared to ensure that the same information is obtained from each person but there are no predetermined responses and the interviewer is free to probe and explore within the parameters of the predetermined areas of inquiry. In this study, an interview schedule comprising both open-ended and closed-ended questions was utilized. Babbie (1992, p. 147) posits that in asking questions, researchers have two main options, that is they may ask open-ended or closed-ended questions. In open-ended questions, the participant is asked to provide his or her own answer to the question whilst in closed-ended items, questions are posed and the participant is asked to select an answer from a list provided by the researcher. The advantage of open-ended questions is that the participant is given room to elaborate on his/her responses and the researcher can probe for more information and request clarity. However, the limitation of such questions is that the interview may take longer than anticipated as every participant is allowed to give full details and new questions may merge, triggered by previous ones. The rationale for inclusion of all items in the interview schedule is described in Table 3.1 overleaf.
Table 3.1 Rationale for inclusion of interview questions within the interview schedule

<table>
<thead>
<tr>
<th>Question</th>
<th>Rationale for inclusion in interview schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization history and activities</td>
<td>This question was pertinent in order for the researcher to understand the history of the organizations in the study and their areas of specialization.</td>
</tr>
<tr>
<td>Registered as NPO</td>
<td>The study targeted formally registered NPOs. In order to be recognized as an NPO, an organization needs to be registered in terms of the NPO Act of 1997 as a company, association or trust of persons established for a public purpose and for which income and property are not distributable to its members (Nonprofit Organizations Act, 1997).</td>
</tr>
<tr>
<td>Views on registration process in line with Act</td>
<td>The pretest indicated that there were problems in dealing with government. It was therefore considered important for the study to elicit views on NPO engagement with government when it came to registration in terms of the NPO Act of 1997.</td>
</tr>
<tr>
<td>Government funding</td>
<td>This question was deemed necessary given that the government constitutes one of the largest funders of NPOs in South Africa. It was necessary to establish whether or not the organizations in question were accessing government funding.</td>
</tr>
<tr>
<td>Issues in reaction to government funding</td>
<td>The fact that government is a major funder of NPOs in South Africa and the pre-test had highlighted the need for the study to probe issues to do with government funding, were the main motivations for incorporating this question. A study of the NPO sector in 1999 established that government contributed at least 42% revenue to the sector (Swilling &amp; Russell, 2002).</td>
</tr>
<tr>
<td>Lack of government funding</td>
<td>Given that an NPO can only access government funding if it is formally registered in terms of the Nonprofit Organizations Act of 1997, this information was considered necessary to establish why some of the NPOs may not have been accessing government funding and the reasons for this lack of government funding.</td>
</tr>
<tr>
<td>Reliance on single donor</td>
<td>NPOs mainly rely on donors for their funding. Hence, it was necessary to incorporate this question in order to establish if the organizations involved relied on funding from one donor or a diversity of funders.</td>
</tr>
<tr>
<td>Major funders</td>
<td>The question sought to establish the type of major funders not specifically by name but rather by category, namely government, private corporation &amp; business, family foundations, individual donors or international donors.</td>
</tr>
<tr>
<td>Funders’ contributions</td>
<td>It was also necessary to establish how these donors contributed to the NPOs, not in terms of the specific amounts of money allocated but rather in terms of activities sponsored such as programmes, training, overheads and administration costs as well as research.</td>
</tr>
<tr>
<td>Fundraising activities</td>
<td>The motivation for including this question stemmed from the issue of sustainability often raised regarding NPOs. Apart from their donors, it was therefore necessary to establish if NPOs were involved in any other fundraising or income generation activities to boost their own financial resources. McLaughlin (1986) posited that the entrepreneurial approach appeared to be a future key factor to sustainability of NPOs to bring in more resources.</td>
</tr>
<tr>
<td>Adequacy of funding from donors</td>
<td>Funds determine the quality as well as quantity of services offered by NPOs. This question was designed to establish if NPOs were adequately funded to deliver services.</td>
</tr>
<tr>
<td>Service improvement in relation to funds</td>
<td>The question sought to establish if there was a link between increased funding and service improvement to clients. The motive was to establish if increased funding was perceived as an end in itself or a means to an end in terms of service delivery.</td>
</tr>
<tr>
<td>Is Organization financially equipped to serve clients</td>
<td>It was imperative for the study to ascertain whether the NPOs surveyed were managing to meet the needs of the clients they were servicing at the time of the study. The rationale for inclusion of this item was to establish if service delivery was effective based on organizational funding.</td>
</tr>
<tr>
<td>Human resources vs. funding</td>
<td>The funding or lack thereof in any organization usually relates directly to the compensation scales of an organization. Consequently, the question sought to establish any human resources issues that NPOs faced in direct relation to their funding.</td>
</tr>
</tbody>
</table>
Employ more staff with increased funding

Related to human resources, it was considered necessary to ascertain whether NPOs would employ more staff if their funding increased. It was envisaged that the question would then establish if current NPO staff members were over-utilized and the effects of such over-utilization on service delivery.

Salaries & benefits conducive to recruitment and retention

Literature often suggests that the NPO sector loses staff to the private sector and the government because these sectors pay much higher salaries than most NPOs (Kihato & Rapoo, 1999). It has been said that “the years following 1994 saw an exodus of NGO talent to government” [http://www.sangonet.org.za/portal/index.php?option=com_content&task=view&id=9566]

The purpose of this question was to establish if conditions of NPOs surveyed were conducive not only to recruiting skilled staff but also to retaining such staff as this was assumed to have a direct bearing on service delivery in instances where recruitment and retention were challenges.

Any other financially related challenges

Challenges faced by NPOs in relation to human resources problems such as lack of skilled staff; poor salaries and a high labour turnover were expected. However, the purpose of this question was to explore any additional challenges faced by NPOs that were directly linked to their funding. Such challenges were seen as also having a direct bearing on service delivery to clients.

Do funders prescribe services to be offered

NPOs generally rely on philanthropic dollars for their survival and sustainability but this reliance can have a bearing on who controls their agenda (Lewis, 2001). Funders of NPOs may choose to prescribe activities of an NPO or what their funds should be used for, and this may limit the independence of NPOs to work in their own ways.

Any further comments or views

This question was included in order to give participants the opportunity to air any other issues in relation to their funding as well as to bring about closure to the interview.

3.8 Pre-testing of the research instrument

According to Grinnell (2005), pre-testing is concerned with participants’ answers and the difficulties they may have when answering the questions that have been posed. Pre-tests are regarded as crucial to the research process as they enhance content validity of the research tool. Pre-testing of the research tool also enhances reliability of the study and its results. A pre-test of the interview schedule was conducted by the researcher prior to actual data collection. The purpose of the pre-test was to uncover problems in the research instrument, gaps, shortcomings and inconsistencies and establish any difficulties that the participants would be likely to encounter in responding to the questions posed. The researcher basically sought to establish if questions were appropriately worded, easy to understand and sufficient for the purposes of this study. In Johannesburg, one Director from a formally registered NPO was used for pre-testing the research tool. Feedback from this process indicated that the clarity and wording of questions was satisfactory and there were no major flaws identified in the format and content of questions. However, it was suggested that the line of questioning needed to incorporate issues specifically related to
government funding as many NPOs seemed to be faced with challenges when it came to government/state funding. As a result of this recommendation, two additional questions were incorporated into the final interview guide probing specifically the issue of government funding. However, it is acknowledged that a limitation of the pre-test was that it was conducted on only one person.

3.9 Method of Data Collection
In collecting data, the researcher conducted individual face-to-face interviews in order to elicit participants’ experiences, thoughts and views. The data were collected from managerial/executive level staff of 15 non-profit organizations in Johannesburg. The researcher fully explained the purpose of the research to all participants and they were made aware that participation was voluntary and that information disclosed to the researcher would be kept confidential. Participants were also provided with the Participant Information Sheet, Appendix B so that they could read and understand the purpose of the study before commencement of the actual interview process. In addition, potential participants were provided with Consent Forms for participation in the study, Appendix C as well as the Audio Consent Form for tape-recording of the interview (Appendix D). All the participants were made fully aware of their right to withdraw from the study at any time without any negative consequences as well as the fact that they could refuse to answer any questions they were not comfortable with answering. Consent was also sought from participants for the researcher to utilize verbatim quotes.

All participants were requested to sign the informed consent form and the audio consent form once they were in agreement with the purpose of the study. The researcher utilized semi-structured interviews in order to enhance validity of the study. Validity refers to the ability of the research through the data collection and analysis to test what it intends to test and to represent the social world as accurately as possible (Neuman, 1997). Semi-structured interview schedules, because of their flexibility, helped to maximize validity as they allowed the researcher to go in-depth with questions in order to elicit adequate evidence form the participants. Welman, Kruger and Mitchell (2005) explain that in semi-structured interviews, the researcher has a list of themes and questions to be covered
and these may vary from one interview to the next. Semi-structured interviews also utilize interview schedules and allow the researcher to probe or ask for elaboration of incomplete answers and vague responses (Welman, Kruger & Mitchell, 2005). Rapport was established with the participants in all instances in their various settings.

Reliability refers to the degree to which the results are replicable whilst dependability refers to the degree to which the reader can be convinced that the findings did occur as the researcher says they did (Van der Riet & Durrheim cited in Terre Blanche, Durrheim & Painter, 2006, p. 93). In order to enhance reliability, dependability and credibility of the study, all the interviews were conducted in the participants’ office premises, with the exception of one participant who met with the researcher at a shopping centre which was mutually convenient and closer to where she had been holding another meeting prior to the interview. All interviews were personally conducted by the researcher to enhance reliability and dependability. In all instances, the medium of communication was English and all participants were literate, with individual one-on-one interviews with 13 of the participants. The exception was with two NPO representatives, where one Director preferred to sit in the interview with her Fundraising Manager whilst the other Director sat in the interviews with the Project Manager and Office Manager. The researcher was also personally able to clarify any ambiguous responses as well as seek in-depth clarification from participants through probing, which allowed for the collection of in-depth data. To further enhance dependability, permission to audio tape the interviews was sought by the researcher prior to the interview process and all 15 participants agreed to be recorded. Recording is important as it allows the researcher to keep a full record of the actual interviews and distractions are minimal as the researcher does not necessarily have to write field notes. The duration of each interview was approximately 45-60 minutes.

3.10 Data analysis
Data were analyzed using descriptive statistics for the closed-ended questions and thematic content analysis for the open-ended items. Descriptive statistics are concerned with the description and / or summary of the data obtained for a group of individual units of analysis (Welman, Kruger & Mitchell, 2005, p. 231). Descriptive statistics therefore involve the description and summary of data. Neuman (1994) describes content analysis as a technique for examining information or content in written or symbolic material. Content analysis is exploratory in that it aims to understand the data, which are read with the intention of looking for themes. Semantic content analysis is used to convey what the participants have said (Morse, 1994).

Thematic content analysis is also used to refer to any qualitative data reduction and sense making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings (Patton, 2002, p.453). Themes and characteristics were put in summarizing phrases by means of immersion and reading through the responses. The central focus of qualitative analysis lies in being able to transform large amounts of raw data into meaningful information, thus providing the essence of what the data reveal (Patton, 2002). Thematic content analysis has advantages as well as disadvantages when analyzing research data. Some of its advantages are that it provides flexibility, is a relatively easy and quick methodology to learn, it summarizes key features of a larger body of data and can generate unanticipated insights. Some of the disadvantages include the fact that it is time consuming, the difficulty actually involved in analyzing the data, mismatches occurring between the actual data and the analytical claims that are made and there may be overlap between the themes articulated (Braun & Clarke, 2006).

The researcher considered the trustworthiness of data which, according to Lincoln and Guba (1985), is crucial in assessing the quality of research that is of a qualitative nature. Trustworthiness has to do with how the researcher or inquirer can persuade his or her audiences that the findings of an inquiry are worthy of attention (Lincoln & Guba, cited in Tashakkori & Teddlie, 1998, p. 90). The researcher therefore applied the four associated components of trustworthiness, namely, credibility, dependability, transferability and confirmability. These four criteria can be combined in research to
determine the trustworthiness of an inquiry. In enhancing credibility of the study, the researcher asked different participants the same semi-structured questions which elicited responses that were believable and convincing. In addition, a pre-test was also conducted in order to enhance internal validity. Credibility is similar to the notion of internal validity in the sense that the researcher is concerned with the fact that the findings should be believable and credible. Dependability is similar to the notion of reliability and in this case, it was enhanced by the researcher who conducted all the interviews herself and by posing the same questions to all participants. Dependability is a research concept whereby the research is considered replicable in a manner that the same findings are likely to be reproduced by participants of the same study at different times (Trochim, 2005).

The third component of trustworthiness that was considered was transferability. According to Trochim (2005) transferability is an alternative of the construct of external validity whereby findings of one study can be generalized to a different context. In the present study, due to the small non-probability sample used, the results could not be generalized to the broader NPO population. The final component of trustworthiness considered by the researcher was the element of confirmability. In order to enhance confirmability of the data, the researcher’s supervisor used correspondence checking advocated by de la Rey and Pretorius (2004) to check the categorization of themes. Correspondence checking is described as “the use of colleagues and other researchers to analyze the data independently, and this analysis is then compared with that done by the primary researcher to check for correspondence” (de la Rey & Pretorius, 2004, p. 31). In the present research, confirmability of the data was enhanced by ensuring that the research findings were discussed with the research supervisor in order to obtain a second and guided opinion. For instance, the research supervisor was consulted to check the categorization of themes and to make changes where necessary. The research supervisor confirmed the findings by randomly going through the audio tapes and field notes.

3.11 Ethical considerations
In conducting the study, the professional code of ethics of the university was duly observed through the following principles:

**Voluntary participation and informed consent**

There was no coercion and voluntary participation was sought prior to conducting the study after the purpose and aims of the study were clearly explained to the participants. Consent forms were given to all participants to indicate if they had granted their consent to participate in the study. No incentives were offered by the researcher to induce participation. Participants were provided with an information sheet, describing the nature of the study. Consent to audio-tape and to use verbatim quotes was also sought from the participants. Examples of the information sheet, consent form and audio tape consent form are set out in Appendixes B, C and D respectively. Wysocki (2004) postulates that the first rule of research is that all participation involving humans should be voluntary. Welman, Kruger & Mitchell (2005, p. 201), posited that “the researcher should obtain the necessary permission from the respondents after they were thoroughly and truthfully informed about the purpose of the interview and the investigation”. The standard components of consent are a). Provision of appropriate information, b). Participant’s competence and understanding, c). Voluntariness in participating and freedom to decline or withdraw after the study has started and d). Formalization of the consent, usually in writing. (Wassenaar cited in Terre Blanche, Durrheim & Painter, 2006, p.72). Essentially, it means that the researcher is obligated to provide potential participants with clear and precise information about the study to be undertaken.

**Avoidance of harm or non-maleficence**

In conducting this study, none of the participants were subjected to any emotional or physical harm by the researcher. The dignity of participants was maintained throughout the research process. The researcher also assured participants that their participation had no bearing on the security of their jobs or funding of their operations from donors. Efforts were made to ensure that none of the participants were vulnerable to any financial, legal, physical or psychological risks. This approach was consistent with the ethical guideline that respondents in a research must be given the assurance that they will be indemnified
against any physical and emotional harm (Welman, Kruger & Mitchell, 2005). The principle of non-maleficence requires not only that the participants are not harmed but also that they are not wronged. Research should therefore minimize harms and wrongs (Wassenaar cited in Terre Blanche, Durrheim & Painter, 2006, p. 67).

Avoidance of deception
The researcher was open and honest about the nature of the study and therefore informed participants that the research was undertaken as a requirement for the completion of a Masters degree. The true aims of the study were therefore fully disclosed. Babbie and Mouton (2001) assert that participants should be informed about all the details of the study. Participants should not only be informed that one is doing a research study but they should also be informed about the purpose of the study and the importance of conducting such study.

Confidentiality
Whilst it was not possible to practice anonymity in this study, confidentiality was given due care and consideration. The names of the participants as well as the organization’s names were therefore kept confidential. Participants were assured that only the researcher and her supervisor would have access to the raw data. The researcher safeguarded all the information provided by the participants by securing all data in secure lockable cabinets. According to Wysocki (2004), confidentiality is when the researcher knows who the participants are, but their identities are not revealed.

Submission of proposal to ethics review board
Given the fact that the researcher was directly involved in collecting data from human participants in this study, it was essential to ensure that the University’s code of ethics was followed. In doing so, the research proposal was submitted to the University’s non-medical Ethics Committee for approval in order to safeguard against unethical practices during the research process and also to protect the rights of the research participants. The study was only conducted after full approval from both the Ethics Committee and the Postgraduate Committee. A copy of the Ethics Clearance Certificate Number H080505 is
set out in Appendix E. According to Wassenaar (cited in Terre Blanche, Durrheim & Painter, 2006, p. 72), an independent and competent research ethics committee should subject all protocols to independent ethical review prior to commencement of data collection.

**Feedback to all participants**

In fulfilling ethical obligations, the researcher will provide an abstract of this study’s report to all NPO representatives who participated in this study. Babbie (2001, cited in Wysocki, 2004, p. 56) maintains that “as researchers, you have ethical obligations to your subjects and to your colleagues to report both positive and negative findings”.

**3.12 Summary of chapter**

The main aim of this chapter was to describe the research design and methodology of the study at hand. The aims, objectives, sampling procedures, pre-testing, data collection and analysis were all covered. The following chapter presents the data collected through the fieldwork and discusses the results emanating from the study.
PRESENTATION AND DISCUSSION OF RESULTS

4.1 Introduction

This chapter presents the findings of the study and discusses the results in relation to how service delivery in a group of non-profit organizations was affected by funding. Results are discussed in accordance with the primary aim and secondary objectives of the study. Quantitative data are displayed in tabular form while qualitative data are analyzed in terms of themes and illustrated with verbatim quotes from participants. Efforts are also made to relate findings to the literature on the topic.

4.2 Profile of Participants and their Organizations

All NPOs in this study were formal organizations registered in terms of the Non-Profit Organizations Act of 1997 with some of them further registered as Section 21 Company as well as Public Benefit Organizations (PBOs). Hence, the common factor characteristic of all these organizations was that there were all were registered NPOs. Table 4.1 overleaf contains information on the type of organization, the field of service, geographical location, gender of the participants and their position in the organization they were representing.

Table 4.1: Profile of participants and their Organizations (N = 15)
<table>
<thead>
<tr>
<th>Name of org</th>
<th>Type of org</th>
<th>Field of service</th>
<th>Location</th>
<th>Gender</th>
<th>Position of participant in org</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>NPO;PBO</td>
<td>Street children</td>
<td>JHB</td>
<td>M</td>
<td>Office Coordinator</td>
</tr>
<tr>
<td>B</td>
<td>NPO;PBO</td>
<td>Disability</td>
<td>JHB</td>
<td>M</td>
<td>Director</td>
</tr>
<tr>
<td>C</td>
<td>NPO; Section 21 Company</td>
<td>Environment (Food gardening)</td>
<td>JHB</td>
<td>F</td>
<td>Executive Director Project Manager &amp; Office Manager</td>
</tr>
<tr>
<td>D</td>
<td>NPO</td>
<td>Early childhood development</td>
<td>JHB</td>
<td>F</td>
<td>Director</td>
</tr>
<tr>
<td>E</td>
<td>NPO/ Trust</td>
<td>Children (special learning needs)</td>
<td>JHB</td>
<td>F</td>
<td>Director &amp; Fund Raising Manager</td>
</tr>
<tr>
<td>F</td>
<td>NPO</td>
<td>Child welfare</td>
<td>JHB</td>
<td>F</td>
<td>Assistant Director</td>
</tr>
<tr>
<td>G</td>
<td>NPO; Section 21 Company; PBO</td>
<td>Children (orphans &amp; vulnerable children)</td>
<td>JHB</td>
<td>F</td>
<td>Office Manager</td>
</tr>
<tr>
<td>H</td>
<td>NPO</td>
<td>Children (orphans &amp; vulnerable children)</td>
<td>JHB</td>
<td>F</td>
<td>Project Manager</td>
</tr>
<tr>
<td>I</td>
<td>NPO</td>
<td>VCT &amp; drop in centre for orphans</td>
<td>JHB</td>
<td>F</td>
<td>Office Manager</td>
</tr>
<tr>
<td>J</td>
<td>NPO; Section 21 Company</td>
<td>Human rights (HIV/Aids)</td>
<td>JHB</td>
<td>F</td>
<td>Communications &amp; Resources Manager</td>
</tr>
<tr>
<td>K</td>
<td>NPO</td>
<td>Substance abuse &amp; addiction</td>
<td>JHB</td>
<td>F</td>
<td>Managing Director</td>
</tr>
<tr>
<td>L</td>
<td>NPO; Section 21 Company</td>
<td>Housing services</td>
<td>JHB</td>
<td>M</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>M</td>
<td>NPO; PBO; Charity Trust</td>
<td>Child welfare (Children’s Homes)</td>
<td>JHB</td>
<td>M</td>
<td>Director</td>
</tr>
<tr>
<td>N</td>
<td>NPO; Section 21</td>
<td>HIV/Aids (children)</td>
<td>JHB</td>
<td>F</td>
<td>Founder &amp; Project Director</td>
</tr>
<tr>
<td>O</td>
<td>NPO</td>
<td>Old age (homes)</td>
<td>JHB</td>
<td>M</td>
<td>Chief Executive Officer</td>
</tr>
</tbody>
</table>

Of the 15 organizations surveyed, the field of children was over-represented in the sample with eight organizations directly involved in working with children, either as
orphans, special needs services, vulnerable children, abused children, operating homes for children, counseling children as well as dealing with street children. Two organizations represented the field of HIV/AIDS although it must be noted that one of these organizations specialized in children infected and affected by HIV/AIDS. One organization represented the field of the physically disabled and challenged whilst another represented the field of substance abuse and rehabilitation. One organization specialized in housing services and community development and another agency in the field of environment specialized in poverty reduction through food gardening schemes.

The last organization represented the field of the aged. In light of this distribution, the researcher fully acknowledged the weakness of the sample of the present study as some specialty fields, such as children were over-represented in the sample whilst others, such as the aged or substance abuse were under-represented. Moreover, some fields, such as those dealing with youth development, crime and women were not represented in the sample at all. Hence the findings of the present study cannot be generalized to the broader NPO population in Johannesburg.

The sample included 10 females and 5 males representing 15 NPOs although the study did not deliberately target specific proportions of a particular gender. Despite the small size of the sample, the gender distribution was similar to that found in Swilling and Russell’s (2002) study. They found that 59% of NPOs surveyed were represented by women. Although their study found that of the 59%, 73% of these women were Black, this was not the case with the present study as only two out of the 10 women who participated in the study were Black. Swilling and Russell, (2002) found that Black women tended to be dominant in smaller community based organizations whilst white females seemed to play a greater role in larger more formalized NPOs.

4.3 History of Organizations
This section provides a brief summary of the history of the organizations surveyed in terms of when they started operating, their core missions and specialty. The history is presented in tabular format.

**Table 4.2: History of Organizations and Activities (N=15)**

<table>
<thead>
<tr>
<th>Organization</th>
<th>History of Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Formed in 1996 as an organization to capacitate shelters for street-children. Also an affiliate/umbrella organization for other organizations working with street-children in Gauteng.</td>
</tr>
<tr>
<td>B</td>
<td>Formed more than 70 years ago. Offers services to the physically challenged &amp; social development services. Also offers operational mobility through assisted devices such as wheel-chairs.</td>
</tr>
<tr>
<td>C</td>
<td>Formed in 1976 in response to the 1976 riots and registered since 1977. It was formed by two women, a geologist and a farmer’s wife. Organization specializes in food gardening by following a seven-step method of farming.</td>
</tr>
<tr>
<td>D</td>
<td>Was started in 1988 by two people who targeted children through appropriate training for women in early childhood development. Training based on Montessori education for children in early childhood centres.</td>
</tr>
<tr>
<td>E</td>
<td>Organization formed 18 years ago to cater for the education of children with learning and mental disabilities (special needs). Specializes in primary, secondary and vocational training.</td>
</tr>
<tr>
<td>F</td>
<td>Organization formed in 1987 as a toll-free service (helpline) to children. Offers counseling services to abused and distressed children, school and community programs and operates a safe-house for children on a short-term basis.</td>
</tr>
<tr>
<td>G</td>
<td>Organization was started by a nursing sister 16 years ago who set up a clinic, hospice and school. It offers social relief and drop-in centre facilities to orphans and vulnerable children. Also operates a foster care facility and offers skills development.</td>
</tr>
<tr>
<td>H</td>
<td>Organization was formed in 2002, working with orphans and vulnerable children in rural areas. It caters for 521 rural children in six different communities in Limpopo, Mpumalanga, Free-State and Zululand. Offers day care support, schooling, health and nutritional support to children.</td>
</tr>
<tr>
<td>I</td>
<td>Organization formed in 2001 and operates as a drop-in centre for orphans and vulnerable children with no income. Also operates a voluntary testing and counseling centre and offers home-based care training.</td>
</tr>
<tr>
<td>J</td>
<td>This organization is a human rights based organization dealing with human rights in HIV/AIDS. It incorporates a network of organizations that work with HIV/AIDS hence it operates as an NGO as well as affiliate organization. It was started in 1992 by a gay human rights activist who was HIV positive. Organization offers organizational training, operates an information and resources centre, a cyber-cafe, an HIV/AIDS library open to the public. It also operates a distribution centre for information on HIV/AIDS to organizations as well as condom distribution.</td>
</tr>
<tr>
<td>K</td>
<td>This organization was founded 50 years ago to offer professional assistance to persons with addiction problems, namely substance abuse. It was an initiative of railway workers. It currently offers in-patient facilities, treatment and after-care to persons with addiction problems.</td>
</tr>
<tr>
<td>L</td>
<td>Established 13 years ago as a social housing delivery organization. Assists low- to moderate income people to secure housing in the city through slum clearances, new projects and building upgrades among others. Registered as NPO, Section 21 company and PBO.</td>
</tr>
<tr>
<td>M</td>
<td>This organization was formed as a children charity trust 10 years ago and offers a range of services to children. Services currently offered include residential care and children’s homes, therapeutic services, intermediary services on behalf of children such as testifying in court, telephonic services for children; services to learners who are disadvantaged such as child-headed households, statutory social services and children-related research among others.</td>
</tr>
<tr>
<td>N</td>
<td>This organization was founded in 2002 to cater for children infected and affected by HIV/AIDS. Currently caters for 1 302 children in 310 households, including child-headed households. It offers nutritional, psycho-social support and educational support to children. Organization also offers trauma and bereavement counseling.</td>
</tr>
<tr>
<td>O</td>
<td>This organization was formed in 1970 with the objective of providing accommodation and other services for the elderly. It offers such services including frail care to the aged in Gauteng and North-West province where it accommodates at least 2 000 persons in total.</td>
</tr>
</tbody>
</table>
4.4 Objective 1: To elicit the views of NPO representatives on the registration process in terms of the Non-Profit Organizations Act of 1997

All the 15 organizational representatives stated that they were registered in terms of the Non-Profit Organizations Act. The majority of participants who were interviewed stated that they could not give a direct account of their organization’s experience when they registered in terms of the Non-Profit Organizations Act of 1997 because they were either not involved in the process, had not joined the organization when it went through registration or could not remember specific details of the process in relation to their specific organizations. Memory decay was therefore an overriding factor when it came to participants articulating their organization’s experiences. However, despite the limitations, various themes emerged from the analysis of responses.

Support for the registration process
Nine of the participants indicated that they were in support of the Act as it pertains to registering in order to be recognized as an NPO mainly because they appreciated the need to be monitored by government. The nine representatives felt that the process was satisfactory and sufficiently thorough, with simple forms needing to be completed. The nine participants generally felt that the process was beneficial for accountability, monitoring and evaluation by government. They agreed that it was necessary for government to check if they complied with legislation and the need to register could in some instances discourage ‘fly by night’ organizations or those with fraudulent intentions from registering as NPOs. Hence this was expressed by comments such as, “I certainly think it’s a good thing and its not that difficult, I mean you have to, when you are actually registered, all you have to do is do the NPO report every year and ensure that our finances are audited externally so that’s a good thing”. Another person from organization A, in apparent reference to the registration process commented, “It’s quite an onerous process but I think it is difficult for the least organized sector of this social sector but maybe it’s also necessary to prevent fly by night organizations”
Another participant from organization C reiterated her support for the NPO registration by saying, “The forms have actually been so nicely simplified, I think even people who are not literate can actually do them so really the registration process is not so much, it talks to different levels of literacy” “It speaks to different levels of literacy, remember some people are totally illiterate, they are just driven by passion to help and they have no one to help them, no NGO experience, they just want to register you know”.

**Delays in registration**

Two of the participants stated that the requirements of the Act were appropriate. However, it was the turn-around time by government that was a cause for concern because of the delay in registering some applicants. The delay meant that the affected organizations could not apply for government funding before that were formally registered and allocated an NPO number. One participant from organization A stated; “From my experience, I would say it’s good, what’s required to be registered as an NPO, because they want you to have a Management Committee and Board of Executive Directors but the delay is always returning or getting back the feedback as to have been registered or what because we still have lots of organizations who have submitted their requests but they are still waiting for their responses”.

The other participant (organization H) responded by saying, “It was back in 2002 so I don’t know if its improved, but at that time, they said it was going to take two months for us to get our registration but it took us four months for us to get registration and we couldn’t start without that because we didn’t want to start without being registered”. This meant that an NPO could not, during this period of waiting apply for or access government funding.

**Lack of knowledge of the registration process**

One participant from organization D felt that there were problems of engagement with government at any given level, including registration in terms of the Act. Her response when asked about the registration process was to say “I don’t recall that we had any difficulty, we do have a lot of difficulties now with all of our engagements with
Two of the 15 participants felt that there was a lack of thorough knowledge of the process and some therefore faced challenges due to ignorance of proper procedures. One of the participants from organization N, a Director of a Black founded NPO in the field of HIV/AIDS expressed her ignorance of the procedures involved when she said, “When somebody says to you register and you hardly know what the procedures are all about, like when I went to Rissik, I was told I had to form a constitution and I didn’t know anything about that and I think maybe I didn’t blame the government per se, like in our own culture with African people, we help people first rather than doing things the other way, you start like looking after the kids and afterwards, you have to go and register”. In commenting about the process and its requirements, she further reiterated that “you won’t know about it until such a time that you actually go and have to register and like you say, Oh my God, this is what I have put myself into”.

The registration process viewed as contributing to the database of NGOs
Another participant from organization M saw the registration process as merely a worthwhile procedure for the government to have a database of NGOs but felt the Act itself was rather weak. When sharing his view on the NPO registration process, he said, “I think its worthwhile in the sense that at least we know how many NGOs we have and we are able to cluster them into specific focus areas like welfare, or education or health etc but the process is rather pointless in the sense that anybody can download the proper forms or documentation off the internet, fill it out, fill it in and have a registered NGO. The problem I don’t think it’s with the registration or the database of the registered organizations”.

Lack of checks and balances
A further theme related to the lack of adequate evaluation of applications as reflected in the following verbatim response from the participant who represented organization M: “I think the problem of it all lies with the application of that organization, there are no checks and balances to ensure there is good governance, that these organizations are legitimate so there is no policing structures to ensure that organizations who have been assigned that NPO number actually provide services to vulnerable groups”.
participant viewed the NPO registration process as merely an administrative process by government.

4.5 Objective 2: To explore how NPOs were funded and to elicit the views of NPO representatives on government and other funding sources, the adequacy of such funding and how it impacted on service delivery

Eleven of the participants stated that they were currently receiving funding from government whilst four of them were currently not accessing government funding at all for varied reasons. One participant mentioned that her organization was not receiving government funding because it was difficult to work with the Department of Social Development on funding, the application procedures for such funding were difficult and whilst the organization had accessed government funding in the past, it was too minimal and they rarely had any visits from government. The participant whose NPO specialized in Early Childhood Development from organization D stated, “We have had funding from Social Development in the past. We find it very difficult to work with them. It’s not clear who we are supposed to communicate with. They don’t visit. The application procedures are very difficult and demanding and on two occasions when we had funding from them, it’s only been R50,000, R50,000 doesn’t really allow us to do any project. You can’t do a project with R50,000 so that means that their money combined with other donor money don’t give enough to actually support”.

The participant from organization D further stated, however that perhaps in future, they might consider re-applying for government funding if the process were to be made easier. “We may try again in future but only if we have had feedback from either the Department of Social Development itself or from other organization. If we heard that the process has now become easier and that there are real people that you can deal with instead of just, you know sending anonymously to someone”. The other participant’s reasons for not receiving government funding was that government did not prioritize them because they specialized in monitoring and evaluation and capacity building programmes aimed at street children and whilst they themselves were an NPO, while other organizations that
worked with street children were affiliated to them, government preferred to fund these organizations directly rather than through them.

The third participant from organization H stated that her organization was not receiving government funding because their application for funding to the Department of Health had been turned down as the government saw no value addition in funding them but rather preferred to work directly with communities. In reference to her organization’s attempt to access government funding, her response was, “Unfortunately, they came back and said they wanted to give it directly to the community, they didn’t see the point of giving to us which is very sad because the work we do, we really make sure that the money is well spent”. In addition, this participant also stated that the National Lottery Distribution Trust Fund had also turned down their application for funding on two occasions. The fourth participant stated that her organization’s reasons for not accessing government funding were because government funding was ridiculously low and their organization therefore opted not to apply for government grants.

For the 11 participants that were accessing government funding, many misgivings were expressed ranging from delays in disbursements, the difficulty in the application process, the inadequacy of the funding and the lack of government co-operation and lack of leniency with resources. Themes emerging from the 11 participants who were accessing government funding and examples of verbatim responses are presented below:

**Process perceived as bureaucratic and subject to delays**

One participant from organization B felt that the process of applying for government funding and actually accessing funds was too bureaucratic. It was a difficult process to understand and it appeared that there were different interpretations of business. The participant stated that an organization needed to be well resourced in order to meet the requirements of the business plan. He also lamented the fact that the present process as required by government excluded some significant organizations and whilst his particular organization was well resourced, they still battled to meet the process requirements. The biggest problems they were facing was that while they had submitted their application to
the Department of Social Development on time, they had not yet attended any panel meeting with the department. In addition, the delays in disbursement of government funding made it difficult to come up with cash flow projections and this impacted on service delivery as it had a bearing on delays in payments such as staff salaries. His comments, described below demonstrated the level of frustrations faced by some NPOs when accessing government funding.

“Uh, how long have you got, right, first of all the process and I am commenting on this both as an organization which I believe to be very well resourced but also on behalf of community organizations which I think are very very important to the whole process, the independent community governed organization. The process is bureaucratic and in the extreme, it is very very difficult to understand the business plan that has to be completed. There is a difference of opinion within government officials themselves as to the interpretation of the business plan; I take that you need to have a PhD in order to complete it. You really need to be well resourced in order to complete the business plan and I think there is an enormous amount of simplification that’s required as far as applying for money is concerned and also for completing progress reports to demonstrate that the money has been spent adequately. I understand the need but to me, the present process excludes some less well resourced community structures and I think that somebody needs to apply their mind to that”.

“The other thing is that we submit an application by the 30th of September, that’s for the Department of Social Development so our business plan has to be submitted by the 30th of September for the following financial year. We did that last year, we have not had any of our programmes paneled with the Department. Normally what happens is they have these panels, you sit down, you discuss what you are trying to achieve as partners and then on the basis of those discussions, they then decide whether they are going to support your programme or not. We did not have our programmes paneled; I asked repeatedly that we sit because we changed quite a number of our programmes, in consultation with the Department of Social Development. We changed a number of them and it had a big effect on our operations and I felt that it was important that the DSD should be fully aware of
that but it never happened. Our subsidy, our subsidies for the first quarter, first quarter starting 1 April, we have only just received our social work subsidy for the first quarter in the first month of the second quarter. Cash flow and reliability of subsidies and grants is a huge issue, it’s a huge issue”.

“And the Provincial Director, he said these subsidies must be paid within a week of approval which is sometimes it’s recognized. The problem is recognized and the top level management says this must happen but there are some very very overworked and some under worked members of staff who are down in the organization and some of the bureaucratic systems make it almost impossible to start to arrange for these subsidies to be paid when they should be paid. That’s a huge problem, huge problem”.

“And it impacts on a whole lot of things, because we are fortunate we have accumulated some reserves but there are some organizations who haven’t. There is some staff who are not paid, they are paid late, they are only paid a portion of their salary and that has a big big impact on morale of organization. So although you submit the necessary documentation in the September of the previous year, it’s not possible to make a payment on an approved business plan by the first quarter of the next year. Now that’s a bureaucratic process and in actual fact, although it’s due on the 1st of April, we received it in mid July, the first quarter. Now in mid July, we should be getting the second quarter so we are always behind”.

One participant from organization C had misgivings about the process of applying for funding because she stated that the process as too cumbersome and gave an example of the forms that they were required to fill in when applying for funding form the National Development Agency. She stated that the demands and requirements were a challenge even if the government’s aim was to curb abuse; they made the process so difficult and expectations from government were unrealistic. The participant also stated that the process, in addition to being difficult was mired in bureaucracy and protocols that hinder service delivery and she stated that some NPOs literally close down because of these government departments and their ways of working. She stated that while funding was based on a budget, this budget never really got to them on the ground at all and when
they followed up, they would be told that there was no budget and the Department of Social Development would state there was no money. She hinted that funds land in the wrong hand and are abused because of corruption as there were no checks and balances in government. Her opinion was that one had to be well networked with government personnel and specialists were not given enough room by government departments. She gave an example of how being well networked could land one government tenders. She said that “The processes are so long, it takes forever”.

She further stated, “Some organizations literally close down, those that are dependant on government institutions, they end up closing, those organizations that are doing wonders because you cannot be sustained, you know like old age homes, orphanages. Lately it has been even uphill, more uphill lately so mention it; lately it’s been very uphill. We don’t know why, what, but funding we see only during the budget but it never gets to the ground, like I said people have given up, like in the end people close shop and government is losing good institutions. That is not very good, I can’t quote many good things, sorry”.

Commenting specifically on the Department of Social Development Funding, the participant from organization C mentioned that this department always gave them the same response, that there was no budget. “I don’t know who, when they use that budget, I would like to know”. Her emphasis was that “If you say to them you want to train people, even R10, 000, I have to tell you they will tell you there is no budget, I don’t know if they have been asked to say that, the next thing you see big headlines, you can quote this, they say ‘funding went back to the Treasury, never used’, that makes me mad”.

**Delays in signing agreements and disbursing funds**

Yet another participant was also of the opinion that government funding was very helpful to their organizations and contributed tremendously to their operations. She stated that once they signed a service level agreement with government, their funds were disbursed for their use. However, she stated that there were often delays in signing and paying for those posts that were funded by government and this caused delays in payment of
salaries. Whilst she acknowledged that there were at least some improvements in terms of time delays, she stated that processing of their funding proposals was still taking time and there were still delays. She commented that what was needed was for the Department of Social Development to understand what NPOs needed and suggested that their needs as an NGO are not really understood. This was reflected in the following verbatim response by a participant from organization J: “It helps tremendously obviously, the actual money but there are difficulties with the signing of the service level agreements in that we still haven’t signed some of our service level agreements for this financial year and we are a quarter into the year”.

Corruption
With reference to the participant’s assertion, from organization C that tenders tended to be awarded to people in the sector who were more networked than others, she commented, “You will find that’s another cumbersome thing to funding. You find that, please quote it that because of this networking of others, it lands in the wrong hands, it lands in wrong hands. People who don’t know, people who are not specialists, they abuse the funding. In the end you know and this then spoils the whole name of NGOs” The same participant further expressed strong views on the level of corruption that characterized government funding. She stated, “Government funding is open, so open to corruption, we don’t know whether they don’t have checks and balances in place. Please quote that one, now that I have heated up. Don’t start me on that one; don’t start me on that one because I am quite dangerous, I am not good”.

NPOs assisting government
This participant from organization C also held many other views on government and NPO relations and emphasized that NPOs were actually assisting government by filling in where the government itself had failed. “I feel we are partners, we actually are filling in a need, saving them double salaries, we are saving them on time because we come in there and we are coming in where the government is failing and some of the times, they don’t really have the skills that people in NGOs have, and they don’t have the passion that people have so we feel that government should really do more to help NGOs. In fact
when they do budgets, they should focus on NGOs that they can support and not make us beg them for funds when we are helping them. Please write it down, write it down”.

This was further reiterated by this organization’s Project Manager, again from organization C who said, “Somebody once said NGOs should be called Next Government Official because in actual fact, all the things that the government is not getting to, the people it does not reach, NGOs are the ones who are reaching them”. In an attempt to prove this point, the participant, an Executive Director from organization C used the recent xenophobic attacks as an example by stating that “In fact, this you can quote, with the recent xenophobic attacks, it was NGOs who responded first, government only came in way after”.

**Government perceived as out of touch**

One participant from organization E was of the view that government was out of touch with reality and there was a problem with government communication. For example, in funding their organization, government did not regard funding of special needs. “I don’t think they are in touch with what we do. That’s the problem, that you don’t have people that can come and make decisions that are in touch with what we do because we are actually working with special needs children, so now we receive a subsidy as an independent school, we don’t receive a subsidy that these children have special needs”. She further stated, “Government is not in touch with what we do, they come around, they do a headcount, four times a year, that doesn’t tell them what we are doing and then we get a cheque based on what, how many children are standing in the line. But they don’t actually come into the classrooms to see what we are doing, see what good work we are doing and say you know what, how can we partner with you, how can we improve the lives...”.

Another participant pointed out that the delays in disbursements of funds by government was indicative of the fact that government was overwhelmed because it suffered from a shortage of social workers and there were always new people which did not help in alleviating the funding backlogs. The participant pointed to a lack of systems by the
government. In her organization’s case, volunteers had gone unpaid for four months whilst the children under the organization’s care, 300 children to be precise had not received their allocation and this had impacted on their service as they had no funds to cater for the children’s needs such as uniforms and food. The delays disturbed their cash flows and the 20 volunteers who relied on government stipends could not sustain their transport costs. The participant stated that her organization (organization N) ended up giving these volunteers food parcels just to sustain them. “Let me tell you this story, like right now we applied last year October, that’s what they wanted us to do. Then we sent in proposals, we went for panel and we only signed last week you know and people have not been paid because government financial year ended end of March”. And then we have volunteers that are actually paid by government and the government takes care of 300 of our kids you know. We have been waiting for funding since March and it still hasn’t happened up to now so those are some of the challenges that we face in as far as government funding is concerned”.

The non-payment of volunteers by government was also further reiterated by another participant from organization J in the field of human rights and HIV/AIDS. In her closing remarks, she said: "I think for instance, right now the major major thing is there is what you call the ‘dry season. They have volunteers and the volunteers receive a stipend from government and there will come a time, three or four months that volunteers go unpaid and they have even come up with a name for it, “dry season”, which is I think you know coming up with a name for something is normalizing it when it actually isn’t”. She further asserted that some persons volunteered because they want to contribute but others volunteer because they have to put food on the table as unemployment and poverty were realities of their lives. As a result, if they did not have the commitment, they normally did not render quality service. This assertion resonates with the finding that the reason often underpinning voluntarism is the stipends which support the function and once stipends are no longer guaranteed, volunteers leave understandably to pursue other options (http://www.sangonet.org.za/portal/index.php?option=com_content&task=view&id=9566&I).
Volunteers, it appeared tended to join the sector to earn a living rather than having a commitment to serve the poor and the disadvantaged. This scenario, as it emerged from the study contrasts sharply with the normally desired characteristics of volunteers, which can be explained by considering Maslow’s Hierarchy of Needs Theory. In this theory, Maslow postulated that there are basically five levels of human need that individuals strive to meet, namely physiological needs which relate to basic needs such as food and shelter, safety needs, social needs, self esteem needs and finally self actualization needs. In terms of this theory, most persons volunteer at a time in their life when they have met their physiological and safety needs or else they would not be volunteering but rather directing their efforts towards meeting those deficits, possibly by taking on a second job as opposed to volunteering. Individuals therefore normally take up voluntary work to achieve social needs, self esteem needs as well as self actualization needs, especially the latter two as they tend to seek satisfaction, recognition for achievement and participation in decision making to mention a few (McLaughlin, 1986).

Comparing such scenario to the volunteer situation in South Africa where volunteer work in increasingly motivated by money as opposed to commitment to a cause as advanced by two participants raises concern, particularly if this is applicable to the broader NPO sector. It may serve as a basis for future research with a view to establishing the factors that induce volunteerism in South Africa (volunteers comprise a huge proportion of the workforce in the NPO sector). In the researcher’s view, should it be true that the need to earn a living through stipends induces volunteerism; this is likely to have a bearing on the performance and service delivery capacity of the sector. For example, in 1999, it was noted that nearly 1.5 million volunteers actively contributed their time and energy to South Africa NPOs, with this work equivalent to 316,991 full-time jobs and volunteer work accounted for 49% of the non-profit workforce or 47% when the religious sector was excluded, by far surpassing the international average of 35% (Swilling & Russell, 2002, pp. 17-18). These statistics indicate how extensive volunteer labour is in South Africa and may therefore serve as a platform for future research based on this the aspects of volunteerism that were raised by participants. This viewpoint expressed is in light of
the fact that the reason underpinning volunteering is believed to be stipends which support the function.


**Poor government planning**

One participant noted that whilst her organization had a good working relationship with government, poor planning tended to characterize government. She stated that government had strict regulations and requirements and was not lenient with funding. Due to poor government planning and delays, internal organizational relationships were also affected when salaries were delayed to staff thereby impacting on service delivery.

**Government funding perceived as satisfactory**

Only one participant stated that her organization was satisfied with government funding in all respects. The participant mentioned that the money they were receiving from government was sufficient to cater for their needs. In the researcher’s opinion, however, this participant may have furnished socially desirable answers as she had to participate in the interview in place of the Director who could not attend due to other business commitments.

**Impact of Government funding delays on service delivery**

One participant from organization J stated that with government funding, they were able to capacitate more clients that they would have done without such funding. However, the participant stated that there was an apparent lack of systems in government and funding was therefore characterized by delays which impacted on their work-plans in terms of executing their work schedules on time. This had the effect of causing delays in terms of reports and projects. As a result, the trust between their organization and government appeared to be somewhat tainted as government seemed to take its time to deliver on its commitments. By the same token, the trust between organizations and their affiliate clients was also compromised as they failed to deliver on plans or experienced delays in implementing such plans.
Government delays in disbursements of funds therefore impacted on how they were perceived in terms of their quality of service. “Sometimes the funding is not on time and that impacts on the work in terms of, ah if you have a plan, basically you can’t execute and at the end of the day, there are requirements for reports. When you give a report, it looks like its a bad report whereas its because you have been waiting for funds and people sometimes are not that accommodating so they wouldn’t say, okay fine I will do the work now and then you will pay me later so those kind of things are really hindering the process”.

In apparent reference to the issue of trust, the same participant from organization J commented, “The trust between us and them, the government, it becomes limited obviously then it means they commit to something and in taking time to deliver, it makes us not really trust the process and then the trust between us and our affiliates or the people that we promised training, sometimes it makes us look unprofessional because then, we don’t have the funding on time, then we have to maybe make other arrangements or cancel those arrangements and plan for later and it makes us look like we don’t know what we are doing, which then affects the image of our organization”.

Another participant from organization M observed that delays in funding caused organizational difficulties as they had to continue to operate without any income or salaries. As a result of lack of income due to funding delays, they ended up resorting to minimizing their services hence it impacted negatively on their service delivery. He commented, “I think the standard answer from anybody I guess would be that it’s not sufficient, government does not fund, fully fund the programmes. I think the welfare sector; one of the issues is the fact that Social Development outsources most of the services to NGOs, NGOs that are not sufficiently funded to actually give programmes.

**Government funding inadequate to meet the demand**

Another participant from organization L alluded to the fact that there was a huge demand for service in the country but government funding was too little to meet this huge demand. In addition, government was too bureaucratic in decisions and delays in
disbursements were a major problem: “It’s always too little and too late”. Another participant observed that government funding was only partial funding and therefore insufficient.

**Inadequate government funding for community outreach programmes and care**

One participant representing organization O asserted that the funding his organization received from government was inadequate. As a result, they were not able to embark on community outreach programmes and fully fund the costs of care. “I will say we are obviously grateful for whatever we get but having said that, I think that the subsidy we get for frail care is in North West R1 500, in Gauteng, it’s R1 450 a month which is completely inadequate, bearing in mind that the cost of frail care services is about R5 500 a month. So it helps but it’s not sufficient. Also tied with that is the need to embark on outreach programmes into the community, which I think makes sense. But we still have to do that out of the R1 450 or R1 500 that we receive so it’s very difficult to effectively run an outreach programme out of the funding that we get. If we got additional extra funding that was project based, then that would be better and the project based funding goes from year to year which is a major problem because you can set up a very good project and put a lot of energy in it, put resources into it but you don’t know what’s gonna happen in the next year. So my own view is that the funding needs to be like for a commitment for a three or five year period so that we know where we stand. Then we can commit to a project. It’s just a one year period, it’s too short”.

The Nonprofit Organizations Act states that “within the limits prescribed by law, every organ of the state must determine and coordinate the implementations of its policies and measures in a manner designed to promote, support and enhance the capacity of NPOs to perform their functions” (Nonprofit Organizations Act, 1997). In view of this statement which amounts to government’s pledge to support NPOs, it would seem that what is promulgated in terms of legislation was failing to be translated into action on the ground for the organizations that were surveyed in the present study. Consequently, there would appear to be a need for both partners, i.e. the government and NPOs to revisit their relationship, establish stronger linkage systems and map the way forward by removing
the administrative hurdles that currently appear to be hindering effective service delivery. The researcher fully agrees with the assertion that NGOs can oppose, complement or reform the state but they cannot ignore it (Clark 1991, cited in Lewis, 2001, p.149). It would seem that NPOs need the state in spite of the hurdles they may face in dealing with the various state departments. On the other hand, the state also needs NPOs as it is dependent to a large extent on this sector for implementation of its poverty alleviation strategies. The state-NPO relations therefore need to work in synergy as they are dependent on each other for service delivery.

Adequacy of NPO funding

Diversity of donors for NPO funding

The 15 participants were asked whether or not they relied on a single donor for funding. The purpose of this question was to ascertain how diversified sources of funding were for NPOs and to ascertain if such funding was adequate. In response to this question, 14 participants stated that they did not rely on a single donor and sought for funding from a diversity of donors. Their major donors therefore included government departments, private organizations (business), clients who paid for services in some instances and in international charity donors. They therefore acknowledged that they sought funding from any willing donors from any sector. Only one participant relied on a single donor for funding and was funded by a private organization for its activities. This was however not out of choice but because the organization had not been able to attract any other donors and government had rejected their applications for funding. They were in the process of pursuing other donors in the hope of attracting funds for their operations but had thus far been unsuccessful. The diversity of NPO funding is depicted in the Figure 4.1.
The second part of the objective sought to establish if their funding was adequate and how this impacted on service delivery of these organizations. When asked about the adequacy of their funding, 11 participants stated that funding was not adequate. The participant’s responses are depicted in the Figure 4.2.

**Funding inadequate**

The second part of the objective sought to establish if their funding was adequate and how this impacted on service delivery of these organizations. When asked about the adequacy of their funding, 11 participants stated that funding was not adequate. The participant’s responses are depicted in the Figure 4.2.
In response to whether funding was adequate or not, one participant from organization B responded by saying, “What has happened is that there has been a convergence of corporate social investment activities around education, HIV and AIDS. Children and disability has really disappeared off the radar screen so we are no longer flavour of the month and that makes it very difficult for us to generate funding.” This participant’s assertion that donors have funding preferences especially around HIV/AIDS was reiterated by another participant from another specialty who stated that his organization was not receiving any funding from corporates. He further commented, “And the reason for that is that the elderly are not fashionable to corporates, I think that they focus on youth, HIV/AIDS and that the elderly are already forgotten about and I don’t think that they get the mileage that they get out of HIV and AIDS and the youth. It’s more marketing, it’s more appealable but generally we find that the corporates don’t have much interest in the elderly”.

Another participant stated that her organization (organization C) was not adequately funded and barely managed to survive. In her own words, she said “We are not adequately funded you know, we live from hand to mouth, from pay-cheque to pay-cheque but we live by faith, we know that we will never starve with God on our side, we will always have a source you know but I think it is more of a self sacrificing profession”. The same participant further noted that given the huge needs of South Africa, she doubted if they would ever be adequately funded. “I don’t think we will ever be adequately funded in this environment because there will always be needy people and they are becoming more and more and more you know”.

**Funding adequate**

Two participants were of the opinion that their funding was adequate but pointed out that it was because they only spent based on what had been approved in their budget and therefore confined their services within approved budgets only. One participant stated that her organization only managed to break-even with neither a loss nor small profit. The other participant stated that his agency was adequately funded, only in the sense that their organization catered only for those that could afford to pay for their services. Overall, the
participants stated that their services were limited due to funding and there were many services that they could have been offering if they had been adequately funded.

**Impact of funding on service delivery**

**High labor turnover and lack of professional skills**

Given the participants’ views with regard to inadequate funding, most of the findings on how this impacted on service delivery were expected. Seven of the participants admitted to facing challenges with regard to staff retention. They pointed to high labor turnover in their organizations as qualified staff left for greener pastures. The turnover was mainly linked to their inability to offer market related salaries and benefits; hence qualified staff left to join the private sector or government departments. One participant from organization A lamented the fact that employees tended to leave the sector to join government departments which deliberately targeted their employees: “Funny, you will find this Social Development will target our employees”. He emphasized that labor turnover hinders service delivery due to lack of staff to do the jobs. Another person commented, “We have huge gaps in our salaries, we have a high staff turnover coz we can’t hold onto staff”.

Another participant in child welfare from organization F expressed the same concern regarding salaries when she stated, “There is another issue, its staff retentions. It’s a big problem in this field. We are not able to pay the same salaries as government and certainly not the private sector and so we have a very high staff turnover due to that, and it’s not that people don’t want to work here. People are passionate about this work. We often have people who are really really sad to leave”. The other participant from organization I stated that her organization did not give salaries but stipends only and this had impacted on staff turnover. “As I was saying, we do not give salaries, we give a stipend and at times you know, its very little and we do understand that people got commitments and things are very expensive today, so they look for greener pastures and what we end up doing is training people and losing them and it is also costing our organization money because we train them and they leave after a few months”. 
Although one participant from organization D mentioned that her organization had not been affected by a high labor turnover, she explained this statement not in terms of them offering workers high salaries but by the fact that they had cut down on staffing in provinces where there was inadequate funding and increased staffing in provinces where there were more resources. Hence their staffing responded to available funding. “We have had to cut down on staffing in provinces where there is lack of funding available for early childhood development and we had to increase staffing in provinces where there are more resources for early childhood development”. Another participant, though not hard hit by high labor turnover, stated that they had had to settle for the less skilled staff instead of qualified staff as they lacked the capacity to pay. This had impacted on their service delivery in terms of quality of services rendered.

One participant had not experienced a high turnover in her organization simply because she was the only permanent employee in that organization as well as its founder. The rest of the staff members were volunteers based in communities. She however pointed out that if level of funding had been higher, she would have employed assistants in different positions. Two of the participants explained that due to inadequate funding, their staff was overstretched as they had to resort to utilizing limited staff. The result was role overloading due to under-staffing and this impacted on service delivery as it resulted in low morale associated with productivity and reduced work quality. The other participant from organization J stated that her organization’s caseloads were not manageable: “I think that we have a very limited number of people. We could be doing much more than we are and I think that we are really thinly stretched because if you look at it, we have got one librarian. The work that is in the library is really so much that we could do with two or three, enough work for two or three people just within the library alone. And then the training department is very thinly stretched as well and the trainers. They do training, they do peer assessments, they do the mentoring, and all of that work is really intensive”.

Another participant emphasized that his organization had not suffered from high turnover because the organization was at least able to cover its human resource overheads from
rental income received. One participant did not directly admit to a high turnover of staff but stated how her organization was affected by the inability to fill key positions such as that of Social Worker and Finance Manager. She lamented the fact that her organization had committed people but they lacked the skills and inadequate funding which meant they were unable to attract skilled staff. The other participant from organization M stated that his staff suffered from high levels of insecurity in their jobs. “I think the first thing is that we can’t offer long term employment contracts, we can only offer one year fixed term contracts because we are typically not sure of funding beyond a year. So in terms of their career paths and planning, it’s challenging for them. That leads us to losing staff sometimes because some staff members want long term job security so they tend to leave more easily because they don’t have job security and with the staff we have, we have a lot of insecurity in terms of the money for salaries. Although in the last ten years, we have never missed one payroll, there has been months when we had no money and where the ... only got money the day before payroll was due so it leads to high levels of anxiety with the staff”.

One participant stated while not hit by a high staff turnover, they were not able to pay enough and had to make sacrifices although she stated that in comparison to other organizations in the NPO sector, their organization’s salaries were better. The last participant explained that due to inadequate funding, their salaries were not attractive and the organization tended to rely on people who had a calling and commitment. However, they were not always able to attract the skills they desired especially in professional staff and this impacted on their performance standards and service delivery.

He stated that as a result of inadequate funding, they had staff on their payroll (organization O) that they would prefer not to have as a result of poor performance. As he put it, “Our salaries are you know, are not the best so we rely on attracting people that have a commitment to caring for the aged or have a particular calling. So we are not always able to attract the staff that we would want to be able to”. He further stated, “We maybe have staff on our payroll that we would prefer not to have because people are not performing at the standards that you expect and if they are senior people in the
organization, that tends to filter down to the lower levels of the organization because if they are not performing professionally, then it tends to rub off throughout”.

Overall, inadequate funding appeared to have a direct impact on service delivery because of high staff turnover. Although some of the organizations had not suffered from high labor turnover, they described the options they resorted to, such as hiring unskilled or semi-skilled staff and having to assign multiple roles to existing staff (role overloading). This theme was expressed by one participant from organization K who commented, “Service delivery is most affected by the level of our salaries, we cannot offer big salaries so we have to be happy with a less skilled person in a position that requires a professional person unless you get a professional that really wants to sacrifice”.

Additionally, due to inadequate funding which had resulted in low salaries in these organizations, the people that tended to join them, who might be lacking in professional skills and experience tended to dessert them once they had acquired the necessary skills and experience to join better paying sectors. Some employees therefore tended to use NPOs as training conduits. The cycle of hiring, training and re-hiring was synonymous with low paying organizations that continued to lose staff and start the recruitment process all over again. The impact of these measures was reported to have culminated in poor service delivery in terms of quality, low morale and lower productivity.

The private sector, local and provincial government departments were perceived to pay much better than many NPOs. One participant stated that her organization could be considered to be among the best paying NGO organizations, but when asked how her organization (organization D) compared to government and the private sector, she responded by saying, “Oh no, no, you can’t compare to government and private sector”. This response suggested that government paid higher salaries than NGOs. Another participant from organization B commented, “With social work staff, its always a major issue and because we are not able to pay the salaries that the government, local government, provincial government and the private sector pay, there is a very high turnover and a high vacancy rate as far as social work staff is concerned”. He further
elaborated, “People who come here are people who want to make a contribution and not really people who want to make a career”.

Stoner and Wankel (1986) posited that when employees are resentful of the reward system, they usually retaliate by lowering performance levels and an organization will only get as much as it rewards. In light of this statement, lowered or poor performance will also tend to impact directly on service delivery in those NPOs where the reward system is not attractive. Labour turnover can be directly linked to the failure by NPO employees to meet and fulfill basic needs in terms of Maslow’s hierarchy of needs. The theory implies that the basic physiological and survival needs of employees must be satisfied by a wage sufficient to feed, shelter and protect them and their families satisfactorily (Stoner & Wankel, 1986, p. 424). In respect of the labor turnover and skills issues articulated by the participants, this would appear to correspond with the findings of a survey on civil society in South Africa carried out in 1999. The survey established that many experienced personnel were motivated to take up jobs in local, provincial and national government departments thereby impacting on the performance and stability of the sector (Kihato & Rapoo, 1999). During the period when this survey was conducted, many people left the sector to go and work with a legitimately installed government of the ANC Alliance and its partners. This resulted in a wealth of knowledge and institutional memory leaving the NPO sector.

It would appear that in the current period, the sector still continues to lose staff to either government or the private sector.

However, according to Drucker (cited in Mclaughlin, 1986, p. 30), “the non-profit sector does not necessarily have to match the private sector dollar for dollar in salaries but can include a whole arsenal of psychic rewards in terms of relevance, complexity and challenge of work and the freedom to grow and develop as a person and as a manager” Drucker makes an interesting point because his analysis supports the notion that psychic rewards can be effective only if they are matched by financial rewards. Without sufficient financial rewards in the NPO sector, psychic rewards alone cannot make employees stay
put because like any other employees in the private sector or government, they still have basic needs to fulfill.

According to Mclaughlin (1986), expectancy theory, can also help one to understand the perceived high staff turnover in the non-profit sector. The basic idea behind this theory is that a professional’s motivation to perform is dependent on three interrelated expectations namely, the expectation that the effort will result in successful achievement of the desired goal, the expectation that once the goal is achieved, reward will be forthcoming, and lastly, the expectation that the reward gained is of value to the employee. Motivation is therefore induced by the incentives offered and according to this theory, managers of NPOs are responsible for establishing attainable goals by offering rewards and incentives tied directly to goal achievement and for offering rewards that are valued by the employee. According to this theory, if employees have low expectations, motivation is likely to be significantly reduced as will be performance and goal achievement. NPOs, due to limited funds, have very little discretion in tying financial rewards to performance and goal achievement because they cannot afford the costs involved as they are continually looking for donor funds to sustain them.

**Skills deficiencies in Black-founded/ Black run NPOs**

Although this theme was articulated by only one participant from organization N, it presents an important and interesting yet real dilemma that some NPO practitioners find themselves in, especially for Black NPO practitioners. This one participant went to great lengths to explain that sometimes, NPOs were formed and founded by persons purely on an emotional basis with the founders possessing few or no skills for running an organization. She gave an example where she herself started off by helping just one child and before she knew it, she was suddenly burdened with hundreds of children, evidence by the fact that her organization, in the field of HIV/AIDS had 1 300 children under its care at the time of the study.

People therefore had the commitment but not the knowledge and skills. The participant from organization N expressed it as follows: “We have people that are passionate but not
skilled for the kind of work that we do. And I think again because of the fact that we started this maybe just to address a few issues and little did we know that there was so much more, like the need was so great so, how can I put it, the organization grew, you know exponentially and it left us behind in the sense that there no skills development but we were having more and more kids. And then on the side, because of that again, we did not really realize, we thought no man, people will understand our cause. And then people said no, I need a good structured business plan. I need this and I need that”. She explained that it was only now that she was realizing that donors would not fund one purely on the basis of an emotional cause or need but more and more, donors were demanding more accountability and organizational effectiveness from NPOs as key ingredients for successful fundraising. ”No funder will come to your door-step because of a need” She referred to a business plan that a White colleague in the NPO sector showed her and was amazed at how well written the proposal was. With reference to this, she said “And I began to realize, God that’s why they get all these things” This called for managerial skills, information technology skills, communication skills, business/accounting skills, budgeting skills, proposal and report writing skills among others.

However, according to this participant, among Black founded organizations, these skills were severely lacking and had led many NPOs to close shop. She acknowledged her shortcomings when she used to wonder why NPOs being run by a fellow White woman for example seemed to be well resourced and appeared to struggle less with resources in comparison to her organization. She said she realized this had nothing to so with the colour of the skin when it came to donors funding NPOs but rather whether one could demonstrate to the funders their ability to run an NPO beyond the emotional sphere and embrace the fact that NPOs needed to be run efficiently, just like any business and be accountable to funders. “I don’t think color has anything. This is not a color thing. It’s about systems, it’s about skills, it’s about governance”. Despite having said this, she also noted that fundraising was more challenging for Black founded organizations.
She explained “I think you know like the challenge of Black women or Black people that have initiated organizations; I know for sure that if I had another skin color, people would take me seriously, even though I know that some people take me seriously. She further stated, “But I think the other thing is that fundraising needs money and its quite a huge amount of money and when you look at how we as Black organizations have to, one cannot afford you know getting a Fundraiser on board and I think I am trying to say I know that there is sufficient money put there that we can actually tap into but the thing is we don’t have the know-how, we don’t have the knowledge of doing it. We don’t have how to do a right business proposal, its like we are battling” She lamented how NGOs in her area were closing down due to these struggles faced by Black persons and how it was difficult to have healthy donor relations. “We don’t know how to keep our donors happy. We don’t have you know a relationship donor person who can actually say their main purposes would be to look after donors…. No we cannot afford it”.

Accountability to the funders meant submitting professionally written proposals, accounting for the money used and so forth. Fortunately, in her case, she had since realized this and was making a concerted effort to actively steer her organization in the expected direction. Although she spoke about her experience, her analysis of the situation was directed mainly at Black founded NPOs, which she felt may have their roots in a community but lacked skills and capacities to drive the cause of the organization. She expressed her wish for the government to do something about capacity building in terms of skills of NPO personnel, possibly by setting up a college where basic skills could be taught before running an NPO. This participant’s acknowledgement of her weaknesses seemed to be a positive attribute, forming the basis for learning and improving.

Fenwick (2008) advanced the idea that the funding arena for NPOs in South Africa had changed significantly over the past 14 years. The author posited that, “unlike prior to 1994, where money was given without due consideration to the impact of the donation, funders are now entering into contracts with recipients in which deliverables are clearly articulated and reporting requirements stipulated. There is growing support for the notion that money or support needs to produce measurable results and the reality of the
immensity of the problems that are facing this country is beginning to hit home and the need for quantifiable measurement regarding progress is becoming imperative for funders” 
(http://www.sangonet.org.za/portal/index.php?option=com_content&task=view&id=9566&Itemid=1). This statement suggests that at the time of the study, funders were demanding more accountability and business skills from NPO practitioners and their demands went philanthropy.

This shift was highlighted by earlier authors such as Mclaughlin (1986), who advocated for business skills in NPO organizations from as early as the 1980s. He suggested that NPO practitioners, if they were to survive needed to function according to business principles and possess appropriate skills. McLaughlin (1986) maintained that, because NPOs are continually looking for donative revenue, they can only do this better if they pursue marketing drives. The implication is that NPOs must possess marketing skills so that they are in a better position to market their organizations and attract sufficient donor revenue which is necessary in spite of the general assumption that NPOs should not market themselves as it reflects negatively on them. Others view marketing as unethical and involving unnecessary costs in the NPO sector. According to Mclaughlin (1986), marketing skills in the NPO sector assist in augmenting and covering loss of donative funding as NPOs need to venture into other activities to augment their finances and this basically calls for marketing skills to develop entrepreneurial activities. In addition, he postulated that NPOs are accountable to their donors and hence they need to possess communication skills in order to be able to communicate their achievements in performance and cost containment initiatives. Donors are continually evaluating them because they want to know how their funds have been utilized but more importantly, they also want to establish if cash flows in NPOs represent efficient and effective management. This fiduciary responsibility calls for considerable professionalization and better management.

In addition, the same author wrote in support of market research for NPOs because it is critical in helping NPOs to identify their clients and their attitudes and hence be able to
adjust organizational objectives, budgets and services accordingly (McLaughlin, 1986). Whilst traditionally, NGOs have always felt a sense of ‘difference’ and felt that adopting mainstream management processes would contaminate their ideals, because most management theories have their roots in the business sector, business management principles are still relevant and applicable to the NPO sector (Chambers, 1994, p.156 cited in Lewis, 2001). Chambers further noted that NGOs had not readily embraced management principles. However, there is growing evidence to indicate that donors are becoming increasingly selective and will not simply fund NPOs with inadequate professional skills to manage organizations in their entirety. Skills needed by NPO practitioners therefore include but are not limited to marketing skills, fundraising skills, project management skills, accounting and budgeting skills, communication skills and information technology skills.

Lack of capacity building for staff development and training

Tied to the issue of inadequate funding and how it impacted on service delivery was the fact that this had resulted in lack of capacity building and training for staff employed in the organizations that were surveyed. Four of the participants alluded to the fact that due to inadequate funding, there were no resources left for staff development and training of their staff in order to capacitate them. This was due to the fact that their organizations were characterized by ongoing competition for resources between operational/programme costs and staff development, with the latter being negatively affected. This was because the limited funds had to be channeled towards operational expenditure as opposed to staff development and training. One of these participants from organization M highlighted the inadequacy of funds by saying, “With more funding, there would be more opportunity for capacity building to mentoring staff, mentorship training, leadership training, that kind of thing”.

Inadequate funding in relation to NPO programmes and administrative costs

NPOs that were surveyed appeared to generally suffer from a lack of adequate funding for programmes. As such, the impact was not only limited to staff issues such as insufficient salaries and benefits but extended to their programmes as well. Ten of the
participants articulated the concern that most donors, whether government, business/corporate funders or multinationals were reluctant to fund direct or overhead costs such as salaries, transport and other administrative expenditure. As a result, programmes were funded but not the costs associated with running them such as salaries. Hence, to illustrate by example, one participant from organization B aired this concern by saying, “What I never understand is where businesses will come along and they will say, and to a certain extent, the National Distribution Trust Fund, they will say we will give you that vehicle ... but sorry we can’t assist you with a salary for the driver, for the petrol, the operating costs, we will give you the vehicle. We support your social development programmes ..., oh a bookkeeper, a director, no we are not gonna cover that”.

He elaborated by saying, “How do you run a programme if you can’t prepare income statements. You need a bookkeeper to keep governance. You need apart from anything else, an organization needs appropriate governance. Whenever the volunteers meet, there has to be somebody there who makes sure that they meet in terms of the constitution, the quorums are there, the resolutions are there properly recorded so you need some kind of secretary .... Oh no no no no, we are not doing that, so the corporates focus on projects and for some reason, there is this resistance to overhead costs, I don’t understand because people think the Director drives the nice big Mercedes and has got all sorts of perks and all, I can understand that but there must be room for reasonable overhead costs along with the project funding”. It should be noted that volunteers in this context was referred to volunteers who serve on the Board of Directors.

Another participant from organization E expressed this issue by stating, “I think also sometimes funders ain’t realistic especially in terms of operational costs. Where you would find funders, they are happy to give you equipment every year for ten years but not give something for, a portion of that towards salaries, a portion of that towards maintaining your office. So that’s a challenge”. When further probed on why funders were reluctant to fund operational costs, she said, “It’s very nice when you come and open a workshop and you can say look at all this beautiful equipment we sponsored but
you can’t take people in the workshop and say you sponsored all their salaries”. “One time we had a computer lab fully sponsored but we couldn’t afford the teacher and the computers sat for a year. We couldn’t afford a teacher”.

Another participant from organization J gave an example of how a donor fully funded a library but refused to fund the salary of the librarian. “They will say I will give you for the library, I expect the library to run but I am not going to give you money for the person who will run it and with the library money, I expect you to buy books and then you can buy furniture for the library and that’s it. You can’t spend the money on anything else”. Government on the other hand might fund organizational posts but only partially and not exceeding 75% according to one participant. Government partial funding and the delays associated with government disbursements were challenges still posed when it came to planning of government funded programmes or paying government funded staff. Programmes were normally run on shoe-string budgets hence compromising service delivery to clients.

**Role overload**

This theme was articulated by three of the participants, with the challenge of role overload being attributed to inadequate funding. The budgets did not allow some of the NPOs to fill all vacant positions and this resulted in staff being overloaded with work to the extent that employees performed a multiplicity of roles. This was believed to lead to low staff morale, low productivity and hence impacted on quality of service. One participant from organization F, a child welfare organization summed up the situation as follows: “It’s just really the fact that we are not able to employ more staff”. Role loading eventually leads to burn-out, lack of motivation and poor performance (Maslach cited in McLaughlin, 1986). Once staff members suffer from burnout, they lack the motivation and eventually tend to distance themselves from clients and this distancing is expressed in the form of negativity, cynicism, low morale, absenteeism, bureaucratic tendencies and high labour turnover (Maslach cited in McLaughlin, 1986, p.262). The burn out syndrome has the effect of compromising quality of service delivery.
**Employed in NPOs due to a calling, passion and commitment**

Interestingly, what emerged from the responses was that despite the inadequate funding, participants emphasized that they were employed in their organizations out of commitment, passion and in some instances out of a calling to fulfill despite their low salaries and benefits. One participant from organization C referred to this motive as self-sacrifice. She said, “I think it is more of a self sacrificing profession”, whilst another person in the field of child welfare from organization M said, “It’s out of commitment to the cause and not the organization”. What he meant was that the loyalty of those that had remained with the organization despite inadequate funding was more of a reflection of their commitment and passion to work with disadvantaged communities as opposed to loyalty to the organization per se. Another participant also commented that, “Many of the staff that’s working here works here because it’s a calling. They believe in the work. They identify with the goals of the organization”.

Exactly how far the journey for a moral cause can be traveled can best be answered by those who were in NPOs merely out of commitment. However, in the researcher’s own analysis, guided by management principles of motivation, particularly Maslow’s hierarchy of needs which states that an employee needs to fulfill basic needs such as food and shelter first before fulfilling other needs, the idea of commitment to the moral cause does not seem sufficiently conducive to staying if salaries are inadequate. There is also the possibility that some persons may lack the skills needed to change employment. From an outsider’s perspective, South Africa is a capitalist market where survival through competition and profits is the game and with current global challenges such as rising food, oil and electricity prices, the current global financial crisis and the credit crunch, the researcher expresses skepticism over the longevity of the ‘commitment/passion scenario’. The question here is whether NPO practitioners can continue with this self sacrifice/passion principle, at the expense of their personal needs and family’s survival.
4.5 Objective 3: To establish if NPOs were engaged in any forms of fundraising and to elicit their views on self-sustainability of their organizations

The finding that most NPOs surveyed, 11 to be precise, stated they were inadequately funded was expected by the researcher. Consequently, this objective sought to establish if the NPOs in question were involved in any form of fundraising activities to boost their financial resources given the inadequacy of resources. Tied to fundraising activities, this objective also sought to elicit views from participants on self-sustainability of these organizations by establishing if they were actively engaged in income generation activities. Moreover, it also sought to establish if these organizations were actively considering moving towards self-sustainability given that they relied on funding from donors. Thirteen participants stated they were involved in some form of fundraising activities, with only six of them involved in some form of actual income generation activities. These findings are reflected in Figure 4.3.

![Figure 4.3 NPO Fundraising Activities (N=15)](image)

However, one of these participants from organization E was quick to point out that it was very difficult to engage in income generation. “There isn’t the time, I think it’s very difficult for a lot of people in NGOs moving towards sustainability and I think that .... You know NGOs are relying on funding from charity for their work otherwise they would be a corporate.” She also went on to state that her biggest complaint with donors was the
issue of sustainability. Her feeling was that it was not always feasible to move towards self sustainability depending on the organization and services one offered.

She asked, “What about Mama so and so down the road and running a feeding scheme for 20 kids, how does she become self sustainable? She doesn’t charge those kids fees. She doesn’t, she can’t start anything there, I mean how does she move towards self sustainability? She is relying on people giving to feed the children. That to me is just beyond being realistic”. The other two NPO representatives did not mention any fundraising activities at the time of this study with one saying they were still exploring various options and the other stating it was difficult for them to fundraise or engage in income generation. One of these participants explained that his organization, (organization M) was not involved in any fundraising or income generation but concentrated on its core business. He simply said, “We don’t focus on anything else”. When further probed if his organization was considering any initiatives towards self sustainability, he replied, “It’s difficult because we don’t have anything to sell, so we don’t have any products we can offer. And because of the insufficient levels of government funding, most NGOs including us, any surplus funds we have, we typically use to bankroll services until we get money from government. Like now government hasn’t paid us so all our surplus funds are used to bankroll their programmes”.

Another organizational representative for organization J stated that her agency was exploring various ideas to boost their financial base, through setting up a separate commercial entity but nothing had yet materialized at the time of this study so they relied on donations in kind: “We have been toying around with an idea for bringing in sustainability so it’s like we are looking at a major project that will kind of bring in money”. It’s kind of like a separate entity whose profits will go into the Trust fund that will benefit the organization. So for instance, if the funders would say I am pulling out now, the trust would be able to cover”. The nature of fundraising activities differed among participants and what is important to acknowledge is that of the 13 that stated they engaged in fundraising activities, only six of the organizations were really involved in income generation for sustainability. The income generation therefore contributed to their
financial bottom-line but was still deemed inadequate to expand programmes or match market-related salaries for staff.

![Figure 4.4 NPO Income Generation Activities (N=15)](image)

The six organizations that raised funds did so through commercial activities and they acknowledged that the financial gains from such activities were substantial but still inadequate to meet the huge needs for service delivery.

**Table 4.3: Nature of Income Generation Activities by NPO Organizations (N=6)**

<table>
<thead>
<tr>
<th>Service Field</th>
<th>Nature of Income Generation Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physically disabled</td>
<td>Commercial employment placement, repairs of wheelchairs and other devices used by the disabled, wheelchair rentals plus other fundraising activities e.g. planning events</td>
</tr>
<tr>
<td>Substance abuse</td>
<td>Leasing of two buildings at commercial rates and charging for treatments at their rehabilitation clinic at market rates</td>
</tr>
<tr>
<td>Housing</td>
<td>Substantial rental income from tenants occupying their buildings and income from the organization’s endowment fund.</td>
</tr>
<tr>
<td>Children (orphans &amp; vulnerable children, VCT)</td>
<td>Farming, income from orchards and nurseries, piggery projects and peanut-butter making</td>
</tr>
<tr>
<td>Children (orphans &amp; vulnerable children)</td>
<td>Income was raised through setting up voluntary testing and counseling centres at workplaces and charging for such services.</td>
</tr>
<tr>
<td>Children (counseling)</td>
<td>Income through professional skills training for which they charge and an annual calendar project at which a single calendar costs R25 000.</td>
</tr>
</tbody>
</table>

However, the sixth participant from organization F, whose organization raised money through professional skills training and an annual calendar project, was quick to point out that as a child-welfare organization; it was not easy to generate income: “*In terms of our services, it’s a misnomer because children can’t pay for services; they don’t have the*
financial means.” She went on to mention that their donors had been questioning them about income generation and sustainability of their organization: “We are being challenged by some of our donors to say, why don’t you start the self sustainability project? Why don’t you do food gardening, beading whatever? But that is starting a business that’s running alongside an NGO and for that you need to employ a whole set of people, to run that as a business. You need a whole set of people to run that and manage it to do it separately so we are servicing children. We are social workers. We are not business people, you know what I mean”.

The remaining seven participants were not actively involved in income generation and the fundraising activities they were engaged in did not earn substantial income to significantly alter their financial situation. Fundraising activities included placing their profiles on websites to attract donors, selling gardening accessories such as seedlings, planning for events such as golf days, dinners and fetes, selling of calendars and marketing to organizations via email communications. Their fundraising activities basically relied on the goodwill of philanthropists. One of these participants stated that her organization was disadvantaged because they had no resources to employ a Marketing person or Professional Fundraiser. She lamented the fact that other well established NPOs, particularly White-founded/run, were well resourced and hence such organizations normally engaged the services of professional fundraisers, who she pointed out, did not come cheap.

Therefore, fundraising initiatives described by participants did not indicate major entrepreneurial activities by many of the NPOs involved in this study and self-sustainability was a phenomenon that was yet to be fully embraced by these organizations. It was only six of the participants who managed to derive substantial income from fundraising and income generating activities. Despite this, however, they insisted they could still do more if they had increased funding. Hence regardless of major income generation, they still needed more funding, either to improve on service delivery as well as expand their services to wider communities as there were huge needs in the country at large.
4.6 Objective 4: To ascertain any other challenges directly linked to financial resources that NPO organizations faced

The purpose of this objective was to probe further challenges faced in the NPO sector that were funding related. Participants were therefore asked to relay any other challenges that they faced in their organizations that were directly linked to financial resources and their funding. With the exception of one, all 14 participants highlighted many challenges including the issue of low salaries and benefits that had already been articulated under objective three. One participant did not describe any challenges because she claimed that her organization, of which she was the only employee, was achieving a financial break-even situation. Some of the themes and verbatim responses from the 14 participants are presented below.

**Human resources challenges and lack of holistic service to clients**

The issue of human resources challenges again emerged when asked about other challenges faced even though this theme had been expressed when participants spoke of how inadequate funding impacted on their service delivery. One participant from organization A reiterated the challenges his organization faced with regard to salaries and benefits. In addition, his organization which worked with street children could not afford to offer holistic services to street children such as drug-abusers in need of rehabilitation. This was due to the fees asked by addiction and drug rehabilitation centres and their inadequate funding meant they could not offer all the needed services to their clients. He commented, “You will call rehabilitation centers and they quote you extra ordinary amounts and you can’t afford that, it’s not in our budget and we don’t get funding for rehabilitating these young people”.

**Inability to expand limited community programmes and services**

Two participants whose organizations specialized in physical disability and food gardening emphasized the fact that there were huge needs in communities but due to
limited finances, they were not in a position to expand their programmes to all communities in need of their services. Due to inadequate funding, some of the NPOs were under threat of closure. Another participant, in the field of special education for children, pointed to the fact that their challenge related to her organization’s services being limited due to funding. She gave an example of how in some of their programmes, they worked with children only but had there been adequate funding, their programmes would have been more effective by including workshops and programmes for the parents of these children. One participant from organization O, lamented the fact that lack of resources resulted in a lack of capital to develop new projects and existing programmes remained stagnant.

They were not in a position to afford new land and/or buildings for the aged: “Our biggest challenge would be the lack of capital to develop new projects so we are adequately funded for our day to day operations but its very difficult for us to embark on a new project because we just don’t have the resources to be able to do that. And if I go back to when the organization started 20 years ago, a lot of the land was donated either by government or by the provincial authorities or by the local authorities. Then the development started from there. Those kind of donations don’t happen anymore so we need to be able to buy the land that we are going to use and if we are buying land, its expensive and we just don’t have the money to be able to do that so it really constrains growth of the organization. So it’s not affecting the day to day operations but its definitely affecting the growth of the organization”.

The challenge of project planning and prediction of funding

One participant, working in the field of Early Childhood Development noted the difficulty of planning projects as they were directly related to available funding. She stated that it was very difficult to predict how much funds they would have and on that basis, project planning was a problem. In addition, time for projects was very limited because she had to make do with the staff she had because hiring people for projects in the absence of guarantees after a project was difficult. Lack of predictability regarding
funds meant that if she were to hire, she would not be in a position to offer project staff guarantees of employment beyond the project.

The other participant from organization M also pointed to the difficulty in cash-flow projections as well as challenges in meeting the organization’s budget. He stated that it was also difficult to make adequate food purchases for their homes and faced challenges in meeting the operational costs of the homes: “We are not in a position to do any cash flow projection. We are not able to maintain any of our budgets simply because of the irregularity of specifically the government funding but it’s very similar with the other funders as well”. He also reiterated the challenge of salaries and in his case; his organization could not even afford to offer maternity benefits to women who worked there. He explained “For instance, our ladies, because we don’t have pregnancy, maternity benefits, when one of the ladies fall pregnant, they get unpaid leave for three or four months and many of the ladies would chose to leave to go and work for an organization with maternity benefits”.

**Lack of physical resources**

The lack of physical resources was articulated by one participant in the field of child welfare. She reiterated the issue of inadequate salaries yet again. One participant also pointed to the lack of technical resources such as computers, wider internet coverage and access and computer training. She also pointed to the lack of facilities such as vehicles for her organization and painted a picture of her organization’s situation where she stated that four departments were sharing only two vehicles at the time of the study. The challenge related to physical resources was also highlighted by one participant from a human rights organization, who explained that their funding had not allowed them to own their own building and office premises and instead they rented the premises they occupied at the time of the study. In addition, she explained that the lack of transport (vehicles) in her organization had resulted in their trainers having to travel by public transport to various sites.
She described how the lack of resources had the effect of limiting productivity and motivation in her organization (organization J): “I think there are so many things that we could do if we had more funding. For instance, a great need in the organization is a car, we don’t have a car and as a result, you know, the people that are doing the peer assessments and the mentoring, they travel by public transport which is, one, very tiring, two, it’s really not conducive to the work that they do and it limits productivity because a person can only do one organization a day when they could have done four. When people are feeling tired, they don’t give as much of themselves than they would and their morale is always low, which means productivity is lower”. Another participant also lamented her organization’s lack of their own space and buildings. Lack of resources also limited her organization’s ability to build homes for HIV/AIDS infected and affected children in her community.

4.7 Objective 5: To establish if funds from donors came into NPOs as tied funding, with conditions attached

Given that NPOs rely on donors for funding, the purpose of this objective was to establish if donors prescribed or influenced the nature of services of NPOs on the basis of their donations. All the 15 participants were asked if donors prescribed to them and also how, in instances where donors tended to influence NPOs in their nature of service. In response to this question, seven participants stated that donors tended to prescribe to them whilst five participants informed the researcher that donors did not directly influence the nature of the services they rendered to their clients. One of these participants from organization D, explained why their donors did not prescribe to them: “We don’t apply unless the strategic objectives of the donor are aligned to our strategic objectives” Three of the participants commented that donors tended to prescribe and at times not prescribe depending on the donor, so in their cases, they had met up with both those that had prescribed to them as well as those that had not prescribed to them. They explained that it depended on the donor with one of the participants stating that private companies were the ones that tended to prescribe to them. However, the main thrust of donor’s prescriptions did not necessarily have to do with prescribing programmes per se, but
rather with donors having a tendency to pick specific line budget items they would or would not fund. As it emerged, donors preferred to fund capital budget items as opposed to funding overhead and administrations costs of these organizations. Donors therefore tended to prescribe in terms of specific uses of their funds and did not interfere with NPO programmes. The responses of the participants are depicted in the Figure 4.5.

![Figure 4.5 Whether Donor Funding is Tied to Conditions (N=15)](image)

In line with this objective, the study also revealed a high level of concurrence over the fact that donors tended to direct their funds towards those specialties or NPO sectors that were more fashionable to fund. For example, one participant who worked with the aged expressed the view that it was not fashionable to fund the elderly. Four participants concurred that HIV/AIDS tended to be given more resources over other specialty fields. For example, at the time of the study, HIV/AIDS was the fashionable field to fund as more resources appeared to be directed towards this field than other fields such as old age or disability. One participant in the field of HIV/AIDS, from organization N acknowledged that it was true that donors tended to exhibit preferences to fund HIV programmes and when asked why, she responded by saying, “I think you know a typical example would be what happened in the Tsunami. You know like when the Tsunami struck was that people just gave because it was a disaster. It was a topical issue by then and even though HIV/AIDS was there and people in the HIV/AIDS field as well began to
complain that this is a Tsunami. But there is another Tsunami, which is HIV/AIDS and like with the xenophobic attacks, you know like during those months the concentration went out of you know like HIV and maybe any other specification or categories and the concentration went straight to the people that were staying in those refugee camps and I think now again, HIV/AIDS is a human disaster, human crisis Joyce and I think that is why most funding tends to go in that area”.

However, a contradictory view was also advanced by one participant, in the field of HIV/AIDS from organization J. When asked if the field of HIV/AIDS was prioritized by donors in terms of financial resources, she responded, “If HIV was a priority, then our government would be more involved than they are in terms of showing leadership in HIV but the prioritization of HIV, I think that, I don’t know what to say. There is a skewed perception, there is lots and lots of reports as to how much money goes into HIV which then builds the perception that that there is money in HIV when we actually are needing to be saying although there is money in HIV, there is no behavior change. We are not linking it to that but we are always saying, whatever report will be in the news, it will be “oh, the Bill and Melinda Gates Foundation has given 1,2 billion to South Africa, the Global Fund has given so much to South Africa” and that gives the perception that there is money around HIV. Yet there is money around HIV but how is it being used? Are we meeting the targets that we are wanting to meet? Are we making the impact that we want to make? Are we changing? What is the money doing? Where is it going? How is it being utilized? How can it then be equated to the lives that we are saving or the information that is getting out there?”

The view that donors tended to fund those organizations in HIV/AIDS to a greater extent was further expressed by one participant from organization B that worked with the physically challenged offering disability services. In concluding his interview, he reflected, “I think there is room for some direction to optimize the funds that are poured into organizations such as ours, you know and again I am repeating myself but I come back to HIV. Now it’s HIV/AIDS. There needs to be somebody saying there is a general need here and there is no point dropping one need in place of another need because the
need is still there. So how do we make sure that funding that pours into the NPOs, the social enterprises? How do we make sure that it is done in a way that there is a balance maintained? And just because the flavour of the month happens to be HIV/AIDS corporates want the flavour of the month because that’s good for their business, now they desert other areas where there is an existing need”.

Another participant from organization M, in the field of Child Welfare also lamented the increasing focus on HIV/AIDS, with this working to the disadvantage of other players in the NPO sector. “I think what has happened over the last ten years, maybe unfairly towards the rest of the sector is that there has been a lot of focus on HIV/AIDS specifically and specifically children affected and infected. I think inadvertently, a lot of organizations, like the Nelson Mandela Children’s Foundation contributed to this almost imbalance in the needs of the sector. I have had for instance donors who want us to say that they will fund aspects of our services if I can guarantee them that those grants are for children who are actually positive .... So it’s wrong and I think a study was done, not last year but the year before at one of those homes, they found that 75% of the babies was not HIV positive, they don’t have AIDS, they are healthy but they are kept homes and made as if they were AIDS babies because donors will stop giving money if they are not AIDS babies”.

From these sentiments, it would appear that donors follow certain funding fashions and trends and at the time of the study, the popular funding preference was HIV/AIDS. Donors, it would appear are unpredictable and may change their funding preferences at any given time. Kihato and Rapoo (1999) in their survey of civil society in South Africa noted that donors had funding priorities by sector as many NPOs argued that funders were interested in funding short-term high visibility and glamorous programmes. Activities such as research projects and foreign visits were given as examples in this survey. The implication for the NPO sector is that they are vulnerable to changing donor fads and fashions which may very well see them well funded today and severely under-funded the next day because donor fashions are difficult to predict and to put a time limit
on them. In the researcher’s view, this vulnerability indicates the growing need for NPOs to move towards self-reliance or self sustainability initiatives.

4.8 Conclusions

An overall analysis of the results appears to indicate that the NPOs that were surveyed were faced with a myriad of challenges that impacted directly and in most cases negatively on their service delivery. Delays in disbursements of funding, particularly government funding, inadequate funding from donors and lack of secure funding bases impacted directly on human resources in terms of recruitment of persons with the right skills, retention of key professional staff and incentives towards increased productivity. In view of the huge and ever growing needs in communities, meeting the demands in communities appeared to be a challenge as it was directly related to financial resources that were largely inadequate for the NPOs in this study. However, despite these challenges, the commitment remained to deliver service as reiterated by all participants.
CHAPTER FIVE

SUMMARY OF MAIN FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

The main purpose of the research project was to explore how funding affects service delivery among NPOs, by focusing on 15 organizations in Johannesburg. Data were collected from participants through interviews using an interview schedule compiled by the researcher. The findings of the study are therefore based on organizational experiences of the participants, focusing on their funding and its impact on service delivery.

5.1 Summary of the Main Findings

- All 15 organizations were registered formally as NPOs in terms of the Nonprofit Organizations Act of 1997. Nine of the participants felt the NPO Act was beneficial as it ensured accountability from NPOs. However, two of the participants felt that whilst the Act was appropriate, the turn-around time of processing applications was cause for concern. A further two participants indicated that there was lack of prior knowledge about the registration process whilst one individual felt that the Act only served the government for purposes of having a data base on NPO and nothing else.

- Eleven of the NPOs received government funding and the remaining four did not receive state funding

- All except one organization relied on a single donor. The other 14 relied on multiple donors for their funding while the one NPO that relied on a single donor was actively sourcing for other donors at the time of the study.

- Seven of the participants were engaged in minor fundraising activities that did not really make a significant impact on their financial bottom-line. Six participants were involved in income generation and commercial activities that boosted their finances whilst the other two were not engaged in any forms of fundraising at the
time of the study although one of the participants stated that her organization was actively considering setting up a business entity to run alongside the NPO.

- Thirteen NPO representatives felt that their services could improve with increased funding. One participant was of the opinion that there was no direct link between increased funding and improved service but acknowledged that increased funding would make them more sustainable while one person felt their service would not necessarily improve with increased funding as they were already offering quality service.

- When asked if their organizations were financially equipped to respond to the needs of their client base, seven participants replied in the affirmative but qualified their answers, by saying that they could more do for their clients if they had more funds or expanded their services. They also mentioned that they were able to respond to their clients’ needs because they only tended to spend what they had and what was within budget. Consequently, for every service offered or rather every client served, they would have been budgeted for any expenses prior to any expenditure being incurred. The remaining seven stated their organizations were not financially equipped to respond to the needs of their client base whilst one person indicated that it could be that they were equipped in some instances but not equipped in others.

- Seven of the participants indicated that they would employ more staff if their funding was higher, seven stated their priority would be to improve conditions of their current staff first, namely salaries and benefits and also expand their services whilst one participant stated that her organization would employ more staff as well as improve conditions of current staff. The emphasis from the majority of the participants focused on the need to improve salaries and benefits of their current staff that were said to be underpaid and earning well below the market-related packages offered at the time of the study.

- The study also sought to explore whether funders prescribed the nature of service that NPOs rendered to their clients. Five persons stated that funders prescribed conditions while the other seven stated that funders did not prescribe the nature of service they were required to render to their clients. The remaining three
participants explained that that it depended on the donor they were dealing with at a particular time as some donors tended to prescribe to them while other donors did not so it really depended on the donor as they all tended to be unique and their expectations differed. They however stated that donors rarely influenced their programmes but rather that donors tended to select specific budget items to either fund or not to fund so the prescription mainly centered on how donor’s money had to be used and not on specifically drawing up programmes for them. Nonetheless, these participants still regarded this approach as donor prescription and influence.

- Eleven of the 15 participants felt that their services were not adequately funded while two were of the opinion that they were adequately funded mainly due to the fact that they only spent what they had in their budgets and therefore spent within their approved budget only. One participant felt that her organization was operating at a financial break-even and the other participant justified that his organization was adequately funded in the sense that only clients that could afford their services had access to their services and hence in that regard, he could say they were funded adequately for the services his organization offered.

5.2 Conclusions

Despite its methodological limitations, the study elicited findings that can aid understanding of the funding challenges confronting the NPOs that were surveyed, particularly those that relied on external funding for their functioning. The findings also indicated that despite the problems confronting NPOs that were surveyed, reducing reliance on donative revenue, and moving towards self reliance or self sustainability was still at an embryonic stage. There appeared to be reluctance towards engaging in entrepreneurial activities lest they became commercial enterprises and because of the idea that they were pursuing a moral cause, moving towards self sustainability was perceived as departing from the core reason why these organizations were established in the first place.
On the other hand, highly negative sentiments about government’s poor service delivery when it came to disbursement of funds were a major source of discontent as highlighted by the participants in the study. The results of the study suggested that the spirit of partnership between the state and NPOs that were surveyed was characterized by a degree of negativity, mistrust, frustration and blame. Participants highlighted communication hurdles between the two partners, with much of the blame being projected onto the dominant partner which was government because the latter controlled the resources. The study also indicated that whilst there was a major problem of funding disbursements between the state and NPOs that were surveyed, the problems they faced were not only limited to government but to other donors as well who tended to change their funding preferences, select what to fund or what not to fund and usually funded programmes partially, with a bias against running costs. The NPO sample that was surveyed was also generally characterized by its inability to align salaries and benefits to market rates which tended to result in a high labor turnover, lack of job security and lack of adequate professional skilled staff. The results also suggested that many of the problems facing this group of NPOs, whether high labor turnover, poor performance, lack of motivation, poor programmes and projects and lack of staff development, to mention a few, appeared to be linked to insufficient funding from their donors. Human resources emerged as the area most affected by inadequate funding. Nonetheless, some of the representatives who were interviewed appeared unwilling to engage in their own income generation projects.

Competition and rivalry seemed to be prevalent among the NPOs that were surveyed which resulted in very little coordination of activities amongst themselves. In addition, instead of sharing ideas and funding sources, there was a tendency to be protective and compete for resources against each other resulting in duplication of activities, inability to share ideas and experiences and even broader partnerships and alliances so that they could become a stronger force. There was a general acceptance among the NPO practitioners who were interviewed that donors would not fund them simply on the basis of them pursuing a moral or social justice cause such as looking after vulnerable children or orphans. Increasingly, there was a growing realization that donors required strong
managerial acumen evidenced by financial skills, budgeting skills, communication skills, fundraising skills and so forth. Participants believed that donors needed to be assured that their funds would be well managed and that they had the right to demand such accountability.

5.3 Recommendations for the NPO sector and the State

The following recommendations emanate from the aforementioned findings and conclusions.

*Stronger engagement needed on the part of the State*

Poor relationships between the non-profit organizations and the state form a weak basis for partnerships as advocated in state policy through the White Paper on Social Welfare (1997). The principles of reconstructing South Africa as enshrined in the Reconstruction and Development Programme of 1994 cannot be achieved on a large scale if the terms of the relationship are unequal. As already alluded to, the state has committed itself to working with the third sector in developing South Africa, in poverty eradication and in addressing many other social ills that the country grapples with such as crime, substance abuse, unemployment and HIV/AIDS. It is recommended that the state and NPOs revisit the terms of their relationship through continual dialogue and engagement. NPOs need to present their concerns to the state in one unified voice, regardless of the sector or field they work in. In the absence of reciprocal engagement, the relationship between the two can readily transform into an adversarial relationship which will not benefit service delivery or the recipients of those services. Government needs to be able to adopt principles of distributive justice when allocating resources for NPOs in different sectors. It is understandable that not all sectors can be allocated the same amount of resources because needs may be different, but the rationale for allocation of resources needs to be explained through formal communication.
Revision of the Nonprofit Organizations Act of 1997 needed

According to Swilling and Russell (2002), common law in South Africa has long recognized the right of any group of South Africans to set up voluntary associations, meaning they can operate bank accounts and enter into contracts. Since 1997, these voluntary associations can register as non-profit organizations in terms of the Non-profit Organizations Act. This right has since been incorporated into the Bill of Rights which recognizes the right to association. Moreover, whilst South African common law does not bar anyone from forming an association or NPO, it is understandable that the government cannot bar such rights because it is only responsible for the registration process and does not hold the right to decide who should and who should not register an NPO. However, it appears reasonable to the researcher that the state should be in a position to screen applicants who may want to register without necessarily undermining the rights to association of South Africa citizens.

The state, because it funds NPOs on a wider scale should be in a position to set minimum standards which can form the basis for vetting before registering an organization. It is recommended that the state introduce criteria that can clearly distinguish genuine NPOs from fly by night organizations with fraudulent tendencies. The highly publicized case of ‘Mama Jackie’ of Soweto who received funds for orphans when in fact, these children were not orphaned at all but merely coached to present themselves as orphans immediately comes to mind as an example.

Basic training for NPO practitioners by government

Capacities of NPO organizations need to be checked by the government because there should be minimal skills required to run an organization. The government may not necessarily bar those who lack the skills but should be prepared to capacitate committed individuals if the partnership is to result in optimal performance of the sector. It is therefore recommended that government not only registers but also formal introduces basic training business modules for NPO practitioners who lack skills, and offers such skills training to the broader NPO sector. Furthermore, the state needs to commit resources to continual learning and development, even for those NPO practitioners who
are skilled, so that they remain up to date with business skills and new developments in organizations.

**NPOs need to collaborate, form alliances and integrate service delivery**

Based on the finding that NPOs engage in competition for resources, it is generally agreed that this tends to result in a weakness of the sector and its inability to replicate projects on a wider scale. The sector’s over-reliance on donors cannot guarantee them continuity. It is therefore recommended that NPOs form inter-organizational alliances so that they build strong service delivery networks rather than working against each other (McLaughlin, 1986). This would involve exchanges whereby two or more organizations work together for mutual benefit. According to McLaughlin (1986), inter-organizational relationships have two basic goals, that of pursuing efficiency and effectiveness and the reduction of environmental uncertainties such as those concerned with the future supply of programme inputs such as funds. NPOs also need to pursue broader marketing alliances particularly with the for-profit organizations.

It is recommended that NPOs share personnel, information services, products, authority and power and in the process enhance their fund raising skills. McLaughlin (1986) postulates that such resource sharing can increase resource acquisition effectiveness of NPOs whilst Kanter and Summers (1987, pp161-162 cited in Lewis, 2001) recommend innovation as a crucial element of organizations to enable them to meet their future needs, to take advantage of the opportunities and resources within the environment and to use these resources to generate new products and services. Innovation in terms of new policies, new organizational structures, new working methods, forming new alliances, ideas on fundraising, new collaborative mechanisms and new ways of delivering service are advanced as some examples of innovation.

Co-operation and coordination through mutual support can assist in avoiding duplication of services. Integration is the conscious attempt to link the work of those differentiated groups and handle conflicts among them (McLaughlin, 1986, p.74). They can couple services through integration which can be used to put more than one service under the
same management in order to improve the efficiency and effectiveness of the system of delivering benefits. Examples of integration can include but are not limited to merging of funding, training activities, purchases and procurement, sharing of management for various functions, grants management, centralizing of budgeting, support services and administration, sharing of offices, transportation and information technology. There are thus numerous avenues that NPOs in South Africa can take to coordinate and integrate their services. In coordinating services, NPOs need to be cognizant of the fact that donors at times create as well as fund competing agencies and once integrated; they are in a position to limit such donor behaviour.

In addition, integration can also potentially help NPOs to do away with offering fragmented and inadequate services to their clients which are often characterized by lack of continuity. Once NPOs reinforce and compliment one another, they can form stronger alliances which can enable them to tap more resources than they would otherwise have done alone and they can then offer their services to the wider population at community and national levels. At this juncture, it is important to acknowledge that in South Africa, there are indications of NGO cooperation through affiliations. The South African National NGO Coalition (SANGOCO), emerged in 1995 to co-ordinate NGO input into government policy and ensure that the rich traditions of civil society, forged in the resistance to Apartheid, continue to serve the people of South Africa. SANGOCO is therefore the largest umbrella body of NGO’s in the Southern African region. (http://www.sangoco.org.za/site/index.php?option=content&task=view&id=38Itemid=25).

One of the common themes that emerged during the study was that most participants stated they could not offer their services to the wider communities because they lacked the funds and capacity to do so, while others regretted having children on long waiting lists, having applied for assistance and access to their services. With cooperation and coordination among them, the benefit to the wider population cannot be sufficiently emphasized.
Twinning of formal NPOs with smaller community-based organizations

Although the present study did not deliberately target informal community based organizations, they form a huge part of the NGO population in South Africa. The concern is for those informal community-based organizations that form the bulk of non profit organizations in South Africa to benefit from coordination and integration.

Informal community-based organizations form 53% of the NPO population according to a study conducted in 1999 (Swilling & Russell, 2002). The sector will need to transfer skills from these formalized NPOs to the smaller informal organizations that sustain communities through their service on a large scale in this country. The approach recommended in this instance is that of twinning NPOs, i.e. the large formalized NPOs to be twinned with the small and informal community-based organizations. It is envisaged that this approach would lead to communities in need being serviced on a wider scale. One of the roles associated with non-profit work is that of advocacy which links NPOs directly with the powers that be in any given state with the aim of influencing policies that affect the masses. With alliances and networks, they can lobby the state to influence policies that work in their favor.

NPOs need to adopt the ‘entrepreneurship’ approach for survival and independence

As the study has revealed, the donor market tends to be very volatile and often subject to forces well beyond the control of NPOs. The study established that some donors follow certain fashion trends when it comes to where they put their funds. On an international platform, it appears that there is a definite connection between the media and donors. What is widely covered by the media such as disaster hit zones or war relief zones seems to attract donor sympathy and subsequently donor money, for example the tsunami. Aid focuses on those things that hit the headlines such as emergencies and conflicts. In South Africa, study participants stated that donors tended to fund more of those NPOs working in the field of HIV/AIDS and the environment as opposed to those working with the aged or mentally challenged persons. In addition, the study revealed that the main challenges faced by NPOs that were surveyed were linked to inadequate funding. Given this scenario and the unpredictability of donors, it would seem timely for NPOs to move towards self
sustainability and self-reliance as they are vulnerable to changing donor fashions. The question arises whether it is not time for a paradigm shift in terms of moving away from the traditional NPO approach which stood purely for moral causes. Given the financial challenges, it would seem that a paradigm shift may be the solution to these challenges and this new paradigm is the entrepreneurship approach so that NPOs operate as ‘social enterprises’ and not purely NPOs relying on donor funding. Whilst it is appreciated that most NPOs are welfare organizations whose clients cannot pay any fees towards services, the boards of such organizations need to come up with ways and means of income generation. The entrepreneurial approach implies that NPOs need to identify areas for entrepreneurship, obtaining resources and calling for leaders in these organizations who can enter into competitive areas of income generation. This approach requires skills such as marketing skills, communication skills and business initiatives as a further step to their traditional moral commitment. They need not necessarily commercialize their services but they can explore other entrepreneurial activities that can potentially cross-subsidize their core missions. The entrepreneurial approach appears to be the future key to sustainability when usual resource bases decline and it is a strategy that can potentially bring in more resources than normally generated by NPOs (McLaughlin, 1986).

Not only is the entrepreneurial approach recommended for self sustainability purposes but it is also likely to free NPOs from dependence on donor control and dominance. The results of the study indicated that donors usually prescribe in terms of selecting specific budget items with most participants stating that they retain their independence when it comes to their programmes. However, others stated that donors do prescribe and influence their programmes. If NPOs move towards entrepreneurial activities, they may be able to retain control of their programmes and exercise greater independence. In Chapter Two of this report, it was noted that one of the major strengths of NPOs was their ability to facilitate and promote participation of the poor in communities. This strength is severely diminished and diluted by the over-reliance of NPOs on donor funds. Donor control prevents communities from effectively managing their own programmes because it is difficult to build local ownership of externally driven activities (Campell, 1994, p.3 cited in Lewis, 2001). With their own independent funding bases, it is hoped
that they can be in a better position to promote local needs and participation in programmes.

Anderson (1999) advanced the idea that NPOs must develop explicit ties with the for-profit organizations by entering into cause-related marketing alliances with corporations. He also noted that most corporations are keen to enter into alliances with NPOs because they want to bask in the glow of their esteemed partners. This phenomenon occurs because NPOs are known to generally portray good images as they pursue moral causes. Dees (1999, p. 140) also postulated that self funding is the mantra for NPOs and commercial funding is unrestrictive to NPOs because it can be used for whatever purposes the NPOs deem fit as opposed to grants and donations which are often restricted to particular project purposes. Clearly from this position, forming alliances for commercial purposes can work to the advantage of NPOs as it not only benefits the corporations but the NPO and the broader public too. Enterprising NPOs can also have a leading edge in commercial waters because the income derived from such activities would still be tax exempt as it would be used for public benefit activities and the fact that the sector attracts volunteers on a large scale may mean lower labour costs and NPOs can use philanthropic dollars to drive their entrepreneurial activities (Dees, 1999).

Whilst the government has been mainly accused of disbursing funds to NPOs late and rarely on time, it must be noted that even if the state were suddenly to disburse the current levels of funding right on time, there is still the assertion from the NPO practitioners surveyed that government funding in particular is insufficient. It is on this basis that consideration needs to be given to the economic policy of South Africa.

The country adopted the Growth, Employment and Redistribution policy (GEAR) in 1996 in order to boost the economy. Whilst the popular Reconstruction and Development Programme formed the broader social objectives of the government, GEAR forms the basis of the economic policy of South Africa. The main principles which the ANC led government committed itself to with this economic policy were to open the market to global trade through an exports driven economy, to promote free market trade to woo
investment into the country and to adopt international trading terms among others. It basically ushered the country into a global capitalist economy. This neo-liberal stance largely conflicts with the principles of the social policy which at the dawn of the democratic era promised employment, housing and better health for those that had been disadvantaged under apartheid resulting in a high level of expectations on the part of the broader masses.

Neo-liberalism implies that the government has to be fiscally conservative by not overspending on social services. State spending on social services has to be largely linked to economic growth and investment. In view of this capitalist economic policy, the researcher’s view is that government funding towards NPOs and social spending at large, will seldom, if at all, reach levels where it is said to be adequate because as it stands, there is already fiscal pressure on state resources to address multiple problems for the country. The country can only spend what it has earned; hence investment and economic growth largely determines social expenditure in South Africa. Swilling and Russell (2002) advanced the idea that government, because of its macro-economic model, largely follows requirements of the World Trade Organization (WTO) and the International Monetary Fund (IMF) and the economic model largely prohibits excessive fiscal expenditure to fund social development despite expectations of the masses and trade unions. It is because of this economic model and its requirements that the government must find NPOs and donors who can support its social development agenda by mobilizing resources that can be a benefit, not a cost to the fiscus. This scenario, in the researcher’s view provides further support for NPOs to move towards the entrepreneurial approach.

Even when it comes to corporate/private business funding the sector, it should be realized that these organizations are also operating in a free market economy where pursuance of profits is their priority as opposed to funding social services and programmes. NPOs are operating in a globalized economy and capitalism reigns. NPOs need to embrace globalization as it is the new world order, by engaging in income generation without foregoing their core mission, namely that of voluntary service to the
masses. They can still pursue philanthropy with their gains from innovative entrepreneurship. In essence, the researcher fully supports the assertion that “without money, no mission can be met or advanced in a market economy no matter how charitable or benevolent the mission may be” (Bryce, 2000, p.3 cited in Block, 2004, p108). This implies that non-profit organizations must raise money, earn it and invest it to achieve their missions so that they can achieve a balance of their social and humanitarian objectives in a globalized economy. Even philanthropists such as Felix Dennis acknowledge that “it is very difficult to be continuously charitable in a capitalist society. You’ve also got to make sure that you can pay everyone who works for you”.


NPOs reliance on funding also negates their ability to fulfill advocacy and watchdog roles for the state. One of the strengths of the sector is its ability to influence and lobby for state policies that work in favor of the constituents they serve, notably the poor and disadvantaged groups such as women, the physically challenged, mentally handicapped and children. Their reliance on state funding severely diminishes their capacity to oppose and actively lobby the state because it can attract reprimands from the state and can be viewed as being tantamount to biting the hand that feeds you. NPOs must still retain enough room for themselves to maneuver and remain accountable to the people they serve. Donor reliance usually results in these organizations becoming more accountable to their donors at the expense of the communities they serve.

**Special education curriculum needs to focus on Nonprofit Management skills**

In view of the enormity of the NPO sector in South Africa, it is also recommended that government, through the Department of Education devise a special learning curriculum starting at degree level for a course in Non Profit Organization Management. This course needs to provide the theoretical background to Management. In addition, it is recommended that as part of this curriculum, those intending to join the sector should undergo practical learning internships with well run NPOs in partnership with the state. The researcher appreciates that NPO professionals have at their disposal a multiplicity of disciplines they can learn from such as business management, sociology, psychology,
social work and financial management among others. However, given the fact that this sector forms part of the greater equation in eradicating poverty and realizing development in South Africa, the researcher is of the opinion that the NPO sector is a unique, diverse and largely voluntaristic sector and is likely to benefit more from a specialized discipline of its own, with its own theory of learning, practice and management application systems that can address the specific challenges and problems that are unique to this sector rather than merely restricting learning to mainstream management processes, often synonymous with the for-profit sector.

In addition, the curriculum developers need to be cognizant of the environment under which NPOs operate, focusing on Africa and home grown solutions to African problems. The NPO sector in Africa is quite different from that of developed countries because the continent has emerged from a history of colonization and faces problems that are unique to Africa therefore requiring African solutions which can work independent of western experiences. Furthermore, in terms of South Africa, the NPO sector has largely been shaped by the country’s history of Apartheid and while the problems the country faces today are not all caused by this history, the remnants of Apartheid to a significant extent still haunt the country, for example income inequalities and the education gap within Black people is still evident when compared to their White counterparts. The voluntary nature of the sector makes it unique and justifies the need for developing its own tailored body of knowledge, in South Africa. If such a programme can be successful, the training may over time, be replicated in other African countries.

5.4 Recommendations for Future Research

- The study was limited because of the size and non-probability nature of the sample involved hence precluding generalizations of the results to the entire sector. Given the diversity and different dynamics that are peculiar to different Non-Profit Organizations, further focused study needs to be undertaken whereby specific service fields are targeted. In addition, geographical environments differentiate NPOs depending on their location; hence the experiences of an NPO
in Mpumalanga may very well be different from the experiences of one in Gauteng as they tend to deal with different provincial and local government departments.

- Another interesting yet necessary area that is relevant for future research is looking specifically at smaller NPOs such as the smaller informal community based organizations and also exploring how funding affects their service delivery. This approach is recommended given that the present study focused only on formal registered NPOs.

- The study also revealed that the issue of attracting staff with the relevant skills was difficult for the NPOs surveyed because of the unattractive salaries associated with inadequate funding. In order to expand the body of knowledge on NPOs, it is therefore suggested that future research focus specifically on the relationship between funding and attracting persons with the relevant skills to work in NPOs.

- Future research also needs to establish what types of training are appropriate to NPO management in terms of skills development. Such research may aid in the development of specific curricula for NPO development practitioners.

- Volunteerism has been discussed in relation to how service delivery is affected when volunteers’ stipends are delayed by government. Findings from the study have suggested that some volunteers are driven by a lack of employment in the country and hence resort to volunteering. This provides a fertile basis for future research which could look specifically into factors that induce voluntarism in NPOs to establish if volunteers engage in this type of work to pursue a calling or as a form of employment and survival.

- Lastly, this study has also provided opportunities for further research, focusing on the effectiveness of the ‘partnership model’ between the state departments and non-profit organizations in terms of its current form, department by department,
its weaknesses, strengths and how it can be improved to unlock the value of NPOs to the advantage of the country’s masses. Poverty, unemployment, HIV/AIDS and crime among others continue to threaten the gains made thus far. In addition, the country, alongside other world nations is expected to meet its global commitments agreed to at the Millennium Development Goals Summit in 2000. The state cannot achieve any gains alone but in partnership with civil society and business. This justifies further research focusing on the partnership model.

5.5 Concluding Comment
The study has revealed that representatives of NPOs that were surveyed feel they were not adequately funded to cover their programmes and to offer services to the wider community despite the huge demand for social services in the country. Inadequate funding subsequently impacted on service delivery, mainly in terms of inadequate services, poor quality of service or total failure to provide service at all. The study also suggested the lack of faith by NPO practitioners in their engagements with government departments indicating the need by both parties to put greater efforts into building sustainable partnerships. However, despite these challenges, NPOs at large remain a force to be reckoned with in terms of servicing needy and vulnerable people and are a formidable force in the equation for development in South Africa. They cannot be isolated or marginalized in important social and economic policies that affect South Africa. On the other hand, globalization has brought about many changes be it social, political, cultural or economic. This dynamism has forced the state and business sector to review their processes and ways of working in order to adapt to changing circumstances. Organizations have been compelled to make strategic and operational changes in order to survive as well as grow in this new world order. The current global financial crisis is not expected to bypass many of the world’s functioning economies. Consequently, the long term effects of the global economic crisis are likely to see many donors tightening their purse strings with regard to funds they commit to NPOs because the current crisis is also affecting donors.
This scenario is especially true for international based donors who originate from the North, where the financial crisis has had the most severe impact. They are likely to reconsider their funding priorities and assist the needy in their own countries first before assisting countries from the South, because as they say, charity begins at home. This is likely to see significant reductions in development assistance especially overseas development aid (ODA). At local level, even donors will probably follow suit as the crisis hits them too, implying reduced local and overseas funding for NPOs. This scenario calls for adaptive measures by NPOs to ensure their sustainability and long term survival.

The current research findings provided evidence that NPOs have a better chance of survival if they are run efficiently and are staffed by persons with the right skills that can attract donors. The findings also indicated that NPOs should not only restrict themselves to the moral cause for which they were established, but be managed just like any other business. Change is imminent and a continual part of the modern world and calls for change management in order for NPOs to be in a position to cushion communities and vulnerable individuals and groups against the global economic downturn. No doubt, Non-profit organizations will continue to play a big role to relieve the poor and the vulnerable despite the state of the global economy and capitalism at large. In the final analysis, despite the challenges, social ills and injustices still need to be addressed. How far this can be achieved will largely be influenced by donors among other players. When all is said and done, in the words of the famous American writer and philosopher, Henry David Thoreau, “philanthropy is almost the only virtue which is sufficiently appreciated by mankind”.
REFERENCES


Integrated Service Delivery Model: towards improved social services. (2006) Pretoria: Department of Social Development


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APPENDIX A

INTERVIEW SCHEDULE ON THE EFFECTS OF FUNDING ON SERVICE DELIVERY

1. Please would you tell me about your organization’s history and activities

2. Is your organization formally registered in terms of the Non-Profit Organizations Act?
   - Yes
   - No

3. What are your views on the registration process NPOs are required to undertake in order to be registered in terms of the Non-Profit Organizations Act? For example, did you experience any challenges in obtaining registration?
   ____________________________________________________
   ____________________________________________________
   ____________________________________________________
   ____________________________________________________
   ____________________________________________________
   ____________________________________________________
   ____________________________________________________

4. Do you rely on a single donor or not?
   - Yes
   - No

   If yes to the above question, why?
   ____________________________________________________
   ____________________________________________________
5. Would you mind telling me who your major funders are?

6. Tell me about your funders or donors in terms of how they contribute to your organization

7. Do you receive any funding from government?
   
   o Yes
   o No

   If yes to the above, are there any issues in relation to government funding that help or hinder service delivery? Please elaborate.

   ___________________________________________________________
   ___________________________________________________________
   ___________________________________________________________
   ___________________________________________________________
   ___________________________________________________________
   ___________________________________________________________
   ___________________________________________________________

   If no to the above, why does your organization not access government funding? Please elaborate.

   ___________________________________________________________
   ___________________________________________________________
8. Apart from your major funders, can you tell me about any other fundraising activities you engage in as an organization to boost your financial resources?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

9. Taking into consideration the services you are rendering, would you say they are adequately funded? Please explain

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

10. Do you think the services you render to your clients would improve with increased funding?

   o Yes
   o No
11. Do you think your organization is financially equipped to respond to the needs of your client base?
   o Yes
   o No

12. How has your human resources base been influenced by the amount of funding you access from your donors?
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________

13. If your current level of funding was higher, would you wish to employ more staff to do the same job that is being done by your current staff?
   o Yes
   o No

14. Based on the level of your funding, do you think your conditions of service such as salaries and benefits are conducive to recruiting and retaining skilled staff? Please explain.
_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________

15. Are there any challenges the organization faces that are directly linked to financial resources? Please explain.
16. Do your funders influence or prescribe the nature of service you render to your clients?

   o Yes
   o No

If yes, how do your funders influence the services you render to your clients?

17. Do you have any further comments, views or recommendations that could enhance our understanding of funding of NPOs?

Thank you very much for your valuable time and input!
APPENDIX B.

PARTICIPANT INFORMATION SHEET: HOW FUNDING AFFECTS SERVICE DELIVERY AMONG NGOs IN JOHANNESBURG

Good day,

My name is Joyce Sibanda and I am a Masters student registered for the degree Masters of Arts in Social Development at the university of the Witwatersrand. As part of the requirements for the degree, I am conducting research into how funding affects service delivery among NGOs in Johannesburg. It is hoped that this information will help students and Social Development specialists to understand the funding challenges that NGOs face.

I therefore wish to invite you to participate in the study. Your participation is entirely voluntary and refusal to participate will not be held against you in any way. If you agree to take part, I shall arrange to interview you at a time and place that is suitable for you. The interview will last approximately one hour. You may withdraw from the study at any time and you may also refuse to answer questions that you feel uncomfortable answering.

With your permission, the interview will be tape-recorded. No one other than my supervisor will have access to the tapes and they will be kept in a locked cabinet. The tapes will be destroyed two years after any publication arising from the study or six years after completion of the study if there is no publication. Please be assured that your name and personal details will be kept confidential and no identifying information will be included in the final research report.

Please feel free to ask any questions regarding my study. I shall answer them to the best of my ability. I may be contacted on tel. 0722462429 or +267 74230363. Should you wish to receive a summary of the results of the study; an abstract will be made available on request.

Thank you for taking the time to consider participating in the study.

Yours sincerely

__________________________
APPENDIX C

CONSENT FORM FOR PARTICIPATION IN THE STUDY ON HOW FUNDING AFFECTS SERVICE DELIVERY.

I hereby consent to participate in the research project and also consent to the use of any verbatim quotes in the research report. The purpose and procedures of the study have been explained to me. I understand that my participation is voluntary and that I may refuse to answer any particular items or withdraw from the study at any time without any negative consequences. I understand that my responses will be kept confidential.

Name of Participant: ______________________________
Date: ______________________________
Signature: ______________________________

APPENDIX D.

CONSENT FORM FOR AUDIO-TAPING OF THE INTERVIEW ON HOW FUNDING AFFECTS SERVICE DELIVERY

I hereby consent to tape-recording of the interview. I understand that my confidentiality will be maintained at all times and that the tapes will be destroyed two years after any publication arising from the study or six years after completion of the study if there are no publications.

Name of Participant: ______________________________
Date: ______________________________
Signature: ______________________________