

Summary

Meeting their Mandates?

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

FUNDING PRACTICE ALLIANCE



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

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The Funding Practice Alliance, March 2011

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This document is a summary of the results of the first Funding Practice Alliance research project to investigate whether: 1) the National Lotteries Board (NLB), in its role as a grantmaker of National Lottery Distribution Trust Fund (NLDTF) moneys,¹ and the National Development Agency (NDA) are meeting their legal mandates with regard to civil society organisations (CSOs) and grantmaking; and 2) to assess the extent to which these agencies are realising their potential to address South Africa’s development challenges. The full report has been published as a separate document.

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

The four members of the FPA interact with a large number of CSOs in the course of their work. This includes community-based organisations (CBOs), non-governmental organisations (NGOs), faith-based organisations and intermediary grantmakers operating in a wide variety of sectors and across various scales of operation. A large number of these organisations depend on funding from institutions such as the NLB and the NDA.

Over a period of years, members of the FPA came across many organisations expressing their frustrations with the state of these two grantmaking institutions. The Alliance decided to mobilise a strategic response to the concerns raised, to move the debate from a large pool of anecdotal

impressions to a sound empirical research base, with the emphasis on supporting solution-driven conversations in service of the larger social development agenda.

The FPA set out to test its key assumption, namely that neither the NDA nor the NLB are meeting their legislated mandates with respect to grantmaking, support to non-profit organisations, and impacting measurably on development. It further wanted to test its assumptions that: 1) the main reason for the poor performance of these agencies is that neither is held sufficiently accountable; 2) that existing reporting mechanisms are not working effectively; 3) that internal operational procedures are poor (and deteriorating); 4) that neither Board is functioning as an effective governance institution; and 5) that civil society representatives on the Boards of the NDA and NLB are failing to play an effective ‘watchdog’ role with respect to funding practice, funding decisions, and holding decision makers to account.

Through the year-long research process, significant efforts were made to involve the NDA, the NLB and as many organisations and individuals as possible to ensure a sound basis for drawing conclusions and identifying key problems and obstacles to the efficacy of these agencies. The research process therefore included: 1) a literature review; 2) a questionnaire-based survey focused on CSO experiences of applying to and engaging with the NLB and the NDA, sent to approximately 3 000 organisations (and from which 226 responses were received); 3) in-depth interviews with six people who work for the NLB and its distributing agencies, four former NDA Board members, and 20 CSOs; and 4) separate focus group discussions held in five provinces with a total of 35 CSOs.

The FPA acknowledges that this is not a representative sample of any kind, but it does reflect a solid cross-section of organisations and experiences, and provides the required empirical base from which to draw a number of key conclusions.

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

2 The civil society research component

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

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

To complement the NDA database and to ensure that the survey also reached under-resourced provinces, 50 surveys were sent to organisations listed in the Prodder directory. The survey was also placed on the websites of SANGONeT, the CIVICUS World Alliance for Citizen participation, Google News Alerts and Bizcommunity. It was also placed on the websites of the FPA project partners, namely REAP, SCAT, CDRA and Inyathelo, and disseminated via their e-mail address lists.

A number of organisations were asked to distribute the surveys to their networks and e-mail address lists: Children in Distress Network (CINDI), Yezingane Network

(the national children's HIV/AIDS network), Childline, Groundwork, Democracy Development Programme (DDP), Karoo Human Rights Centre, Association of University Legal Aid Institutions (AULAI), Rhodes University Legal Aid Clinic (RULAC), the University of Free State's School of Humanities, the National Alliance for the Development of Community Advice Offices (NADCAO), the Community Law and Rural Development Centre (CLRDC), Black Sash, the Eastern Cape NGO Coalition, the KwaZulu-Natal Network Against Violence Against Women, Masimanyane Women's Support Centre, Activists Networking against the Exploitation of Child Domestic Workers (Anex CDW) and the South African NGO Coalition (SANGOCO).

It is estimated that, together with the NDA and Prodder databases, approximately 3 000 surveys were distributed, excluding those copies of the survey accessed via various websites. The research team assumed that organisations would choose to participate in their own interests. The survey was open to all CSOs, whether they had applied for NDA and/ or NLDTF funding or not.

For this reason both the distribution and responses were random. Some organisations in receipt of NDA or National Lottery funds did not want to participate in the research without permission from their donors. The sample upon which this survey is based comprises a total of 226 respondent organisations. Figures 1–4 on the following pages disaggregate the sample by province, sector, geographical spread and scope, and staff size.

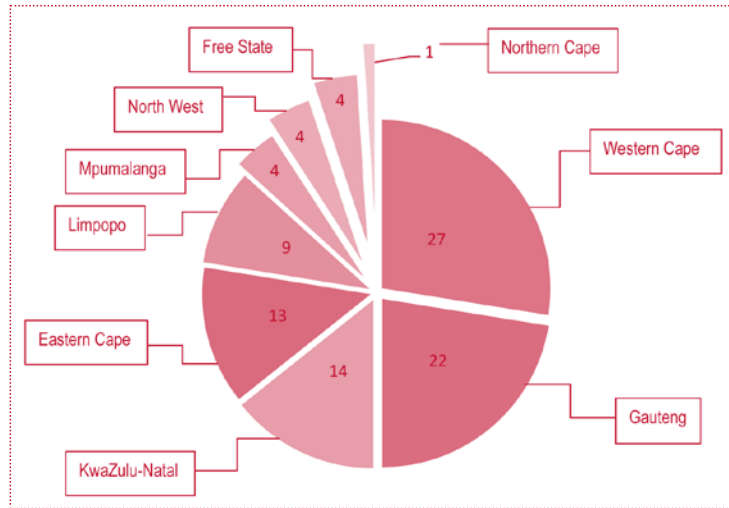


Figure 1: Percentage distribution of survey by province

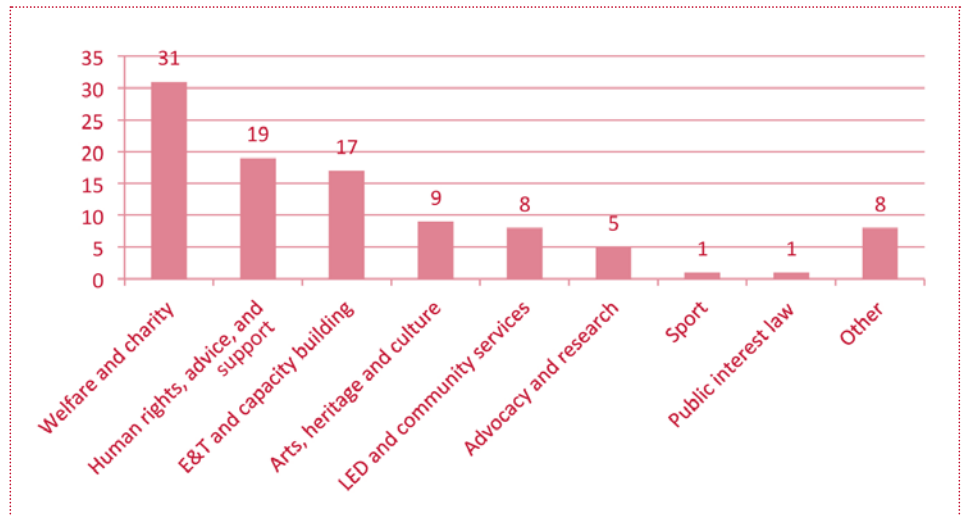


Figure 2: Areas of work

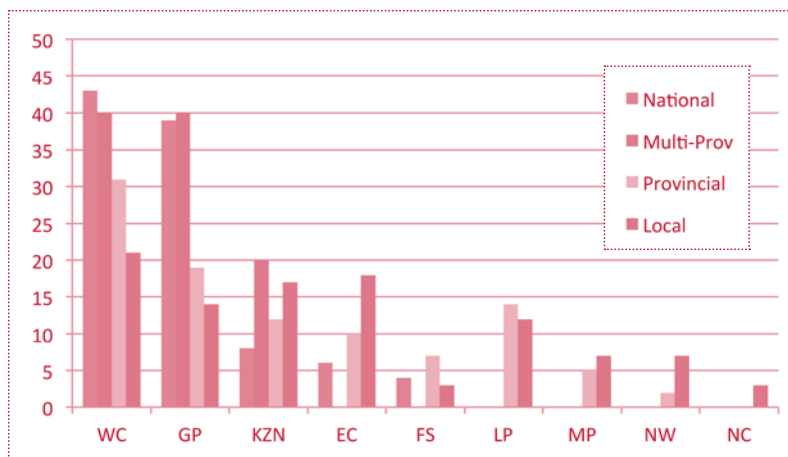


Figure 3: Geographical spread and scope of operation

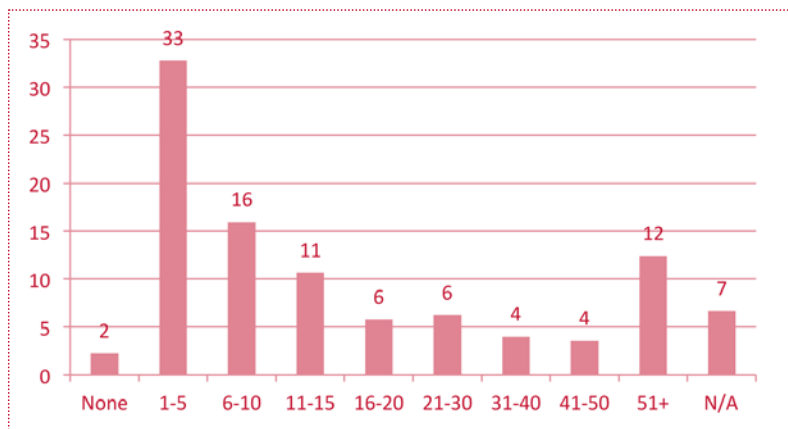


Figure 4: Staff numbers of organisations in the sample

From the survey sample, 20 organisations were selected to participate in in-depth interviews. The sample comprised organisations from KwaZulu-Natal, Eastern Cape, Gauteng and Mpumalanga. The purpose of the in-depth interviews was to collect qualitative information that was descriptive of CSOs' experiences and to draw out case studies of experiences through the various funding cycles of the NDA and the NLDTF. The complete research report lists the organisations that participated in the in-depth interviews, but the source of specific comments referred to in the text has been kept confidential.

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

The Lotteries Board and the NLDTF

3.1 Research methodology

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

The key findings of the literature review were:

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

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

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

3.2 Legislative mandate

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

Funds in the NLDTF must be allocated and disbursed to non-profit projects in four categories: 1) reconstruction and development; 2) charities; 3) sport and recreation;

and 4) arts, culture and national heritage. Funds in the first category were to be administered by the Minister responsible for the RDP, but the Ministry no longer exists and no allocations have been made. Applications for funds in the other three categories are adjudicated by distributing agencies (DAs) appointed by the Minister of Trade and Industry, in consultation with the ministers responsible for those functions in national government. The Minister of Trade and Industry, acting in consultation with the Minister of Finance and the NLB, has the power to make grants from Lottery funds earmarked for distribution in a fifth category – the ‘miscellaneous’ category.

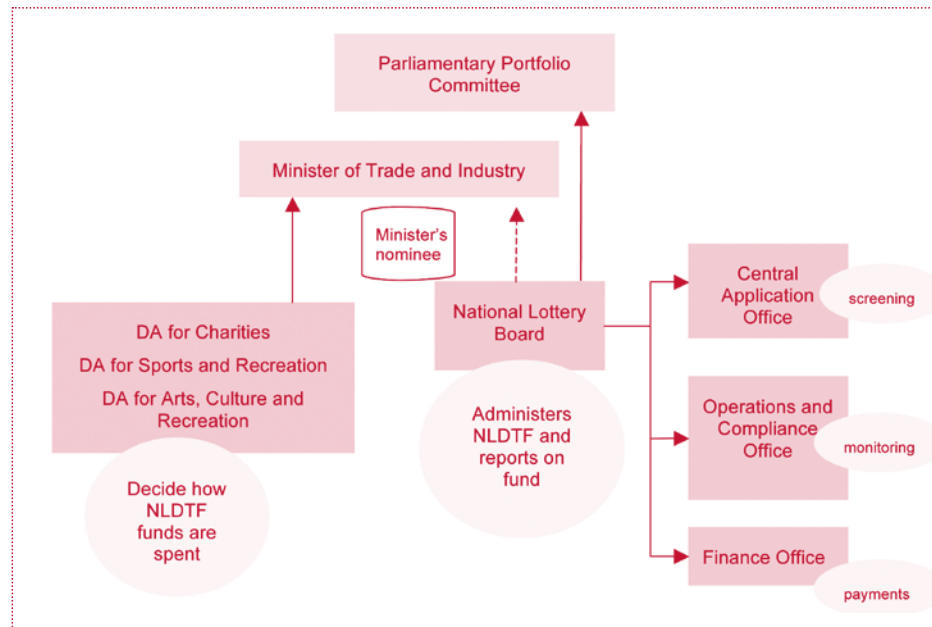


Figure 5: Current structure, functions and accountability of NLB grantmaking mechanism

3.3 Key issues which have emerged

This research project confirms that the NLB has been plagued with problems in respect of its disbursement of National Lottery funds. It is clear that, while considerable thought went into the gaming side of the National Lottery, very little consideration went into making sure that its grantmaking would work well.

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

Interviews with CSOs indicate that it sometimes takes the NLB over 12 months to process applications for NLDTF funds. Those organisations which have been awarded grants have had to wait a further six to 12 months for the money to be disbursed. The impact of this inefficiency has been catastrophic, with some CSOs having to retrench staff or close. The NLB has disbursed less than 50% of the available National Lottery funds in each of the last three years.

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

The judgment in the SAEP and Another v National Lotteries Board and Others case² (which has been appealed by the NLB) has been welcomed in that it clarifies the lines of accountability between the NLB, the DAs and the Minister.

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

The judge has determined that: 1) the DAs are committees of the NLB, appointed by the Minister, they are not independent entities; 2) only the Minister and his or her Cabinet colleagues have the power to determine rules for grants; 3) the powers of the DAs are limited to receiving and considering applications, and suggesting conditions to be imposed when money is granted; and 4) applications for funding to the NLB and the DAs constitute 'administrative action' in terms of the Promotion of Administrative Justice Act (PAJA). Administrative action – processing applications and disbursing funds in this case – must therefore be discharged within reasonable timeframes.

Since the judgment was made, the NLB has begun to change the way it disburses funds, such as setting timeframes for the screening, processing and adjudicating of applications and disbursement of funds. There have also been changes within the Central Applications Office to streamline the application process. Although these changes are filtering down to the staff of the CAO, more

needs to be done for the Office to become efficient in respect of processing applications, including staff training and reducing staff turnover. The adjudication of applications should also be made much more efficient and suggestions have been made that members of the DAs should be given fulltime appointments in order to deal with the current backlog and overcome this bottleneck in the system.

The Department of Trade and Industry is currently drafting amendments to the Lotteries Act to improve National Lottery grantmaking. The NLB has made proposals for strengthening the lines of accountability in respect of National Lottery funds. Another proposed legislative amendment being debated in the Ministry of Trade and Industry and the NLB is the notion of a state-run lottery. A state-run lottery could have a crippling impact on civil society in South Africa. CSOs have struggled to survive in the face of significant shifts in funding over the last 15 years and the establishment of a state lottery may divert much-needed funds away from CSOs.

4.1 Methodology

The basis of reporting on the NDA was a literature review which included the founding legislation, NDA annual reports from 2005 to 2009 and NDA strategic plans from 2006 to 2011, media reports, minutes of parliamentary portfolio committee briefings, and research reports that documented the work of the NDA since 2001.

The key findings from the literature review were that:

1. The legislative mandate of the NDA, namely to facilitate dialogue and partnership between the state and CSOs and to include civil society in the determination of a common understanding of development and poverty, has not been met.
2. There has been such a close alignment between the funding strategy of the NDA and the development strategy of the state that it could be said that the Agency's independence is in question.
3. Governance within the NDA is weak, and allegations of fraud and corruption have been made since the early days of the Agency.
4. The NDA lacks transparency and there are no effective accountability mechanisms either to the state or to the public. The Agency has withheld information about its research activities and no detailed accounts of grantmaking or beneficiaries have been made available.

5. The Agency has been unable to disburse funds adequately and its funding practices cannot be described as developmental. The impact of its funding on poverty alleviation is therefore in question.
6. Its budget has been less than the poverty alleviation component of provincial government departments and other state-run institutions, calling into question government's commitment to the NDA.

These key findings, together with the findings from the civil society research process, were intended to form the basis for engagement with the staff and Board of the NDA in what was envisaged to be a solution-driven conversation. However, despite the FPA's sustained attempts over a period of seven months to secure the participation of the NDA, the final outcome was that the National Development Agency refused to participate in the research process.

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

- Annemarie Hendrickz.
- Dr Stephen Rule.
- Dr Temba Masilela.
- A former Board member who wished to remain anonymous.

4.2 Legislative mandate

The preamble to the National Development Agency Act 108 of 1998 states that the NDA is aimed at promoting an ‘appropriate and sustainable partnership between Government and civil society organisations to eradicate poverty and its causes’. The mechanism to achieve the NDA’s objective is specified as granting funds to CSOs to carry out projects or programmes aimed at meeting the development needs of poor communities and by strengthening the institutional capacity of other CSOs involved in direct service provision to poor communities.

A secondary objective is that the NDA is to be the mechanism for building relations between the state and civil society by promoting ‘consultation, dialogue and sharing of development experiences’ (S3(2)(a)), to promote debate on development policy, and to conduct publishable research on development policy.

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

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

4.3 Key issues which have emerged

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

Another reason that can be offered for the NDA’s failure to facilitate building a relationship between the state and civil society, including discourse on effective poverty alleviation strategies, is that the Agency has fully aligned itself with the state’s poverty alleviation agenda.

Its grantmaking criteria have been based on key governmental policies and programmes including those of the Department of Social Development. This alignment has cost the NDA its independence and distanced the agency from some sectors of civil society.

Despite streamlining its interventions to focus primarily on grantmaking, the NDA has failed to effectively disburse funds. Between 2003 and 2008, the NDA disbursed only 56% of available funds. The number of beneficiaries decreased from 104 in 2005/06 and 95 in 2006/07 to 78 in 2007/08 and 59 in 2008/09, but the total amount granted

increased. This suggests that the NDA is giving larger sums of money to fewer organisations. This has created problems for some grant recipients as the beneficiaries of NDA grants are small CBOs or projects that may not have the necessary skills and resources to implement large-scale projects for the NDA. More worrying has been the fact that the NDA's annual budget for poverty alleviation projects is less than the amount allocated for this purpose in some government departments and provincial administrations. This suggests that government lacks appreciation of civil society's potential contribution to development and poverty alleviation. It further signals a lack of commitment to building and strengthening civil society.

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

Civil society plays a critical role in an effective democracy and should be understood to be an important actor in shaping the type of world that citizens want to live in, including providing support for citizen agency and participation in overcoming underdevelopment. For this sector to be transformationally effective, the quality of relationship between state funding agencies (such as the NDA and NLB) and the non-profit development sector must improve. This relationship is not just about money and compliance, but is also fundamentally about effective collaboration between organisations and funding agencies.

5.1 Legal mandate: governance, transparency and accountability

- a. Neither the NDA or NLB are sufficiently accountable to credible, independent oversight institutions to which the public have access, and to the relevant Minister, in respect of financial management and organisational performance. Neither agency is held fully to account by the existing state structures, and both are often neglected by the Ministers to whom they report.
- b. With regard to the the Miscellaneous funding category of the NLDTF, there is no public accountability mechanism to hold the Minister of Trade and Industry accountable for grantmaking decisions in respect of this particular fund.
- c. With regard to the NDA, it is apparent that this agency sets its own development agenda which shifts and changes directly in line with government policy and approach, impacting negatively on the capacity of grant recipients to deliver on their funded projects. In particular, the NDA's programme formulation approach means that the NDA actively creates and then funds development projects in line with its shifting agenda.
- d. Both agencies, but the NDA in particular, spend heavily on administrative costs and there have been no (or inadequate) measures taken to determine a reasonable proportion of allocated funding for each agency to cover operational overheads. The NDA's current use of more than 50% of its annual allocation to cover operational costs demonstrates that urgent steps need to be taken towards improving the flow of funds to worthy projects, enhancing cost-effectiveness, and encouraging public accountability.
- e. The NDA's already opaque operations remain obscured by its refusal to participate in this research; by the fact that there are no full beneficiary lists available on its website; and by its lack of accountability either to the public or to the Ministry of Social Development. It is critical that the NDA be required to ensure that its decisionmaking, financial management, and grantmaking are transparent, and that the Agency is held to account for this.
- f. The NDA has never met its legislated mandate to: 1) enable dialogue between civil society and the state; and 2) work in partnership with civil society to investigate and tackle the real causes of poverty. In addition, the NDA has lost its intended independence, electing rather to toe directly the ruling party's line on 'development'.
- g. Civil society representatives on both the NDA and NLB Boards are individuals working in the civil society sector. They do not have a formal civil society mandate. It therefore remains unclear how these individuals can be in a position to represent diverse civil society sector interests.

5.2 Funding approach and practice

- a. Neither agency has clear funding approaches that have been translated into funding criteria that are easily accessible to applicants. In addition to the huge diversity of focus, and organisation scope and size within civil society, smaller and less well-resourced organisations clearly lack capacity to access, interpret and respond appropriately to the criteria that are available to them.
- b. While the NDA has set up a substantial provincial structure, this remains weak and appears not to have added value to the efficacy of the NDA's funding approach and practice. In addition, the NDA's preference for a 'programme formulation' approach with identified partners with whom it co-establishes projects has led to NDA-led funding rather than the NDA being led in its approach by the organisations with the experience of, and operating in, the development sector.
- c. The NLB, on the other hand, remains centralised in its operations with the DAs having broad decision making capacity (as opposed to authority) in a reporting and accountability structure that remains confused and unclear in spite of a recent court ruling that DAs are committees of the NLB.
- d. As indicated above, it is clear from the research that smaller, under-resourced organisations require support and assistance to access funding, and to implement and report on funded projects. There is currently no small grants facility to support such organisations for, perhaps, an interim period while they put measures in place to meet standard requirements (e.g. the requirement that they be registered with the Department of Social Development as an NPO, and requirements in respect of financial statements).
- e. While both the NDA and the NLB have variously held 'roadshows' or briefing meetings (that may have been intended to provide better support), opinions expressed during the research process hold that the NDA gatherings were extravagant and unhelpful. It remains to be seen whether the NLB's current roadshow approach improves the capacity of organisations to understand, access and manage NLDTF funding.
- f. Of particular importance, for its negative impact on organisations and its role in highlighting a lack of understanding (in both the NDA and the NLB) of organisational planning, budgeting and programme implementation, are the funding cycles of both agencies. There are long gaps between calls for proposals. The NDA's programme formulation approach, coupled with the long delays in both agencies' response time as well as erratic and unreliable responses throughout the cycle, has made it extremely challenging for organisations to plan their programme work or their implementation and project delivery schedules with any kind of certainty. The short-term, year-by-year funding approach taken by the NDA and NLB means that both applicants and adjudicators spend unnecessary time preparing and processing applications for continuing funding to existing project partners.
- g. Both the NDA and the NLB appear unwilling to participate in any meaningful engagement with the non-profit sector and/ or civil society more broadly towards developing and implementing more appropriate, sector-friendly and effective funding approaches and practices.

5.3 Administrative structure and functions

- a. It is clear from the research that organisations have, for the most part, experienced administrative obstacles to accessing information when engaging with both the NDA and the NLB. Organisations have experienced both agencies as having inadequately trained staff who are unable to engage with applicants on issues of development and poverty alleviation, and have limited capacity to service applicants.
- b. NLB grantmaking, in its three current areas of focus (charities; arts, culture and national heritage; and sports and recreation), is not given the priority and attention it deserves. DA members work part-time, and do not report directly to the Minister of Trade and Industry as they are supposed to. The result is that insufficient time and attention is given to ensuring that these are effective grantmaking structures. It must be noted that well-informed, strategic funding decisions require specialist grantmaking support staff who have knowledge, skills and experience of key development issues, know the sector well, and are familiar with the key stakeholders.
- c. Neither the NDA nor the NLB have professional staff to assist in application processing. This exacerbates an already bad situation in which responses to applications take unacceptably long, and sometimes applicants do not receive responses at all.
- d. While some organisations have complained about the NDA unilaterally changing their proposals in line with its programme formulation approach with no regard for the budgetary impact, others have welcomed the NDA's focus on grantee partnerships as a sign of its commitment to poverty alleviation and its desire to ensure that projects work.

- e. Overall, civil society feedback is that the NDA's establishment of provincial offices is a positive initiative. This has been welcomed by organisations, which see this as a potentially useful mechanism to establish relationships with the NDA, and for the NDA to establish relationships with grantees and engage with civil society.

5.4 Administrative processes

- a. With thousands of applications received in response to each call for proposals by each of the NLB's three DAs, the grantmaking process is under extreme pressure. In spite of attempts to scan every application in full, the CAO's record-keeping remains unreliable and is not used to best effect. The result is that NLB staff members do not have easy access to beneficiary-specific files containing the history of applications, previous grant awards, and original application documents.
- b. The grantmaking processes of both the NDA and NLB were described by many respondents as opaque and inaccessible. There are no predictable timetables for calls for proposals, and neither agency can be said to have a clear methodology. A process map and timeframes for grantmaking are necessary so that everyone understands the process and their roles and responsibilities, including members of NDA and NLB grantmaking staff. This also applies to the appeals processes currently in place at the NLB. The NDA currently has no appeals process for rejected applications.
- c. The majority of respondents whose applications were unsuccessful reported that neither the NDA nor the NLB (where applicable) provided clear feedback in order to assist them to submit better proposals in future.

- d.** While the NLB's application forms are generally considered easy to fill in and the supporting documents required are standard, applicants' problems begin once applications have been submitted. A common experience is lengthy delays in providing receipts and reference numbers for submitted applications – sometimes taking up to a year. The consequence is long delays in adjudicating applications, and further delays in effecting grant payment when applications have been successful. The entire application process can take up to two years to be finalised one way or the other.
- e.** There have been a few organisations whose NLB applications have been processed with no delays, but these are more the exception than the norm. Delays in disbursing funds to organisations have been so severe in some cases that the anxiety and insecurity (around funding and the timing of project implementation) have threatened the very existence of these organisations. In extreme cases, organisations like the Johannesburg Festival Orchestra have taken the NLB to court to force it to pay agreed grant moneys.
- f.** Organisations expressed the view that the NLB seems removed from the sector that it is funding.
- g.** With regard to the NDA, there is a definite trend that smaller, under-resourced CBOs (the very type of organisation the NDA prefers to fund) seem to have struggled the most with accessing NDA funds, finding the application process difficult, technical and alienating. The programme formulation method of sourcing applications has proven to be difficult for organisations which have been required to go into partnerships by the NDA as a condition of grant.

5.5 Civil society engagement

- a.** The NDA and the NLB should develop a more informed understanding of the causes of poverty and under-development so that they can target those organisations that can best address these issues. This could be achieved through more effective consultation with and engagement with civil society on the development of priorities, policies, criteria and funding practice.
- b.** Both the NDA and the NLB should provide space on their boards for civil society representatives to participate in policy and decision making, and to enhance institutional accountability.

5.6 Concluding comments

Key areas requiring the ongoing attention of civil society organisations, as well as the NDA and NLB are:

- Addressing the shortcomings of the legislation that underpins the mandates of the NDA and the NLB in order to address those areas where these agencies have failed to meet their legal mandates.
- The development of significantly improved mechanisms to enhance the NDA and NLB's contribution to development and their contribution to enhancing the ability of non-profit organisations to achieve their poverty alleviation objectives.
- The composition of the boards of the two agencies, their functioning, the participation of civil society in setting up the boards, including ensuring these governance institutions have the necessary skills and a sound orientation towards development, and ensuring that these boards are accountable to both the state and civil society.
- NDA and NLB expectations of beneficiary organisations in terms of relationship, compliance, and impact.
- Civil society expectations of these funding agencies in terms of funding approach and practice, and building development partnerships, and in terms of mutual accountability and agency compliance with their mandates.

- The operational efficacy of both agencies with regard to criteria for funding in respect of both the NLDTF and the NDA, time frames in terms of applications, notification and payments, responses to queries, and appeals.
- Transforming the relationship between civil society organisations and state funding agencies towards more effective support to, and strengthening of, a vibrant civil society that plays an active role in determining approaches to poverty alleviation.
- Positioning both state funding agencies as key to the development, non-profit and funding sectors and recommending ways of developing more accountable and effective state agency-civil society partnerships.
- The need for civil society to organise itself more effectively to contribute to improved NDA and NLB grantmaking policy and practice.

It was the intention of this research project to provide the research-based evidence on which CSOs, the NDA and the NLB could variously and jointly engage. It is hoped that this engagement will not be limited to improving the flow of funding, but will also contribute to best practice developmental grantmaking in South Africa.