

**HOW FUNDING AFFECTS SERVICE DELIVERY
AMONG NON-PROFIT ORGANIZATIONS IN
JOHANNESBURG**

BY

JOYCE SIBANDA

**A research report submitted to the Department of Social Work,
School of Human and Community Development, Faculty of
Humanities, University of the Witwatersrand, in partial
fulfillment of the requirements for the degree of Master of Arts in
Social Development.**

2009

DECLARATION

I declare that this is my own unaided work. It has not been submitted previously for any degree or examination at any other university.

JOYCE SIBANDA

13 FEBRUARY 2009

DEDICATION

To my husband, Fortune

This work is dedicated to you, my husband, friend and confidante for keeping the home running and taking care of our sons, Tashinga and Takunda. Without your unwavering support and encouragement, I would not have had the strength to complete this research project.

ACKNOWLEDGEMENTS

I would like to thank the following people for their support and contribution towards this research.

My supervisor, Professor Eleanor Ross, for her invaluable guidance and support. Without her, this research would have been difficult to conduct and conclude.

The participants for committing their time and efforts to participate in this study.

My sincere love to my two dear sons, Tashinga and Takunda, who sacrificed their mother's time for my studies.

TABLE OF CONTENTS

	Page
Declaration	(i)
Dedication	(ii)
Acknowledgements	(iii)
Abstract	(iv)
Table of Contents	(v)
List of Tables	(vi)
List of Figures	(vii)
List of Abbreviations	(viii)

CHAPTER ONE: INTRODUCTION

1.1 Introduction	1
1.2 Statement of the problem and rationale for the Study	1-3
1.3 Purpose of the study	4
1.4 Research Design and Methodology	4
1.5 Limitations of the Study	4-6
1.6 Organization of the Report	6

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction	7
2.2 Unpacking terminology- Definitions of NPOs and NGOs	7-11
2.3 Economic Theories of the non-profit sector	11-12
2.3.1 Public goods theory	11
2.3.2 Contract failure theory	11-12
2.3.3 Subsidy theory	12
2.3.4 Consumer control theory	12
2.3.5 Critique of the economic theories	13-15
2.4 Social origins theory of the non-profit sector	15-16
2.5 Civil society and the United Nations	16-18
2.6 History of civil society and social welfare in South Africa (what shaped it?)	18-23
2.7 History of funding of NPOs in South Africa	23-26
2.8 State-NGO relations in South Africa and the legislative framework	26-30
2.9 Importance of the NPO sector in South Africa	31-32
2.9.1 The Ten Point plan	31

2.9.2 The White Paper on Social Welfare (1997)	31-32
2.10 Size of the NPO sector in South Africa	32-34
2.11 Major strengths of NPOs	35-37
2.12 Major criticisms and weaknesses of NPOs	37-43
2.13 Major problems and challenges faced by the NPO sector	43-45
2.14 Integrated Service Delivery Model	46-47
2.15 Summary of Chapter	47-49

CHAPTER THREE: METHODOLOGY

3.1 Introduction	50
3.2 Research Questions	50
3.3 Primary Aim	50
3.4 Secondary Objectives	50
3.5 Research Design	51
3.6 Sampling	52
3.7 Research Instrument	53-55
3.8 Pre-testing of the research instrument	55-56
3.9 Method of Data collection	56-57
3.10 Data Analysis	58-59
3.11 Ethical Considerations	60-62
3.12 Summary	62

CHAPTER FOUR: PRESENTATION AND DISCUSSION OF RESULTS

4.1 Introduction	63
4.2 Profile of Participants and their Organizations	63-65
4.3. History of Organizations	66
4.3 Objective 1: Views of NPO representatives on the registration process	67-70
4.3.1 Support for the registration process	67-68
4.3.2 Delays in registration	68
4.3.3 Lack of knowledge of the registration process	68-69
4.3.4 Registration process viewed as contributing to the database of NPOs	69
4.3.5 Lack of checks and balances	69-70
4.4 Objective 2: How NPOs were funded, views of NPO representatives on government and other funding sources, adequacy of funding and impact on service delivery.	70-
4.4.1 Process perceived as bureaucratic and subject to delays	71-74
4.4.2 Delays in signing agreements and disbursing funds	74-75
4.4.3 Corruption	75
4.4.4 NPOs assisting government	75-76
4.4.5 Government perceived as out of touch	76-79

4.4.6	Poor government planning	79
4.4.7	Government funding perceived as satisfactory	79
4.4.8	Impact of government funding delays on service delivery	79-80
4.4.9	Government funding inadequate to meet the demand	80-81
4.4.10	Inadequate government funding for community Outreach programmes and care	81-82
4.5.12	Diversity of donors for NPO funding	82
4.5.13	Funding inadequate	83
4.5.14	Funding adequate	84-85
4.5.15	Impact of funding on service delivery	85-97
	High labor turnover and lack of professional skills	85-90
	Skills deficiencies in NPOs	90-94
	Lack of capacity building for staff development and training	94
	Inadequate funding for NPO programmes and administrative costs	94-96
	Role overload	96
	Employed in NPOs due to a calling, passion and commitment	97
4.5	Objective 3: Fundraising and income generation activities of NPOs	98-101
4.6	Objective 4: Other NPO challenges directly linked to financial resources	102-109
4.6.1	Human resources challenges and lack of holistic service to clients	102
4.6.2	Inability to expand limited community programmes and services	102-103
4.6.3	The challenge of project planning and prediction of funding	103-104
4.6.4	Lack of physical resources	104-105
4.7	Objective 5: Whether donor funding is tied to conditions	105-109
4.8	Conclusions	109

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1	Summary of the Main Findings	110
5.2	Conclusions	112-114
5.3	Recommendations for the NPO sector and the State	114-123
5.4	Recommendations for future research	125-126
5.5	Concluding Comment	122-123
	References	127-132
Appendix A:	Interview Schedule	133-137
Appendix B:	Participant Information Sheet	138
Appendix C:	Interview Consent Form	139
Appendix D:	Audio-taping Consent Form	139
Appendix E:	Ethics Clearance Certificate	140

LIST OF TABLES

	Page
Table 2.1 Number of full-time equivalent (FTE) employees including volunteers and part time employees in the non-profit sector	33
Table 2.2 Non-profit Fulltime Equivalent (FTE) workforce compared to workforce in other economic sectors.	34
Table 2.3 Problems NPO representatives rated as most serious by percentage of all NPOs surveyed.	45
Table 3.1 Rationale for inclusion of items in Interview Schedule	54-55
Table 4.1 Profile of Participants and their Organizations	64
Table 4.2 History of Organizations and Activities	66
Table 4.3 Nature of Income Generation Activities by six NPO organizations	100

LIST OF ABBREVIATIONS

CSO	- Civil Society Organization
GEAR	- Growth, Employment and Redistribution
GSO	- Grass Roots Organization
JHB	- Johannesburg
MDGs	- Millennium Development Goals
MSO	- Membership Support Organization
NGO	- Non-Governmental Organization
NPO	- Non-Profit Organization
ODA	- overseas development aid
PVO	- private voluntary organization
RDP	- Reconstruction and Development Programme
UN	- United Nations

LIST OF FIGURES

	Page
Figure 4.1 Diversity of NPO Donors	83
Figure 4.2 Adequacy of NPO Funding	83
Figure 4.3 NPO Fundraising Activities	98
Figure 4.4 NPO Income Generation Activities	100
Figure 4.5 Whether Donor Funding is tied to Conditions	106

ABSTRACT

The primary purpose of the study was to explore how funding affected service delivery among Nonprofit Organizations (NPOs) in Johannesburg, given the important role these organizations play in contributing to social development in South Africa. The study was undertaken among 15 NPO organizations based in Johannesburg and located in various service fields. A semi-structured interview schedule comprising open-ended and close-ended questions was utilized to collect information. Descriptive statistics were employed to analyze closed-ended questions whilst thematic content analysis was used to analyze open-ended items. The main finding that emerged from the study was that NPOs that were surveyed suffered from a diversity of challenges emanating from insufficient and at times delayed funding, particularly by state departments such as the Department of Social Development. The problems faced by these NPOs were found to be predominantly human resources related. These organizations were unable to attract skilled professional staff because their funds did not permit them to offer market-related packages. In addition, these NPOs suffered from high labour turnover because employees tended to leave these organizations in pursuit of greener pastures in government departments and the private sector. The sector also experienced inadequately funded programmes and an inability to expand their services to the wider populations due to inadequate funding. The NPOs that were surveyed had not engaged in entrepreneurial activities on a scale sufficiently extensive to wean them off donor funding or over-reliance on such funding. Self-sustainability was found to be still in the embryonic stage. Moreover, the relationship between the sector and the state was found to be characterized by a lack of faith and confidence on the part of the NPOs surveyed, suggesting a 'troubled' partnership between the two. The findings of the study suggest the need for the research project to be replicated on a wider sample in different provinces. Since the study focused on formally registered NPOs in terms of the Nonprofit Organizations Act of 1997, future research needs to investigate the funding challenges faced by smaller mainly informal/unregistered community-based organizations that form an integral part of the nonprofit sector in South Africa and offer an array of services to their communities. Furthermore, the findings of this study could potentially be used as a basis for policy formulation and analysis by policy makers as they appear to have implications for re-assessing funding policies in respect of NPOs.

Key Words: Non-Profit Organization; funding; donors; service delivery; South Africa, social development; Non-Governmental Organization; government

