



social development

Department:
Social Development
REPUBLIC OF SOUTH AFRICA

POLICY ON FINANCIAL AWARDS TO SERVICE PROVIDERS

DEPARTMENT OF SOCIAL DEVELOPMENT

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Foreword

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EXECUTIVE SUMMARY

Government today is still faced with challenges of providing the best possible service to the poorest and most vulnerable sectors of society. Historically, social services have been a joint responsibility of government and civil society, with Government providing financial support to organisations through subsidisation. The current realities of the country demand that government review the manner in which it is expending its resources to ensure that there is equitable redistribution to the historically disadvantaged.

Attempts have been made in the past to develop a Policy on Financial Awards to the NPOs. This policy however, did not meet the needs of both the government and the NPO sector. There is now an urgent need to develop a policy that will ensure that the Department is able to deliver on a promise for a better life for all. The Policy on Financial Awards is aimed at guiding the country's response to the financing of service providers in the social development sector, to facilitate transformation and redirection of services and resources, and to ensure effective and efficient services to the poor and vulnerable sectors of society.

The policy strives to facilitate the achievement of the mission of the Department, which is "to enable the poor, the vulnerable and the excluded within the South African society to secure a better life for themselves, in partnership with them and with those who are committed to building a caring society".

The policy and legislative framework of the country has created a climate conducive for the Department to achieve its mission, especially with regard to the equitable distribution of resources. The critical role that the NPO sector has played in service provision is acknowledged. Some NPOs have also made major transformation shifts in line with the current realities of the country. However, transformation imperatives remain a major challenge for government.

The policy is therefore intended to facilitate the achievement of priorities of the Department through a developmental service to poor and vulnerable groups and those with special needs such as children, youth, older persons, persons with disabilities, women, victims of violence and abuse, persons affected by substance abuse, and those infected and affected by HIV and AIDS. To achieve this and to deliver on its constitutional mandate, the Department needs to determine what goals it intends achieving, how these goals will be achieved and to measure programme performance towards the achievement of these goals. The policy sets forth challenges and targets for transformation, which will impact on how, where and by whom services that will be supported by government are rendered. It describes financing options, types of financing, eligibility criteria, and methods of payment and requirements for funding.

As is the case all over the world, public and private donors are demanding accountability for the programmes they fund, including measures of efficiency. The Department will therefore enter into contracts with service providers to ensure that expected service outcomes are achieved, that there is customer satisfaction and value for money. These contracts redefine the nature of the relationships between government and service providers. The policy is developmental in nature and the basis of contracting is cooperation rather than conflict, so that long-term relationships can be developed and enhanced through institution building and support, especially for the emerging service providers from the previously disadvantaged communities.

CHAPTER 1: OVERVIEW

1.1. Introduction

The post-1994 era has brought about major changes in South Africa. These changes have had an impact on all aspects of life of the people of the country, including its institutions. The most significant changes were those that were aimed at improving service delivery and making the services more accessible and responsive to the needs of the vast majority of the population.

This transformation process is still in progress and presents numerous challenges to all involved, particularly service providers. Government has been given a mandate to ensure the provision of the best possible services to communities, with a view to pushing back the frontiers of poverty and creating a better life for all.

The White Paper for Social Welfare (1997) commits the Department of Social Development to the transformation of social services by adopting a developmental approach that emphasises the interdependence between social and economic development. Such transformation should amongst others, address race, class, gender and spatial imbalances.

Developmental Social Welfare focuses on the maximisation of human potential and on fostering self-reliance and participation in decision-making. It also stresses services that are family-orientated, community-based and integrated (United Nations: 1987). The developmental approach does not replace or give precedence to any one method of practice, but stresses that regardless of the method of intervention, the outcome must promote social and economic justice.

Government acknowledges that many formal organisations have the skills, expertise, infrastructure and other resources that could contribute to reconstruction, development and the provision of service. Many of these organisations have received financial support through subsidisation. Some of these organisations have made strides in realigning their services with government policies and priorities. However, this has regrettably not been the general trend and the pace of transformation must be accelerated.

This is necessitated by the demand to respond to factors such as poverty, unemployment, as well as the HIV and AIDS pandemic, which is having a severe impact on communities. In addition, social service delivery needs to be redirected to areas of greatest need and highest priority such as rural and marginalised communities that are more adversely affected. Community-based and emerging organisations, which are often best placed and have the potential to render services to the marginalised poor and especially rural communities, are still largely excluded from financing or inadequately financed.

In the past years government has made a huge investment in the social development sector. It has also provided an enabling legal and policy environment, which dictated the imperatives for transformation. However, service delivery has generally not managed to meet the transformation agenda. In order to effectively meet the increasing demands of communities, the transformation mechanisms need to be significantly tightened. In addition, service providers that are largely excluded must be brought into government's funding arena.

The Policy on Financial Award is broad in scope, and provides a basis for a national leadership and guidance in the funding of non-profit organisations to deliver on social services within communities. As this policy is a general statement of intent, provinces must implement this policy as a guide for funding NPOs based on the needs on the ground.

The Department of Social Development (DSD) derives its mandate from several pieces of legislation and policies that are highlighted in this policy. The Constitutional mandate of the Department is to provide sector wide national leadership in social development.

The Department has made significant strides in the development of legislative framework and policies for improved delivery of developmental social services. This progress can be seen in the development and enactment of various pieces of legislation and other national policies for the management of key services to the poor and vulnerable sectors of society. The greatest challenge is ensuring that these are implemented fully to the benefit of the vast majority of the poor and vulnerable. The effective implementation of the said policies and legislative frameworks require the concerted effort of all critical role players.

This policy is a review of the existing Policy on Financial Awards (PFA) which was approved for implementation in October 2004 and came into effect in April 2005. The said policy was developed to guide the country's response to the financing of service providers in the social sector.

1.2. Context

Government inherited a backlog of services in disadvantaged communities. Prior to 1994, race was used as criteria to allocate funds to organisations, which resulted in disadvantaged communities receiving inadequate or no financing. The inequitable spread and racial bias of resources and services remain a major challenge to be addressed as a matter of urgency.

The Department is therefore faced with the challenge of narrowing the inequity between the historically well established organisations and the previously disadvantaged and rural communities irrespective of race, gender, religion, and culture. These communities include amongst others poor inner city areas, low income communities, informal settlements and deprived communities. Clearly the above should be given priority funding which is referred to as fair discrimination. Fair

discrimination uses economic fiscal and social policies to redirect resources to particularly needy groups.

The huge disparities in terms of service delivery require prompt responsiveness and effective balance on improving allocations and ensuring equity between provinces as well as the expansion of services.

These areas must be prioritised for the delivery of accessible and adequate social services. There must be increased investments in programmes that enhance effective social functioning and economic independence.

The reality is that a significant proportion of service providers are located within the main centres of urban areas. Social development infrastructure in peripheral areas as well as emerging communities still remains inadequate. In rural areas, resources and services are located in more established towns with only ad hoc and limited service provisioning in outlying areas.

1.3. Situational Analysis

1.3.1. Demographics and Socio-Economic conditions

The population of South Africa has increased from 40.6 million people in 1996 to 50.17 million people in 2010, and is projected to increase to 51.5 million by 2014 (The White Paper on Population Policy for South Africa (1998) and the International Conference on Population and Development (ICDP) Programme of Action (1994)) However, data suggests that population growth is decelerating. The annual population growth rate has declined from 1.40 in 2001-2002 to 1.06 in 2009-2010, and is projected to decline to 0.9% by 2014 (STATSSA, 2010). The reduction in population growth can be attributed to the prolonged decline in fertility rates and partly to an increase in HIV and Aids related mortality.

The proportion of the population under the age of 15 years is steadily declining (from 34% in 1998 to 31% in 2007) while other age categories, particularly the proportion of elderly people (over 60 years of age), are showing noticeable growth. Although the proportion of people between the ages of 15 and 34 years of age (the youth) has remained relatively stable during the period under review, this group is expected to grow significantly in future. A third of young people live in poverty and more than two-thirds of youth between the ages of 18 and 35 continue to be unemployed. Although educational opportunities have improved tremendously, prospects are marred by high dropout rates and limited access to post-secondary education.

There is a scarcity of social service professionals to effectively address the challenges facing South Africa. Currently we have approximately 30,000 various categories of social service professionals servicing the population of 50.17 million. Recent improvements in the working conditions of social workers in government have had an unintended consequence of the brain drain of these cadres from the non-governmental sector to government or better prospects elsewhere and the impact of globalisation, have exacerbated the capacity problem.

A significant decline in real and relative income poverty during the period under review was accompanied by considerable improvements in asset and human capital poverty. Despite these improvements, poverty continues to impact disproportionately on African, rural households, women, and female headed households.

There is also an increase of income inequality as the GINI coefficient rose from 0.66 in 2007 to 0.679 in 2009.— a considerable high degree of inequality (GINI coefficient is between 0 and 1; 0 meaning total income equality and 1 meaning absolute extreme income inequality)

HIV and Aids continues to pose serious health and developmental challenges despite an apparent stabilisation of the overall HIV prevalence rate. The epidemic continues to be driven by underlying social and structural factors such as poverty

and gender inequality. The National HIV Prevalence, Incidence, Behaviour and Communication Survey (2009) reveals that 10.6% (5.2 million) of the national population was HIV infected in 2008, and of these 458,953 HIV infected people were receiving treatment (AIDS Global Report, 2008). Approximately 280,000 of the infected population were children below 15 years of age (UNAIDS, 2008).

Due to their increased risk and vulnerability, women, particularly those between the ages of 20 and 29, remain disproportionately affected by the pandemic. This has also led to an increase of orphans and vulnerable children with a sharp rise in the number of child headed households in South Africa.

In view of the aforementioned, government in partnership with civil society organisations, the private sector and non-profit organisations have a critical role to play in addressing all social challenges.

1.3.2. Profile of NPO sector in South Africa

The NPO sector is an essential component in the delivery of services in most countries including those with mature economies and differing social systems. The sector supplies a broad spectrum of public benefits and services improving the quality of life for many communities.

In South Africa, the NPO sector is central to the delivery of social services. It is made up of more than 100 000 organisations which primarily contribute to activities and services required at community level. The NPO database indicates that over 72 000 NPOs are currently registered with the department, with over 23,500 dealing with social services. The beneficiaries of NPO activities are primarily individuals and communities. NPOs are predominantly found in provinces and towns that have notable levels of development. Larger, well established, well resourced and organised NPOs, servicing a wide geographic area, tend to be found in metropolitan areas whilst in rural areas, NPO's are often much smaller, less structured, poorly resourced and service small local communities.

NPOs operate within a diverse range of sectors and can be classified according to the type of activities engaged in. Presently 23% of organizations are located within the social services sector; 7% contribute toward the delivery of health services; 20% focus on development and housing; 6% focus on education; 3% on environmental activities and the remaining 41% constitute other sectors. It is estimated that in South Africa, over 650 000 positions are generated by NPOs. These positions vary according to whether they are full-time, part-time or volunteer positions and approximately 300 000 of the aforementioned are full time positions. Section 21 companies tend to employ mostly full-time professional staff whilst registered Voluntary Associations and cooperatives are primarily dependent on the services of volunteers.

In 2000, it was estimated that the NPO sector generated an annual income of approximately R14 billion, of which almost R6 billion is funded by government in the form of grants and contracts. Eighty six percent of this funding is channeled to service delivery organizations located within the social development services, health, and housing sectors.

Other funding was derived through private sector donations, membership fees and sales and in some cases investment initiatives. The availability of financial resources varies according to the type of organisation and location. Section 21 companies and trusts, as well as those located at provincial or national level, are likely to be well resourced whilst registered and unregistered voluntary associations functioning at community level are more likely to be poorly resourced with little or no income.

1.3.3. Challenges

The impact of the Policy on Financial Awards to Service Providers on addressing the South African service delivery and transformation agenda has far reaching effects on the financing and management of social services rendered by NPOs.

There are different challenges identified, some of which have been recognized by the National Treasury in Chapter 5 on Social Development of the Provincial Budget Expenditure Review 2005/06–2011/12. The document highlighted the need for the social development sector to strengthen its partnership with the NPOs through the review of the Policy on Financial Awards to Service Providers and the development of the financing arrangements. The report also proposed that the Department must develop appropriate financing arrangements to enhance its approach in establishing norms and standards and monitoring compliance against these standards.

It also proposed that such a reviewed policy and guideline must deal with all identified challenges as listed below:

- Disparities in the subsidization of the same services across the different provinces.
- Different approaches in the management, administration, monitoring and evaluation of funding to and service delivery by NPOs.

In addition, the Department conducted a Desktop analysis in 2009, to evaluate the impact of the PFA implementation across the social development sector.

The following were the key findings:

- The national and provincial roles and responsibilities in relation to NPO financing are not clearly defined
- There is lack of uniformity in the implementation of the policy across provinces
- The policy is not aligned to the newly approved departmental pieces of legislation
- Different procurement approaches that are used for the financing of NPOs within the social services sector
- Inadequate financing of statutory services
- Lack of disclosure of sources of financing by non-profit organisations

- Multiple dipping by NPOs across various government departments for the same services
- Alignment to service delivery norms and standards
- Lack of capacity within the NPO sector
- Delays in the transfer of funds to NPO
- Non-Compliance of NPOs to the NPO Act and other pieces of legislation

The current reality, however is that there is an increasing demand for services with minimal resources to meet the ever increasing demands. The financing of the NPO sector is minimal when compared to the demands and realities for effective service delivery. For example gender, sectoral and geographic disparities have created distortions in the service delivery system.

The White Paper for Social Welfare (1997) identifies as one of its priorities the restructuring of the partnership between stakeholders to develop a system which is socially equitable, financially viable, structurally efficient in meeting the needs of the more disadvantaged sectors of the population, and to involve communities in planning and delivering of services.

1.4. Scope, Purpose and Objectives of the policy

1.4.1 Scope of the policy

The Policy on Financial Awards to Service Providers for the social development sector is primarily aimed at ensuring that government, together with the non-profit sector, and where appropriate, the private sector organisations, achieve the mission of the Department namely *“to ensure the provision of comprehensive social services which protect the poor and vulnerable within the framework of the South African Constitution and subsequent legislation, create an enabling environment for sustainable development, and deliver integrated sustainable , quality services in partnership with all those committed to building a caring society”*

In order to address the service delivery challenges and demands, the Department requires a concerted effort of all key partners. The Policy on Financial Awards to Service Providers has been developed to strengthen this partnership with non profit organisations.

Increasingly the world over, public and private donors are demanding accountability for the programmes they fund, including measures of efficiency. This places pressure on government to evaluate the cost and benefits of its activities and to explain to society as a whole, especially tax payers, how government spending and resource allocation are distributed for the well-being of society.

1.4.2. Purpose of the policy

The following are key purposes of the policy:

- Provision of guidance to the country's response with regard to the financing of service providers in the social development sector,
- Facilitation of transformation and re-direction of social services and resources,
- Ensuring the delivery of effective and efficient social services to the poor and vulnerable sectors of society.

Broadly, the policy seeks to ensure, equitable distribution of resources, that services are provided to the poor and vulnerable sectors of society and that no person is discriminated against based on unaffordability and/or exclusiveness of services.

The policy is therefore intended to ensure that the priorities are being met and there is value for money. This requires accountability from both the Department and the non-profit sector it provides for.

1.4.3. Objectives

The following are the objectives of the policy:

- To create an enabling environment for the provision of social services by non-profit organisations.
- To define the roles and responsibilities of the three spheres of government in the implementation of the policy.
- To define the relationship between the government (national and provincial Departments of Social Development) and non-profit organisations who deliver social services.
- To provide a mechanism for embracing and supporting new and emerging organisations for the benefit of previously disadvantaged communities.
- To facilitate transformation of services rendered by the non-profit organisations.
- To provide mechanisms for financing of non-profit organisations rendering social services.
- To serve as a basis for the development of a legal mandate for the financing of non profit organisations.

1.5. Outcome of the policy

The desired outcome of the policy is to ensure:

- optimal service delivery in line with the priorities of government and specifically within the mandate of social development:
- accountability of the department to the public in relation to the services rendered by funded non-profit organisations and
- the provision of support towards the implementation of a comprehensive, affordable, accessible, efficient, effective, and quality service delivery system within available resources.

1.6. Values and Principles

This policy will be based on the values and principles that are embedded in other government policies and legislation. These values and principles further endeavour

to provide a basis for the partnership between the Department and the non-profit sector towards ensuring the effective delivery of services to our communities. Commitment by both partners to the values, principles and process is required to develop a successful partnership.

1.6.1. Values

The values that underpin this policy are derived from the Batho Pele principles as set out in the White Paper for the Transformation of the Public Service.

The following values have been identified for social services delivery:

- The people we serve come first in performing our duties
- We will ensure equity in the services provided by our department
- We will work in partnership with the people we serve and other key stakeholders
- We will use the resources entrusted to us, to deliver on the Governments' priorities in the most efficient, effective and innovative ways
- We will be transparent and accountable for our decisions and actions
- We will share our knowledge and expertise with other departments and the broader developmental social welfare sector and learn from them.
- We will uphold the Constitution of the Republic of South Africa, applicable policies and legislative frameworks

1.6.2. Principles

The following principles underpin the policy:

Accessibility: Accessibility in terms of physical and geographical conditions, time, language and need. Social development services are available to all vulnerable groups. No individual or group is denied access either because of lack of resources or lack of knowledge of how to access services.

Accountability: Compliance with all legislative, policy and financial regulations.

Affordability: No one must be excluded on the basis of inability to pay for the service and where fees are charged, a means test should be applied.

Appropriateness: Responsiveness to social, economic, religious, cultural and indigenous and political conditions.

Efficiency and effectiveness: Achievement of objectives in a most cost-effective manner.

Empowerment: To enhance the capacity of new and emerging organisations to meet the standards set out in this policy for their inclusivity and effective delivery of services

Equity: Redistribution of resources based on need, priorities and historical discrepancies.

Participation: Active involvement of management, service beneficiaries, staff, stakeholders and community representatives in the delivery of developmental social services.

Partnership: A collective responsibility of government, non-profit organisations and the business sector to deliver services.

Sustainability: The extent to which the non-profit organisations will continue to

pursue the objective after project assistance is over and to ensure the achievement and long term maintenance of desired goals.

Transparency: Access to information, openness of administrative and management procedures.

Human rights based approach: Human rights based approach should be adopted in the delivery of social services.

CHAPTER 2: POLICY AND LEGISLATIVE FRAMEWORK

The key policies and legislative framework referred to herein either relate to or make provision for the financing and management of the delivery of social services.

2.1. Brief description of the Policies and legislation related to this Policy

2.1.1. Constitution of Republic of South Africa Act, 1996 (Act No.108 of 1996)

The Constitution of Republic Act, 1996 (Act No.108 of 1996) contains the Bill of Rights, which provides for not only basic human rights but also social and economic rights. It further makes provision for the delivery of social services based on the Bill of Rights. Section 27(1) (c) of the Constitution makes provision for the right to social security and social assistance. Section 28 makes provision for the right to social services for children.

If certain rights are guaranteed for children, it stands to reason that the family should provide a conducive environment for those rights to be realised and this implies that there is an obligation to provide such services in support of the families. Such services are provided by the state jointly with the non-profit sector. The range of social services provided by these organisations directly or indirectly, are outlined in the Integrated Service Delivery Model (ISDM) for Social Services

South Africa is one of the few countries where the Constitution enshrines the duty to alleviate poverty. However, poverty is multi-dimensional and therefore requires holistic interventions. Through the constitution, government is obliged to meet basic human needs and accords these needs the status of basic human rights.

2.1.2. The NPO Act, 1997 (Act No. 71 of 1997)

The Non-Profit Organisations Act, 1997 (Act No. 71 of 1997) was enacted to establish an administrative and regulatory framework within which non-profit organisations can conduct their affairs through a registration facility. An NPO is defined, in terms of Section 1 of the NPO Act, as a trust, company or other association of persons established for a public purpose and of which its income and property are not distributable to its members or office bearers except as reasonable compensation for services rendered by non-governmental organisations (NGOs) and community based organisations (CBOs).

The necessity for the Act emerged from the immense changes which occurred post the introduction of the democratic government in 1994. Prior to this time, many NPOs, especially the larger organisations, obtained financing directly from foreign donors. Some organisations participated directly or indirectly in the liberation struggle, with many top staff members leaving organisations and joining government immediately after the elections. Moreover, donor organisations now wanted to deal with government directly as opposed to dealing with individual organisations.

The establishment of the democratic state in 1994 saw the disbandment of the homelands in South Africa, each of which had its own legislation and or regulations guiding the NPO sector. Many contradictions were found, coupled with inadequacies in South African legislation, namely the Fund Raising Act of 1978.

In essence, post 1994, the policy environment and purpose of many NPOs changed, the financing streams were redirected and the legal framework was inadequate and confusing, leading to an urgent need for legislation which would provide guidance and stability to the sector.

2.1.3. Public Finance Management Act, 1999 (Act No.1 of 1999)

The Public Finance Management Act, 1999 (Act No 1 of 1999) or PFMA as amended by Act 29 of 1999 promotes good financial management in order to provide service delivery through effective and efficient use of available financial resources. The PFMA prescribes measures to establish financial operational procedures, ensure transparency and accountability and to eliminate waste and corruption in the use of public finances and assets.

To be compliant with the PFMA, only organisations which are registered in terms of the NPO Act and prescribed legislative frameworks should be allowed to qualify for or receive financing from Provincial and National Government Departments. The current registration requirements preclude many small and emerging NPOs who could not contribute significantly to service delivery programmes but fail to benefit from opportunities created by the government.

2.1.4. National Development Agency Act, 1998 (Act No. 107 of 1998)

The National Development Agency (NDA) is the key channel for financing from government and other national and international donors to non-profit organisations (NPOs). The primary objective of the National Development Agency Act is to develop partnerships between government and civil society for the purpose of eradicating poverty through financing non-profit organizations to carry out programmes and projects that meet the development needs of poor communities. It also aims to strengthen the institutional capacity of non-profit organizations to provide services to poor communities.

NPOs are required to fulfil certain administrative criteria in order to receive funding and a consequence of this is that larger, well organized NPOs are better suited to access this funding

2.1.5. Companies Act, 2008 (Act No. 71 of 2008)

The Companies Act provides for an association that is not for profit, in terms of Section 21 of the Act.

The primary purpose of a Section 21 Company must be to either promote religion, the arts, science, education, charity, recreation or other cultural and social activities or communal or group interests. Such an organisation must have at least seven (7) members each of whom makes a guaranteed commitment in the event of financial failure.

There must be at least two (2) directors governed by a Memorandum of Association and Articles of Association determining the rules of operation, objectives and activities for the organisation. Such organisations may receive and invest funds and pay salaries but may not distribute profit. When such an organisation dissolves, it must donate its property and funds to another similar organization. Section 21 organisations also face strict reporting requirements.

2.1.6. Integrated Service Delivery Model for Social Welfare, 2005

The Integrated Service Delivery Model for Social Welfare (ISDM) was developed in 2005. The aim of the model is to provide a comprehensive national framework that clearly sets out the nature, scope, extent and level of social services, and which will form the basis for the development of appropriate norms and standards.

It also acknowledges that developmental services are the collective responsibility of various role players, including government, non-profit organisations and the private sector. The exact nature and extent of the involvement of these service providers or partners is determined by history, expertise, statutory requirements and costs.

2.1.7. Intergovernmental Framework Act, 2005 (Act No. 13 of 2005)

The purpose of the Intergovernmental Act is to establish a framework in which national government; provincial governments, local governments and all organs of state within these governments are able to work together in a concerted effort to integrate their actions in the provision of services, alleviating poverty and the marginalisation of communities and to promote development. In undertaking legislative requirements, all government bodies have to take into account the circumstances of other similar bodies, consult with them, coordinate activities and avoid duplication of activities.

The Act makes provision for a President's Coordinating Council, National intergovernmental forums, Provincial intergovernmental forums and Municipal intergovernmental forums. These are consultative forums to discuss issues of mutual concern and to implement national policy. The Act defines the framework for the conduct of these forums.

Currently, this Act is not being fully exercised in relation to the coordination of NPO activities across sector Departments. For example, Departments initiate

programmes which require the use of NPOs. They then proceed to call for the submission of proposals. This in turn can result in a rush of applications for registration being submitted to the Directorate by organisations that can offer the required services.

The flood of applications serve to impact on the already strained NPO Directorate and the consequential delays in registration often result in NPOs not being able to benefit from service delivery opportunities. The impact of this non coordination results in there being a tendency by Departments to rely on well known and resourced NPOs which have sufficient capacity to maintain registration.

The lack of coordination contributes toward inhibiting the growth of small and emerging NPOs which struggle with the registration process and requirements. The Intergovernmental Framework Act provides the legislative framework to 'promote a spirit of co-operation and shared responsibility within government.

2.1.8. Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

The main objective of the Municipal Finances Management Act No 56 of 2003 is to secure, sound and sustainable management of financial affairs of government. It supports the development of a coherent approach to finances that assists in the improvement of the delivery of services to communities. National Treasury has implemented a phased in technical and financial implementation strategy to support the local government sphere in meeting the objectives of the Act.

Organisations would need to be registered as NPOs prior to qualifying for service delivery contracts or for receiving financial benefits from a municipality. The same arguments that apply to the PFMA have a bearing on the MFMA.

2.1.9. Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001)

The Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001) or FICA was passed in order to combat money laundering activities and the financing of terrorist and related activities. NPOs are commonly used as fronts for illegal activities which in some instances are circumvented by the registration of NPOs and ensuring that there is regular reporting.

Any NPO policy amendment will need to be cognisant of the FICA requirements while not duplicating the efforts or controls need for preventing illegal activities. The FICA requirements for banking institutions have implications for emerging NPOs and correlate in some respects with the registration requirements of the Act.

2.2. List of policies and legislation

Additionally there are policies and legislation that have indirect bearing on the proposed policy, namely

- White Paper on Population Policy for South Africa (1998)
- National Welfare Act, 1978 (Act No.100 of 1978);
- Welfare Law Amendment Act, 1996 (Act No. 106 of 1996)
- Social Service Professions Act, 1978 (Act No. 110 of 1978);
- Probation Services Act, 1991 (Act No. 116 of 1991);
- Prevention and Treatment of Drug Dependency Act, 1992 (Act No. 20 of 1992);
- Advisory Board on Social Development Act, 2001 (Act No. 3 of 2001);
- South African Social Security Agency Act, 2004 (Act No. 9 of 2004);
- Social Assistance Act, 2004 (Act No 13. of 2004);
- Children's Act, 2005 (Act No. 38 of 2005);
- Older Persons Act, 2006 (Act No. 13 of 2006; and

- Prevention of and Treatment for Substance Abuse Act, 2008 (Act No. 75 of 2008)
- Integrated National Disability Strategy White Paper, November 1997
- National Policy Framework for Families, 2001
- Human Rights Commission Act, No 54 of 1994

Cognisance is also being taken of other international obligations that the country is signatory to.

The following are international instruments which contribute to the development of policy and legislative framework in the country:

- Universal Declaration of Human Rights.
- Millennium Development Goals (MDG)
- African Charter on the Rights and Welfare of the Child NSP (HIV/AIDS)
- Geneva Declaration on the Rights of the Child.
- The UN convention on Disabilities.
- UN Declaration on the Rights of the Child.
- Convention on the Rights of the Child.
- UN Protocol to Prevent Trafficking in Persons.
- Hague Convention on Inter-country Adoptions.
- United Nations Convention on the Rights of the Child
- African Charter on the Rights and Welfare of the Child (OAU Doc. CAB/LEG/24.9/49 (1990), entered into force Nov. 29, 1999).

CHAPTER 3: PARTNERSHIPS

In recent years, successive United Nations (UN) summits on population, development, gender and the environment have highlighted partnerships as a key approach for achieving sustainable human development objectives. The South African Government also recognizes the potential of partnerships for strengthening the democratic social contract and creating an enabling environment for growth, redistribution and extension of services to the poor and historically disadvantaged. In

particular, the present government emphasizes the need for close collaboration with non-profit organisations.

To maximize the delivery of developmental social services to the people of the Republic of South Africa is a process that requires an interrelated, intersectoral and integrated service delivery model, which demands participation, co-operation and the strengthening of good working relations and partnerships with many sectors such as all three spheres of government, non-profit organisations, civil society in general and the private sector.

The goal of the partnership has an impact on the types of partners and the duration of the partnership.

3.1. Components of Partnerships

All organizations that are planning to form a partnership must consider and agree on several key elements of the partnership to ensure its effective functioning, of which key amongst others are the following:

- policies that bind the partnerships
- goals of the partnership;
- common purpose for partnerships
- effective communication during the partnerships
- commitment to make the partnership work
- agreed roles and responsibilities of each partner;
- alignment to government priorities, strategic plans, Integrated Development Plans (IDPs) and identified community needs

3.2. Partnership with Non-Profit Organisations

The partnership between the government and non-profit organisations can be described as a relationship rooted in the acceptance by both parties of their shared vision, principles and responsibilities for the delivery of services within the accepted policy framework. The business of promoting partnership relations within a cooperative approach to development creates opportunities for innovation, effective leadership, sustainability, fairness and collaboration to address the needs of the poor and vulnerable communities.

Partnership allows for levels of consultation and negotiations that would ensure that services are equitably, effectively and efficiently delivered. This will ensure relevance, appropriateness of services, sharing of risks, resources, competencies, benefits and responsibilities. It is also a mutual commitment and reciprocal relationship to advance a common vision.

The Integrated Service Delivery Model (ISDM) has begun to define the relationship between government and the NPO sector. Within the ISDM framework, the roles and responsibilities of service providers such as national bodies, non-profit organisations, and community based organizations, faith based organizations, and private practitioners are outlined. This model has received wide acceptance in the social services sector. Within this policy, the department will define priorities and parameters on how the partnerships will be managed. The Department understands the need of the sector to maintain its independence and autonomy; however, transformation imperatives compel the Department to respond appropriately to shifts in demographics, fiscal and political trends.

3.3. The roles and the responsibilities of the Department of Social Development

The roles and responsibilities of the department in relation the policy will be the following:

- Determination of priorities
- Development of guidelines and relevant legislative framework
- Ensure proper monitoring and evaluation of services rendered
- Ensure compliance to the policy and guidelines
- Ensure capacity and institution building
- Promote partnerships and linkages with other key role players
- Procure services in line with the government priorities
- Provide financial support to projects and programmes within available resources
- Ensure reporting
- Determine service packages and norms and standards for the delivery of quality funded services
- Ensure continuous engagement with non-profit organisations
- The Department will develop costing models
- The Department must fund organisations on time

3.4. The roles and responsibilities of NPOs in partnerships

- All NPOs intending to participate in the partnerships should ensure that they are registered as a legal entity in accordance to the NPO Act and other relevant legislation.
- Provide services in accordance with the prescribed services norms and standards
- Comply with the NPO Act and any other relevant policies and legislation
- Ensure that their organisation provide efficient and equitable services

- Ensure that the organisation's governance structures are representative of the demographics of the communities they serve
- Adhere to the departmental guidelines for the implementation of this policy
- Be accountable to government for any public funding received and report on activities in such a manner as prescribed in the Service Level Agreement or Contract.
- Deliver social services within the determination of prior concluded Service Level Agreements (SLAs)
- Ensure that proper monitoring and reporting mechanisms are in place and aligned to the Departmental reporting systems and reporting on time
- Participate in the continued own professional development of their staff.
- All service providers and any of their associates must ensure that they comply with the policies, guidelines, constitutional obligations and requirements stipulated by the Department.

CHAPTER 4: TRANSFORMATION

South Africa has been undergoing transformation at an unprecedented pace. This process of transformation is continuing and will inform how government will expend its resources to achieve equity and to address historical imbalances that still prevail within the social development sector. After the last policy on social welfare transformation, many non-profit organisations tried to transform according to the guidelines prescribed.

The Department of Social Development and the NPO sector must commit to strive for a transformed developmental social services sector.

The partnership should seek to achieve the following:

- Transform services in which historical patterns of exclusion may still be evident.
- Promote accessible, equitable, affordable and sustainable quality social services.

- Encourage good organisational governance that is inclusive, efficient, transparent and accountable and promotes community participation
- Create an enabling environment for the new and emerging organisations to deliver social services in a sustainable manner.
- Ensuring a transfer of skills from established organisations to emerging Organisations
- Provision of an integrated service that responds appropriately to the needs of the community, recognising their strengths and capacity for empowerment, and maximising utilisation of resources available in the community

The transformation of social services necessitated the development of the Policy on Financial Awards to Service Providers. This will require that government intervenes through funding and other measures to ensure that these shifts are made and to build the infrastructure and institutional capacity within disadvantaged organisations and communities, particularly in rural areas. The Department would ensure that the transformation of social services through the following:

- Leadership
- Determination of needs
- Determination of financing of NPOs per identified need
- Empowering of disadvantaged organisations

4. 1. Criteria for measuring transformation

4.1.1 Criteria for the department in terms of transformation

In terms of this policy, national and provincial departments will be deemed to have implemented transformation when:

- the distribution of financing cuts across and include disadvantaged communities.

- certain percentages of the poor communities are experiencing empowerment from the department.
- the organisations shows sign of sustainability and empowerment

An organisation and its services are deemed to have transformed or to be in the process of doing so when the principles and shifts are reflected in all aspects of its functioning and when:

- its internal policies and procedures, including its constitution are in line with the principles of the Constitution of the Republic of South Africa, and other national and provincial policies and priorities;
- there is visible evidence that it has redirected its services to include previously marginalised communities and it prioritises the most vulnerable and the poorest of the poor;
- there is visible evidence that the composition or profile of its facilities reflect the demographics of the geographic area and community it serves;
- there is a plan to promote access to services and facilities and this is regularly, clearly and publicly communicated;
- the composition of the facility or organisation's Board of Management, its day-to-day management structures and its staff, reflect the profile of the beneficiaries and communities it serves;
- there is visible evidence of beneficiary, stakeholder and community involvement in the design of the organisation's policies and service delivery programmes;
- there is visible evidence of the service providers' active involvement in community structures and networks;
- there is visible evidence that the more established organisations share resources, knowledge, expertise, and technical support with smaller community-based organisations, so that both benefit in terms of enhanced appropriateness and effectiveness;

- more than one service provider provides similar or identical services in the same geographical area, preference will be given to joint service plans to promote cost-effectiveness and add value;
- there is visible evidence that the same quality and standard of service is provided to all, irrespective of race, gender and ability to pay;
- the organisation makes a concerted effort to implement programmes aimed at early intervention and prevention and uses a range of social service practitioners;
- there is visible evidence that services as a first priority, aim to keep beneficiaries in their homes and communities. Where alternative care is seen through professional assessments to be the best option, it should as far as possible be aimed at promotion and retention of family and community links. In the case of children, the service should aim at family preservation and reunification;
- there is visible evidence of ongoing staff and management training that ensures that they are informed of new developments in service delivery, and which increases their capacity to deal with needs and challenges;
- there is visible evidence of a system of internal controls, monitoring and reviews of organisational functioning;
- there is visible evidence of concerted efforts to make the organisation less dependent on government funding and more financially sustainable.

It would be required for NPOs to submit a comprehensive transformation plan to the department.

CHAPTER 5: SERVICE SPECIFICATIONS

5.1. Services specifications and configurations

Service specifications will determine priorities for service delivery at either national or provincial level and will be informed by, amongst others, government priorities,

relevant research, statistics, relevant community needs and priorities, the relevant demographics, including population, poverty levels, migration patterns and other social development indicators and Integrated Development Plans (IDPs).

Service specifications will therefore determine which services will be rendered, where and how, to whom and for what purpose funding will be allocated. This will ensure that agency strategies and programmes strive to be aligned with a macro strategy of the Department.

The Department has a major responsibility and mandate to deliver the best possible services to society, particularly to the vulnerable and poor sectors in line with the policy and legislative framework outlined within this policy. It is therefore, by virtue of its constitutional mandate that government:

- Develops a clearly articulated vision, goals and objectives;
- Defines how it intends to achieve its goals;
- Demonstrates how it will measure programme performance in achieving its goals.

The programmes, projects or services that may be funded include the following broad categories as provided in the relevant policies and legislation:

- Services to children and families;
- Prevention of HIV and AIDS and support to people infected and or affected by HIV and AIDS and social protection
- Youth Care and Development;
- Services to Women;
- Victim empowerment services;
- Services to people with disabilities;
- Social Crime Prevention and social support;
- Poverty Alleviation Programmes;
- Services to older persons;

- Prevention and support services for alcohol and substance abuse;
- Social relief of distress; and
- Community empowerment services and development, including life skills, education and celebration of national and international days.

- Community development and related social mobilization programmes
- Food security services
- Research and Development
- Training and Capacity building

CHAPTER 6: FINANCING

Government's budget is managed on the basis of the medium-term expenditure framework (MTEF), which is a multi-year planner and covers a three-year cycle. The MTEF enables government to plan strategically on the basis of its projected financial resources.

The Department is responsible for its constitutional and statutory obligations for the provision of social services, to ensure that the best possible services are delivered. Additionally it is responsible for financing of those outsourced programmes within its available resources. To enable the Department to respond appropriately to the social development needs of the country, it must be in a position to project the financial implications of service delivery on a multi-year basis in line with the MTEF.

The department must move towards developing a uniform funding model which will serve as a basis for financing programmes. The costs involved in delivering similar services in different communities may vary widely in terms of needs and geographic areas. This will result in redirecting more resources to disadvantaged communities.

The financing of these services and programmes depends on the availability of resources and is aimed at the achievement of legislative and policy mandates, taking cognisance of the departmental priorities. These priorities are determined from time

to time and publicly stated in the Department's Strategic Plan, Annual Performance Plans as well as service delivery specifications.

The department also recognises that, although it has constitutional obligations to provide for statutory services, it is not the sole provider of all social services to meet the broader needs of communities. Non profit organisations and civil society organisation are expected to raise funds from other sources such as other state departments, donor organisations, corporate social responsibility programmes from the private business sector, through trusts and foundations and the proceeds from lotteries.

The following are important to the financing of services:

- The Department will continue to purposefully expand its pool of potential service providers and increase access to services by building the capacity of emerging organisations.
- Established service providers will, where applicable, be requested to share resources and transfer skills through mentorship programmes to emerging organisations.
- The Department reserves the right to cluster individual funding allocations into one funding agreement for the purposes of enhanced performance monitoring, development of sustainable partnerships, as well as administrative expediency.

With the above mentioned in mind, the following section is aimed at providing mechanisms regarding the funding and provision of social services. The following will be covered:

- Methods of payment
- Eligibility criteria for financing
- Requirements for financing

6.1. Programme Financing

A programme is a planned coordinated group of activities and procedures for a specific purpose e.g. drug rehabilitation programme. Based on the above, programme financing will look at financing non-profit organisations to deliver specific programmes in accordance to the predetermined priorities and norms and standards of the department.

This is a financing approach to outsource services to non-profit organisations that provide comprehensive range of services in accordance to the needs and costs determined by Department within available resources. This approach replaces all other forms of funding. All statutory and other related social services must be funded in accordance with this approach.

6.2. Financing/ procurement of services

The Department plays a major role in the provision of social services. It does so either by supplying the service itself, or by acquiring services from service providers. This policy document concerns itself with the latter. The Department will finance or purchase services from service providers or non-profit organisations through a process of call for proposals. These processes will be outlined in the NPO financing guideline.

The Department takes cognisance of the fact that the emerging organisations will require support in terms of capacitating them to be responsive to the policy and other related legislative frameworks. The Department will therefore provide support and capacity to the emerging organisations.

6.3. Methods of payment

This section gives an outline of how the Department will transfer payments to the contracted service provider.

6.3.1. Payment in phases/tranches

This payment method is used where the next payment of an allocation is dependent on results achieved in the previous phase/ tranche.

6.3.2. Payment through transfer of lump sum

Consideration will be given to the transfer of the entire allocation where service providers have a proven track record of compliance, credibility and accountability. This applies where the other payment methods are inappropriate due to, amongst others, cash flow situations and the relatively low financing level.

6.3.3. Payment at regular predetermined intervals

This payment method means that an annual allocation is divided into monthly/quarterly/six-monthly portions and paid in equal amounts, to assist with cash flow management and expenditure control.

The Department reserves the right to determine which option will be best for a service provider. However, the Department will consider representations by a service provider for an alternative payment option.

6.4. Eligibility criteria for financing

These are criteria that service providers must adhere to for them to be eligible for funding and will be dealt with in detail in the NPO funding guideline that will be used to implement this policy.

The following eligibility criteria will form the basis on which the service providers/non profit organisations will be eligible for financing.

6.4.1. Eligibility Criteria

- Be a legal persona and registered in terms of the Non-profit Organisations Act, 1997
- proof that the applicant organisation has taken reasonable steps to apply for such registration and has proof of such application; or
- registration in terms of any other prescribed service-specific legislation such as the Children's Act, 2005, or the Prevention and Treatment of Substance Abuse Act, 2008. In terms of both sets of legislation, service providers will in addition be required to be accredited for the rendering of statutory services. Provide services or intend to provide services for the people and specific communities in line with the Department's priorities and objectives;
- have a constitution that embraces the provision of social development services;
- where applicable, demonstrate the ability to provide effective and efficient Services;
- promote equitable distribution of services, taking into account historical Imbalances, including race, gender and the urban/rural divide;
- promote inclusiveness and representativity in the management and Organisation of services, including the establishment of management Committees that broadly reflect the communities they serve;
- be able to account for the utilisation of financial awards made by the Department in an acceptable manner and in terms of the prescripts of the Public Finance Management Act 1 of 1999 (PFMA). This implies that the focus
- Should be on the efficiency, economy and effectiveness of programmes and best practice financial management;
- support and commit it to share resources and transfer skills to emerging Organisations.
- Provide services according to the service packages, norms and standards.

The following will be key areas for consideration with regard to decision making by government for financing purposes:

- Alignment to the departments mandate and key strategic priorities.
- demonstrate the ability to manage and implement the proposed services in terms of service delivery expertise, trained human resource capacity, compliance to service delivery norms and standards
- practice good governance and be able to account for the utilisation of financing made by the department (PFMA of 1999)
- effectiveness and relevance of expected outcomes,
- social integration, diversity and equity,
- the integration of special development areas in all service levels,
- services that help in the re-allocation of resources to ensure more equity between and within provinces;
- networking between organisations and communities;
- provision of developmental social services to rural areas

6.5. Disclosures

The Department recognises that NPOs may have or are able to source funds from other funders, therefore all service providers/NPOs will be required to disclose all their sources of funding when required during this partnership. The Department will determine or use its discretion to determine the social services to be funded. This is to ensure that Department does not fund social services that have already been funded.

Failure of NPO or service provider to disclose such information when requested may warrant discontinuation of financing by the Department as it will constitute a contravention of this policy.

6.6. Financing time lines

The financing of non-profit organisations will be done in line with government and medium term expenditure framework (MTEF) Financing of NPO is a financial transaction where services are procured from service providers to address needs of the communities. The Department in line with the planning framework begin NPO financing process by identifying needs during the Departmental strategic planning process. The department will begin the process of procuring the services from NPOs after its strategic planning to ensure that funds are transferred at the beginning of each financial year. An NPO funding guidelines will provide details of the funding timelines.

CHAPTER 7: CONTRACTS

A service level agreement is a legally binding contract between a funded non-profit organisation (hereunder referred to as service provider) and the Department. It is one of many internal control measures that the Department implements in compliance with the prescripts contained in the PFMA, this policy and other applicable legislative and policy frameworks (i.e. Children's Act, Older Persons Act, Prevention of and Treatment for Substance Abuse Act, Child Justice Act, etc)

It also formalises mutual expectations concerning financing and service delivery, including reporting, accounting, monitoring and evaluation procedures to ensure accountability for public funds received. The purpose of entering into contracts is to ensure that mutual roles and responsibilities are clearly stipulated.

The PFMA regulates the management of State funds. It ensures that all revenue, expenditure, assets and liabilities of the State are managed efficiently and effectively. It also provides for the responsibilities of accounting officers as regards financial management (Sections 36, 38, 39, 40 and 64). Section 38(1) (j) of the PFMA requires the Department to, amongst other things, obtain a written assurance

from the funded organisation that such organisation implements effective, efficient and transparent financial management and internal control systems.

The Policy will ensure that financing to non-profit organisations is made in accordance with the PFMA. It also prescribes certain minimum policy and procedural guidelines for the transfer and monitoring of funds. It identifies programmes, projects and services that may be funded by the Department. It provides that such programmes, projects and services should be in line with the broad mandate of the Department and should be developmental in nature.

The Department may enter into one-year contracts or in some instances multi-year contracts with NPOs. The latter will be in instances where the Department is satisfied that a one-year contract will be impractical and undesirable due to the nature of service, the type and level of investment and the extent of planning.

Contract Management: Between National and provinces and NPOs

The contract will, among other things, cover the following specifications:

- Service-specific outputs expected in specific areas.
- Financial arrangements, including methods of payment.
- Roles and responsibilities of the Department and the service provider.
- The duration of the agreement.
- The reporting and accounting requirements within specific timeframes.
- Monitoring and evaluation arrangements
- Dispute resolution mechanisms
- Suspension, termination, reduction of funding.

7.1. Reduction, suspension and termination of funds

The Department has the right to reduce, suspend or terminate financing based on an assessment of the extent to which non-compliance with the specifications of the contract occurs. Non-compliance may occur in the following areas:

- Conditions in respect of the transfer of financing or grant have not been complied with.
- Financial assistance is no longer required.
- The agreed upon objectives have not been attained.
- The transfer payment or grant does not provide value for money in relation to its purpose and objectives.

In instances where financing is considered to be reduced, suspended or terminated the Department will as a general rule act in accordance with the requirements of administrative justice. This will include the following:

- Give adequate notice of the nature and purpose of the proposed administrative action.
- Give a reasonable opportunity to the service provider to make representations.
- Give a clear statement of the administrative action.
- Give adequate notice of any right of review or internal appeal, where applicable.
- Give adequate notice of the right to request reasons.

The reduction, suspension or termination will in most instances be preceded by consultation in an effort to enable the service provider to rectify the situation. However, in certain instances the breach may be so serious that financing may be stopped immediately, either permanently or for a period of time.

This would apply in key amongst others the following situations where:

- there is no adherence to this policy
- funds are being seriously mismanaged;
- the project has ceased completely;
- the beneficiaries are abused, maltreated or their rights are violated;
- the service provider obtained or used the financing in a fraudulent manner;
- the service provider received financing from the Department but has not implemented the agreed upon service;
- non-compliance with requirements for the submission of prescribed reports, including financial statements.

7.2. Disputes

Disputes may from time to time arise on issues relating to the interpretation and implementation of the policy, including assessment and evaluation of programmes and services, selection and allocation of resources to the service provider; as well as reduction, suspension and termination of a financial award. Written representation may be made to the executing authority. The process in this regard is spelt out in more detail in the NPO guidelines that will be published.

CHAPTER 8: COMMUNICATION AND CONSULTATION

The Department will set mechanisms and processes in place to strengthen communication and ensure consultation with different spheres of government, community structures and service providers to ensure:

- the assessment of needs and priorities;
- the equitable redistribution of resources to address historic imbalances;

- consultation on the identification of relevant service providers to respond to community needs;
- Consultation on the development and implementation of departmental policies and strategies.

Consultation will take place within the framework of the mandate of the Department as indicated in relevant legislation, policy provisions, budget allocations and strategic directives.

CHAPTER 9: IMPLEMENTATION OF THE POLICY

This policy will be implemented by both the national and provincial departments of Social Development in line with the NPO financing guideline. Provinces will take responsibility of ensuring proper implementation, monitoring and reporting while national will provide leadership and guidance and as stipulated in the roles and responsibilities in this policy document. The policy implementation will follow certain models, steps, structures and will need resources

9.1. Institutional arrangements

The management of NPOs especially those that are funded is a very important aspect of policy implementation to ensure better management of finances, service delivery and partnerships agreement between the department and the service providers. The department will establish a structure to deal with NPO coordination, management, monitoring of effective and efficient service delivery and reporting. The functioning of the structure must be in such a way that would improve interaction with all communities and stakeholders at all levels

These management approaches would ensure leadership in the implementation of the Policy.

9.2. Roles and Responsibilities

9.2.1. Roles and responsibilities of the national Department of Social Development

- Provides leadership and guidance in the implementation of the policy
- Provides strategic direction for social service delivery
- Ensures the development and implementation of integrated intersectoral policies and programmes, at both national and provincial level.
- Harmonises central functions with those of other national departments, provincial departments and other role players (including NDA).
- Develops quality assurance systems for social services
- Develops norms and standards for social services
- Develops a uniform framework for the financing of social services programmes.
- Ensures that proper national monitoring and reporting mechanisms are established.
- Ensures national and provincial capacity and institution building in all levels of government.
- Promotes partnerships and linkages with other service partners.

9.2.2. Roles and responsibilities of the Provincial Departments of Social Development

- Implement the policy in the province and districts
- Coordinate and monitor the delivery of social services rendered by NPOs in accordance with national norms and standards and policies.
- Develop NPO financing monitoring plan
- Facilitate reporting to national on NPO social services delivery
- Facilitate the establishment and maintenance of social services structures.

- Maintain an information management system for all services and programmes.
- Negotiate and lobby for provincial financing and maintain appropriate financial management systems
- Promote inter-provincial relations and develop and maintain intersectoral and working agreements.

9.3. Development of NPO financing guideline

An NPO financing guideline to implement this policy must be developed to assist national and provincial departments of social development. The guideline will address major gaps identified in the current NPO financing system..

CHAPTER 10: MONITORING AND EVALUATION

Monitoring and evaluation is an ongoing and developmental process that aims primarily at providing feedback and early indications of progress or lack thereof on the achievement of intended results. It remains crucial for measuring the quality of services rendered by the non -profit organisations sector as well as the impact thereof.

It seeks to track the actual performance or situation against what was planned or expected according to pre-determined standards. It also involves collecting and analysing data on implementation processes, strategies and results, and recommending corrective measures.

An important aspect of monitoring and evaluation will be aimed at corrective measures to be implemented in instances where shortcomings and non compliance are identified.

The monitoring and evaluation as indicated in this policy is in addition and supplementary to any other monitoring required by specific legislation or policies.

Additionally, it assists with the assessment of compliance with the service level agreements with a view to ensure the following:

- continued consultation and communication between the department and service providers
- that public funds are accounted for in terms of the PFMA and the relevant departmental policies and legislative framework,
- the principles of economy, effectiveness, efficiency and value-for-money service delivery
- the identification of, and appropriate responses to capacity building and training needs
- the identification of best practices and sharing of examples of service excellence
- identification of service delivery gaps in line with required standards;

The Department will develop a monitoring and evaluation system for monitoring the services rendered by NPOs.

Monitoring and evaluation will assist in the achievement of the following:

- Compliance with relevant legislation, policies and priorities, norms and standards and procedures
- Ensure that allocated finances are utilised as per the agreed upon objectives as entailed in the signed contract.
- Determine whether transformation imperatives are being complied with

- Promote best practice models.
- Determine whether there is adequate beneficiary, stakeholder and community involvement in the design of the organisation's structure, policies and service delivery.
- Monitor the implementation of the organisation's diversity management strategy.
- Ascertain whether the organisation has a sustainability plan.

The purpose of monitoring and evaluation is to assess compliance with the contract, both in terms of service delivery and financial management. This will particularly include, but will not be limited to the following perspectives:

- **Financial** – the extent to which the service provider complies with financial prescripts and requirement as stipulated in the contract; and whether the service provider's strategy, implementation and execution are contributing to the achievement of goals, and provide return on investment and value for money.
- **Customer** – this perspective focuses on service deliverables as well as customer or stakeholder satisfaction in the service outcomes; it reflects responsiveness, timeliness, reliability, assurance and empathy towards recipients in the delivery of services. It also involves identification and segmentation of service area and measuring organisational performance in those targeted segments.
- **Organisational (internal business) perspective** – this perspective focuses on the critical internal processes in which the service provider must excel to achieve its strategic objectives. Internal business processes must facilitate continuous performance improvement in regard to core competencies of the organisation and its ability to deliver on its goals and achieving customer satisfaction. This further implies that the service provider must organise the environment such that there is compliance with and responsiveness to transformation imperatives.

- **Innovation and learning culture perspective** – the organisation must continually evolve its products and services to the customers to keep pace with the latest developments and the demands for service. This also relates to the continuous improvement of the quality of the services provided to service recipients, so that it is appropriate, effective, and efficient, and that it keeps pace with the changing needs of the communities served. This implies the provision of training and empowerment of staff to be able to perform their assigned tasks, developing best practice and promotion of organisational learning and growth.

It is equally imperative that service providers monitor their performance, jointly with their beneficiaries, as well as ensure that they deliver quality services. The Department may use this information as part of its monitoring and evaluation process.

GLOSSARY/ DEFINITIONS

ACCOUNTABILITY:

The obligation to be answerable to client systems, management bodies, donors and government institutions for the range and quality of services rendered the allocation and use of resources, and the realisation of objectives.

AUDITED FINANCIAL STATEMENTS:

Financial statements examined by a registered auditor or accountant that reflect the state of finances of an entity in accordance with generally accepted accounting principles.

BENEFICIARY:

Any person individual or group of persons in respect of whom developmental welfare services are rendered, and includes older persons, persons with disabilities, youth, children, poor and unemployed women and men, people affected by HIV/AIDS, poverty-stricken communities and families, and recipients of social grants including, but not exclusive to, child support grants or temporary disability grants, subject to any criteria for eligibility as determined from time to time by the MEC as determined in section 18, and “beneficiaries” has a corresponding meaning;

BUDGET:

Estimate of the running capital and other expenditure required for services for a certain period, as well as the real and potential sources of income that will be generated during the same time period.

BUSINESS PLAN:

A detailed plan of how service providers intend to provide services to recipients and on how resources are to be utilised.

CIVIL SOCIETY:

All individuals, groups, institutions and organisations that do not perform a public function but render welfare services, and includes trade unions, consumer organisations, non-governmental organisations and community-based organisations, religious organisations, corporate sector, and similar entities;

CONSTITUTION:

The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996).

CONSTITUTIONAL MANDATE:

The responsibility of national, provincial and local departments to provide services as required by the Constitution in line with priorities and needs identified by the government.

COMMUNITY:

A group of persons who –

- share, and deem themselves bound by, a set of cultural, religious, linguistic or other characteristics;
- have in common a specific characteristic that requires the rendering of developmental social services ; or

- Occupy a defined geographical area.

COMMUNITY-BASED ORGANISATION:

An organisation established to meet the specific needs of a community and located within the community it serves.

COMMUNITY DEVELOPMENT:

Services rendered by the three spheres of government, organs of state, and civil society, that have as their aim the sustainable socio-economic development of the community concerned; and the provision of assistance to communities to utilise their inherent capabilities in participating in the rendering of services as referred to in order to effect sustainable livelihoods and improved quality of life;

CONTRACT:

A legally binding agreement between two or more parties.

CREDIBILITY:

The believability of an organisation or institution in the eyes of the public.

DELEGATION:

In relation to a power, function or duty, a written instruction to exercise such power, perform such function or carry out such duty, as the case may be, and “**delegate**” has a corresponding meaning;

DEPARTMENT OF SOCIAL DEVELOPMENT:

The national Department of Social Development and its provincial spheres of governance responsible for developmental social services. This includes any regional, district or local offices of such departments

DEVELOPMENTAL SOCIAL WELFARE:

A service rendered by the three spheres of government, organs of state and civil society, which has as its primary objective the promotion of developmental social welfare, and “**developmental social services** ” has a corresponding meaning, and focuses on:

- the prevention and treatment of social pathological conditions in the community or in groups of persons or in families or individuals;
- the promotion, protection or stability of family or marital life;
- the welfare of the aged or physically or mentally handicapped persons;
- the welfare of children;
- the prevention of alcoholism or dependence upon dependence-producing substances or the treatment of persons who are dependent upon alcohol or any other dependence-producing substance; or
- in accordance with section 104(4) of the Constitution, 1996:
 - the provision of housing to indigent persons or persons in need;
 - Any corrective service; or
 - Other forms of relief;

EMERGING ORGANISATIONS:

Those organisations that are new in the field of development and/or that do not yet have the capacity and resources to sustain themselves.

EQUITABLE REDISTRIBUTION:

Sharing of resources between two or more groups in a manner that ensures that the needs of the previously disadvantaged are met in a fair manner with the purpose of achieving a common goal.

EVALUATION:

A systematic and independent examination of a project to determine its efficiency, effectiveness, impact, sustainability and relevance in terms of its objectives.

FINANCING:

The provision of financial assistance for the rendering of developmental social welfare programmes, projects and services by :

- the three spheres of government and organs of state or Civil society;

FOUNDING DOCUMENTS:

These include the memorandum and articles of association or a company, a trust deed, and the constitution of a service provider, voluntary association or national organisation.

GDP:

The Gross Domestic Product (GDP) is the total value of goods produced and services provided within a country during one year. [This abbreviation does not appear in the main body of the document.]

GOVERNMENT:

The Government of the Republic of South Africa.

GRANT:

An amount of money payable monthly from public funds to a person or organisation that qualifies for assistance in terms of legislation.

HEAD OF DEPARTMENT:

The most senior officer of the department in a Provincial Government responsible for developmental social services

HIV AND AIDS:

HIV stands for the Human Immunodeficiency Virus, a virus that affects the body's immune system. Aids stands for Acquired Immune Deficiency Syndrome, a viral illness which affects the body's ability to resist infection.

HUMAN RIGHTS:

The rights enshrined in the Constitution of South Africa

INSTITUTIONAL DEVELOPMENT

Strengthening the capacity of the three spheres of government, organs of state and organs of civil society, as defined in section 1, to render developmental social welfare services more effectively;

INTERGOVERNMENTAL RELATIONS:

Relationships that arise between or within the spheres of government and/or between organs of state from the same or different spheres of government in the conduct of their affairs;

INTER-SECTORAL ACTIVITY:

An activity performed by other provincial government departments, local government and organs of state that relate to, or impact on developmental social services, and “**inter-sectoral activities**” has a corresponding meaning;

IMPACT:

The positive and negative changes produced, directly or indirectly, as result of a project or programme.

INTEGRATED SERVICES:

Services which are coordinated and delivered in a holistic and intersectional manner and have the following characteristics:

- A multidisciplinary rather than a linear approach to service delivery.

- Different departments, organisations, and businesses that contribute collectively towards a holistic service aimed at addressing the needs of the beneficiaries.

LEGAL PERSON:

An organisation or entity that has a constitution or founding documents and is registered with the appropriate authorities.

NGO (NON-GOVERNMENTAL ORGANISATION):

An organisation that is not a government entity and that provides services for the benefit of the public.

NPO (NON-PROFIT ORGANISATION):

Independent organisations, bodies, trusts, companies or other associations of persons operating at national, provincial and/or local level to provide welfare services not for gain, but for a public purpose. The income and assets of the profits are not distributable to its members or office bearers except as reasonable compensation for services rendered.

These entities may or may not be registered in terms of the Non-profit Organisations Act, 1997 (Act No. 71 of 1997), the National Welfare Act, 1978 (Act No. 100 of 1978), or any other welfare legislation regulating the type of service.

MANDATE:

In this context, it means the enabling provision of authorising and exercising a power to perform a function or carry out a duty;

MANAGEMENT/EXECUTIVE COMMITTEE:

This is a duly elected body to represent beneficiaries as the legal entity.

MANAGEMENT BOARD:

A group of persons elected or invited to provide leadership and guidance and to manage the affairs of NPOs. These should include persons with the mixture of skills and expertise needed by the organisation.

MONITORING:

The continuous or periodic surveillance of the physical implementation of a project to ensure that inputs, activities, outputs and external factors are proceeding according to plan.

MUNICIPALITY:

A municipality contemplated in section 155 of the Constitution of the Republic of South Africa, 1996, and established by and under sections 11 and 12 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998), read with sections 3, 4 and 5 of the KwaZulu-Natal Determination of Types of Municipality Act, 2000 (Act No. 7 of 2000);

MTEF PERIOD:

A medium-term expenditure framework period is three years.

PARTNERSHIP:

A cooperative effort between government, civil society, and the business sector to deliver services.

POST-1994 ERA:

The period after the abolition of apartheid, when a new order was established in which the democratic principles enshrined in the Constitution became an integral part of government.

POVERTY:

The state of households, individuals and/or groups that are living below the poverty line, and poorer people who lack resources to meet life's challenges and their own basic needs.

PRIVATE DONATION:

A donation received from an individual, entity or organisation operating independently from government.

PROGRAMME:

A group of related projects or services directed toward the attainment of specific (usually similar or related) objectives.

PROJECT:

A planned undertaking designed to achieve certain specific objectives within a given budget and within a specified period of time.

POPULATION AND DEVELOPMENT:

Within the context of the implementation of developmental social welfare programmes and projects, any form of integrated socio-economic and cultural development that takes into consideration population trends;

PRESCRIBED:

Prescribed by regulation under section 34, and “**prescribe**” has a corresponding meaning;

PUBLIC-PRIVATE PARTNERSHIP:

A public-private partnership as defined in Regulation 16, as amended from time to time, made in terms of section 76 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);

SERVICE DELIVERY AGREEMENT:

A written agreement entered into between the Department and a municipality for the rendering of developmental social services prior to the allocation of funding by the Department to the municipality concerned for the rendering of such services;

SERVICE LEVEL AGREEMENT:

A written agreement entered into between the Department and a welfare organisation prior to the provision of a developmental grant from the Department to the organisation concerned;

SOCIAL WORK:

The professional activity of helping individuals, groups, or communities enhance or restore the capacity for social functioning and creating societal conditions favourable to this goal.;

PUBLIC DONATION:

A donation received from the community.

SELF-GENERATED INCOME:

Income that has been raised by individual organisations.

SERVICE PROVIDERS:

Individuals, organisations and structures that provide welfare service at national, provincial and local level to individuals, groups and communities in order to enhance their social functioning. Service providers may include: teachers, social workers, child and youth care workers, nurses, police officers, etc.

SOCIAL DEVELOPMENT APPROACH:

This approach integrates economic and social objectives. It not only recognises the critical importance of economic and social development in raising standards of living, but also actively seeks to harness economic development for social goals.

SOCIAL DEVELOPMENT SECTOR:

This sector comprises personnel who primarily deliver social services which are developmentally oriented to the public.

SOCIAL DISINTEGRATION:

Break up or deterioration of human relations in a community that renders them unable to sustain an acceptable level of social functioning.

SOCIAL SERVICES:

These are a broader and comprehensive range of services relating to social services and community development provided in a continuum to ensure the integration and sustainability of intervention efforts.

SUBSIDISATION:

Financial aid furnished by the government as supplementary income to the NPOs in order to purchase their services.

SUSTAINABILITY:

The extent to which the institutions will continue to pursue the objective after project assistance is over.

TARGET GROUP:

The specific group who will benefit from the project or programme that is undertaken.

TENDER:

An act of making a formal offer to the potential service provider for supply or provision of service.

TENDERER:

Prospective supplier of goods and/or service.

TRANSFER OF PAYMENTS:

The transfer of an amount allocated for funding of national bodies to perform a certain function on behalf of the Department.

TRANSFORMATION:

The process of changing structural arrangements and the manner in which services are delivered in order to comply with legislative and policy mandates related to the funding of service providers.

VOLUNTEER:

An individual who works for a community and its service, administration or fund-raising programmes, usually without remuneration. However, expenses incurred by a volunteer are sometimes reimbursed by NPOs or NGOs, and in some cases an honorarium is offered to the volunteer or a professional or non-professional person who provides a developmental social welfare service to or through a welfare organisation, usually without reimbursement;

VULNERABLE SECTOR/GROUP:

A group of people who are susceptible to or at risk of experiencing social problems because of their circumstances.

WELL ESTABLISHED ORGANISATIONS:

Organisations that have the capacity and resources to carry out their goals.

REFERENCES:

Policy on Financial Awards, 2005