



Non-profit organisations and the Western Cape social development budget for 2010/11

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Note: Please see www.ci.org.za for related analyses of the budgets of the nine provincial departments of social development

Introduction

Section 7(2) of the Bill of Rights in the South African Constitution places an obligation on the State to give effect to all the rights in the Bill of Rights. This includes children's constitutional rights to family care or alternative care³, social services⁴, and protection from abuse and neglect⁵. To meet its constitutional obligations government must ensure that the required conditions and services to fulfil these rights are available.

To make these services available for the many vulnerable children that need them, government must allocate adequate budget to each service area. The Children's Act 38 of 2005 says that the provincial MEC for Social Development is responsible for providing and funding all these services with the budgets allocated to them by the provincial legislatures⁶. There are other laws which place similar obligations on the MECs with respect to services to other vulnerable groups including the elderly, people with disabilities, children in trouble with the law and victims of crime.

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³ Section 28(1)(b)

⁴ Section 28(1)(c)

⁵ Section 28(1)(d)

⁶ See sections 78, 93, 105, 146, 193 and 215.

A large proportion of social welfare services are provided by non-profit organisations (NPOs, including both non-governmental organisations and community-based organisations) rather than by the department itself. In some cases, the department subsidises the NPOs concerned, although these subsidies generally do not cover the full cost or scope of the services. The Department’s budget is divided into programmes. The budgets for the services for vulnerable groups, including children, are located mostly in the “social welfare services” programme. Within the “social welfare services” programme you can see the amount of budget that is transferred to NPOs to deliver services to vulnerable groups

The transfers to NPOs within the Western Cape’s social welfare services programme budget are shown in Table 1. The table shows NPO transfers falling steadily as a percentage of the total programme budget from a peak of 68,8% in 2008/09. By 2012/13, NPO transfers are expected to constitute only 57,9% of the total social welfare services programme budget. The fall in the percentage is particularly sharp between 2009/10 and 2010/11, at nearly six percentage points. While four other provinces also show decreases in the share of the budget going to NPOs, Western Cape’s decrease is larger than for the others.

Table 1. Estimates for transfers to NPOs within social welfare services programme, 2006/07-2011/12 (R1 000s)

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Total social welfare services budget	655068	850795	920980	991644	1083103	1136086
Transfers to NPOs	445093	585351	622346	611515	629275	657366
Transfer as % of total budget	67.9%	68.8%	67.6%	61.7%	58.1%	57.9%

Despite the decrease, for 2010/11 the percentage of the social welfare budget allocated to NPOs is still higher in Western Cape than in any other province. However, by 2012/13, Gauteng, Free State and Mpumalanga are set to overtake Western Cape in the share of the budget allocated to NPOs.

Table 2 shows the difference in estimates for a particular year recorded in the 2009 budget statement (the document tabled in the provincial legislation in March 2009) and the budget statement of 2010 (the document tabled in March 2010). These comparisons are possible because each year’s documents provide estimates for three years – the budget year that will start that April, which is the budget on which the legislature must vote, as well as predicted allocations for the two “outer” years of the medium term expenditure framework (MTEF). For both 2010/11 and 2011/12 the 2010 budget statement records substantially smaller estimates than the budget books of a year earlier. This shows that previous plans to increase the share of the budget going to NPOs are not going ahead to the extent envisaged last year. This is in stark contradiction to the imperative to phase in expansion of Children’s Act services, which are delivered mainly by NPOs.

Table 2. Western Cape estimates for NPO transfers, 2009/10-2012/13 (R1 000s)

	2009/10	2010/11	2011/12	2012/13
2009/10 budget document	626 083	693 263	777 456	
2010/11 budget document	622 346	611 515	629 275	657 366
% increase from 2009/10-2010/11 books	-1%	-12%	-19%	

Table 3 shows the annual increases in both nominal and real terms, where real represents the amounts adjusted for inflation. For 2010/11 there is a decrease even in nominal terms. After adjusting for inflation, all years show real decreases in the value of the transfers to NPOs.

Table 3. Nominal and real annual changes in transfers to NPOs

	2010/11	2011/12	2012/13
Nominal	-2%	3%	4%
Real	-8%	-3%	-1%

The Western Cape's budget vote refers to a process of developing a national policy on social services, which it reports as being underway. The issues covered by this policy reportedly include the creation of a funding model for delivery of services by NPOs. This issue has now been "underway" for more than a decade. For example, the Financing Policy for Developmental Social Welfare Services was published in 1999, in 2004 the national Department produced the Policy on Financial Awards to Service Providers, and in 2005 it produced Procedure Guidelines for the Implementation of the Policy on Financial Awards to Service Providers. These policies were to some extent implemented, but with mixed messages given to NPOs at different points and by different provinces. In the absence of a workable policy, NPOs continue to battle to provide services in a situation of chronic under-funding and uncertainty.

Under-funding is even more of a problem in 2010/11 than previously. On 22 January 2010 the Department sent a letter to all "child protection" organisations as well as all child and youth care centres entitled "Reduction/termination in transfer funding to non-governmental organisations". The letter notes that the Department had put out a call for proposals for funding but that subsequent to this call being issued "there have been more changes in the Province, not least of which was that the provincial budget has been substantially cut." As a result, the Treasury had the "unenviable task" of cutting the budgets of most departments. The letter notes that the previous day the Department had been informed that their budget would be cut by R100m for the 2010/11 financial year, and that this would mean that there would need to be cuts in the transfer budget to NPOs. The letter notes that the Department might thus not be able to consider new/first-time funding applications or extensions to existing services except "under very specific circumstances". Further, in some cases it might have to reduce or terminate funding. As might be expected, this letter created huge consternation among NPOs.

A week later, on 29 January 2010, the Department sent a further letter to all "child protection" organisations that the call for proposals issued in October 2009 was intended to assist the Department in funding mandatory services, funding services that were a priority for the Department, funding services that would address the Department's objectives, to ensure services were procured "in the most efficient manner", and to fund within the

available allocation. The letter notes that while the Department has not finalised applications (presumably allocations), but makes the same point as the previous letter about not being able to fund new services or extensions, and the possibility that existing funding may be terminated or reduced. The letter states that: “The modernization of how the Department conduct its business will ensure that those placed at risk are dealt with in the most efficient and effective manner and therefore reliance is placed on the sector to support the approach.” It does not explain further what is meant by modernisation.

In reality, the 2010/11 allocation for the Department as a whole was R1 219,3m. This is less than the R1 268,4 forecast for 2010/11 in the previous year’s budget book, but only R49m less rather than the R100m referred to in letter of 22 January sent by the Department to NPOs. The 2010/11 allocation for the Department is also 4,8% higher than the R1162,5m allocated for 2009/10. The reductions in NPO funding nevertheless went ahead while funding for internal operations of the social welfare programme increased.

What the 2010/11 budget means for NPOs and service delivery

In order to determine what the decreases meant for the NPOs and thus for service delivery, interviews were conducted with representatives of eight Western Cape-based non-profit organisations (NPOs) as well as a senior official within the Western Cape Department of Social Development who deals with Children’s Act services. The NPOs to be interviewed were chosen so as to span the different types of funding provided by government to NPOs, including stipends for early childhood development (ECD), subsidies for child and youth care centres (CYCCs), funding of social worker and other posts, and various forms of “programme funding”. The following discussion includes an explanation of the different ways in which NPOs are funded, alongside documentation of the experiences of NPOs in relation to these different forms of funding.

Forms of funding

Government funding of NPOs happens through a range of different mechanisms.

Funding of posts is probably one of the most long-standing mechanisms. Previously post funding focused on social workers. It now extends to other posts such as social auxiliary workers and community development workers. Further, there is a distinction among social worker posts between ordinary posts on the one hand, and chief, supervisor or manager posts on the other. However, this type of funding is not provided to all organisations which employ the specified types of staff. For example, while child and youth care centres are expected to employ social workers and child and youth care workers, they do not receive post funding in respect of these workers.

Some welfare organisations have received funding for social worker posts since before 1994. This funding was intended to allow them, among others, to perform statutory duties such as channelling children and caregivers through the foster care process. The funding was always calculated as a percentage of the full social worker salary, with further subsidies for administrative posts to support the social workers.

The fact that NPOs did not receive the full equivalent of what a social worker earned in government always placed NPOs at a disadvantage as their workers were often “poached” by government, after having gained on-the-job experience and skills working for the NPO. This problem was exacerbated when the occupation-specific dispensation (OSD) for social workers was agreed in 2008 and resulted in substantial increases in salaries of government-employed staff.

In August 2009 social worker and related workers participated in a large-scale national march led by the National Welfare Forum to protest against the unequal pay. In the Western Cape NPOs met with the MEC of Social Development in February 2010 to discuss the memorandum that was handed in during the march. The MEC undertook to take the matter up in MINMEC, the forum that brings together all provincial DSDs with the national Minister. He motivated this on the grounds that all provinces needed to have the same policy in respect of funding of posts.

The budget vote document states that the province has “upgraded” salaries of social workers who are employed by NPOs as well as those employed by government. The Strategic Plan is more cautious than the budget vote in its claims in respect of progress to date on this issue. In the Plan the phrasing suggests that the “upgrading” in respect of NPO staff is something that is planned rather than has happened already. It notes that: “The department has upgraded salaries of social workers, and is introducing a funding model that will enable NPOs to pass on this benefit to social workers in their employment.” The lack of clarity is of concern as the social worker post funding forms a critical part of the budgets of the NPOs concerned.

When Western Cape NPOs were informed of their post funding for 2010/11 during June, they found that the subsidies for the posts, all of which are funded based on entry-level pay, had increased substantially from those for last year – for example, by 18,0% for social workers, 15,7% for chief social workers, and 29,2% for social auxiliary workers. However, the new amounts were still less than the OSD amounts for government salaries agreed on in 2008, without taking into consideration increases for government-employed workers since that time. The Head of Department announced that the Western Cape had reached parity between government and NPO social worker salaries, despite the fact that there had not been an increase in overall funding for NPOs and some had received substantial cuts to their funding. In reality the new NPO subsidies are equivalent to government salaries minus all the “trimmings”, such as medical aid and pension. Because the “trimmings” for government workers are substantial, there is thus still a big gap between what social workers earn when employed by government and the subsidy paid to NPOs. One NPO representative said that they were told that this gap was an explicit policy of government, to avoid competition for social workers – thus leaving the NPOs with the “leftovers” and those who chose to work in an NPO despite the lower remuneration. Adding to the gap is the fact that all post funding is at entry level, denying NPO employees workers the regular increments that government-employed workers receive for length of service.

Western Cape also introduced a further change for 2010/11 in that it abolished the subsidy for administrative clerks. In its place, it added 20% of the post funding amount to cover administrative and related costs. For at least one NPO the result of these changes, combined with cutting of posts, resulted in a smaller amount of subsidy for 2010/11 than 2009/10

with no reduction in the amount of work they were expected to do. Other NPOs received increased post funding, but accompanied by a substantially increased workload. In at least one case where the NPO was being asked to take over work in an area that was previously done by government-employed workers, the NPO was allocated subsidies for fewer social workers than government had previously employed in the area. In such cases government “saves” both in terms of the lower cost for each worker and in terms of the increased workload per worker. Meanwhile an NPO reported that the amount of work involved in particular tasks had been increased with the introduction of the Children’s Act. In particular, an interviewee reported that “Justice is talking a different language” and court processes related to children now involve more “legalese” and require more intensive investigative and related work than previously.

There are at least two types of **per child subsidy**. The first is the per child per day subsidy provided for ECD centres. On instruction of national DSD, Western Cape increased the amount from R9 to R12 per day in 2009/10 and is now in line with the national norm. A bid by national DSD to National Treasury to have the amount increased to R15 for 2010/11 failed. The fact that the bid came from national DSD suggests that there might now be an expectation – after several years of additional funds being added to the equitable share for ECD – that National Treasury will continue to subsidise provinces for these services.

The ECD centre subsidy is meant to be paid on the basis of actual attendance rather than simply enrolment of a child. The Western Cape has, however, been basing payments on enrolment, in part because monitoring systems are not good enough to track attendance. This approach should be the preferred one even if monitoring is improved as centres need to plan and budget on the basis of children who might attend. The centres should not be penalised if, for example, there are high rates of absenteeism as a result of problems in families, transport, epidemics, etc.

The second form of per child subsidy is the funding paid to child and youth care centres (CYCCs). The manager of a children’s home reported that there had been several increases in the monthly amount per child over recent times. Thus between October 2008 and October 2009 the amount increased from R1 500 to R1 800. However, the increases do not occur on a regular or explained basis and the current amount is still far from sufficient. Further, the Children’s Act costing report found that the subsidy per child should be R6000/month per child. The insufficiency is exacerbated when centres are expected to cover the costs of a range of outreach and other services in addition to residential care. Besides providing for the child’s food, accommodation, water, electricity, and therapeutic programmes, the child and youth care centre per child subsidy is also expected to cover the costs of social workers, child and youth care workers and other employees of the centres as the centres do not receive post subsidies.

Evidence submitted by government in a recent court challenge of DSD by Free State NPOs (the NAWONGO case)⁷ shows clearly that government itself recognises the inadequacy of these subsidies. The evidence included documents relating to a bid by national DSD to

⁷ National Association of Welfare Organisations and Non-governmental Organisations and Others vs the Member of the Executive Council for Social Development, Free State and Others. Case no: 1719/2010. Free State High Court

National Treasury that organisations providing statutory services (which would include CYCCs) should receive a 100% subsidy. However, the Free State government also argued that NPO-run CYCCs could survive on much less than government-run because, among others:

- The spouse (i.e. wife) of the employed manager could do the cooking and cleaning unpaid
- The children could do the gardening rather than employing gardeners as government-run centres do
- There was no need for four shifts of workers in NPO-run homes, presumably because the manager and spouse could be on call 24 hours a day
- NPOs could rely on the work of volunteers while government-run institutions needed to pay full salaries and benefits to all workers.

One hopes that Western Cape DSD is not basing the inadequate allocations on similar reasoning.

Programme funding is a further form of funding. We use the term here to refer to general funding of activities that is not based on a subsidy for staff or subsidy of children. However, all interviewees who spoke about programme funding noted that the concept was unclear, including for government staff. The idea behind programme funding is that the Department funds a group of activities (or “programme”) for which an NPO has submitted a service plan. The service plan (which serves as the proposal or application for funding) would include a budget that provided for staff as well as other costs.

Most organisations interviewed had experience of programme funding, including the CYCC managers who were interviewed. Several said that they had been approached by DSD to submit proposals for innovative work that would constitute a pilot, often in areas defined as priority or “nodal”. Where this happened, it seemed that DSD usually covered the full costs of the pilot. However, the general pattern seems to be that the pilot would be fully funded for about two years, and then funding would stop. Interviewees reported submitting a proposal for further years of funding of the activity, possibly expanded to other areas, and not receiving feedback from DSD despite reminders. The NPO would be left in a position where it would either have to stop the activity or find funding elsewhere even in the area where it originally piloted. These experiences call into question the idea of a pilot, which is meant to lead to replication if the pilot works well. In all cases referred to, the NPO reported that DSD had expressed satisfaction with the how the pilot had worked.

At national level DSD is reportedly currently revising the policy on financial awards, and Western Cape is engaged in a parallel process that will be closely aligned with the national policy. One special planned aspect of the Western Cape policy will be clear specification of the process of applying for, awarding, paying, and monitoring funding. Until these new policies are made available, and judged in their implementation, NPOs are likely to remain sceptical as the current policy on financial awards, which was introduced with much fanfare, has not delivered what was promised.

A new form of funding that seems to be developing in the Western Cape was referred to by several interviewees as involving **outsourcing**, although it could also be seen as a form out

programme funding. This development is interesting – and seems contradictory – at a time when the Department is growing its internal complement of staff.

The development is occurring in the ECD sector. In 2009/10 ten of the larger NPOs were contracted by DSD to provide assistance to district offices – one office per NPO – in assisting centres to become compliant and in developing district plans for ECD. The NPOs expected that this would be followed through by funding for programmes that took forward the plans. They thus duly submitted related service plans. Some of these were accepted by DSD, although generally with substantial cuts in the budget but no cut-back in the expected outputs. In at least one case the proposal was not accepted. In this case the NPO was told that the activities covered were not priorities and the NPO should resubmit for other activities.

Meanwhile DSD approached some of the larger NPOs to ask them whether they would be interested in managing the ECD centre funding. DSD did this because it feels that it does not have the resources to oversee the more than 900 centres that are funded, including monitoring, reading and responding to quarterly reports, and distributing and monitoring use of subsidies. It thus proposed that NPOs take on this task in a “cluster” model whereby DSD would sign a single transfer payment agreement (TPA) with the larger NPO, which would then be responsible for all the tasks in respect of a larger number of ECD centres. Six established NPOs, in consultation with other smaller organisations, quickly developed a discussion document setting out how this would work. At the time of writing serious discussions were underway about taking this forward. DSD is excited about the model as it will substantially reduce a load of work that they are not currently managing well. One of the reasons why the NPOs are interested is because they see this as a source of ongoing “bread and butter” funding in a situation where funding is scarce. However, there is also concern about the magnitude of the task that they would be taking on, and the extent to which this will pull them (and their resources) away from “core business”.

In addition to the funding forms discussed above, there is **Expanded Public Works Programme (EPWP)** funding. This generally takes the form of stipends for trainees or “volunteer” service delivery staff. None of the interviewees were currently receiving this type of funding, but one reported that it was being considered by DSD in respect of non-centre-based ECD services. One problem with this form of funding is that, inherited from public works, it is based on the notion that workers are required for a limited period – for example, while a clinic is being built. Further, the EPWP itself has a limited lifetime. This form of funding thus does not fit easily with child-related services that will be needed for many years on an ongoing basis.

Service plans and contracts

All forms of funding require that the NPO and DSD enter into a transfer payment agreement (TPA). Interviewees reported a range of problems with these TPAs.

There is a standard format for applications for programme funding. DSD itself acknowledges that the form is over-long and complicated and requests some unnecessary information. It plans to review the form. For ECD centres there is a shorter and simpler form, but this too asks for some unnecessary information. In respect of the longer form, the

manager of a small township-based NPO noted that “it is quite a huge document, of fifteen pages, and you must fill in each and every paper. They don’t give assistance. You look around for yourself who will help. If you fill it wrong, they won’t approve it.”

A further area of concern relates to how NPOs are expected to cost their services. One interviewee noted that NPOs generally submitted proposals that reflected the parsimonious cost-cutting way in which they have learnt to operate over the years given DSD’s approach of providing a subsidy rather than covering full costs. This resulted in a situation where the NPO subsequently constantly struggled to keep within budget and was forced to spend (unfunded) time and energy trying to raise money from other sources. The interviewee reported that in the most recent year DSD announced that it would cover full costs in nodal, priority areas. However, this announcement was made only after NPOs had submitted their applications for funding. DSD, if it kept to the commitment to do full funding, would thus be providing full funding for what was in effect an under-budgeted approach.

In previous years NPOs have been required to apply for one year of funding, in respect of the coming government financial year. In the latest round of applications, the TPAs stated that NPOs should submit three-year budgets. NPOs were surprised and upset at this as they had not been consulted regarding this change in policy. The extension to three years was seen by government as benefiting both itself and NPOs. For NPOs it was seen as giving certainty that they would receive funding for more than one year although, as noted below, the amounts for future years would not be specified. For government it would reduce the workload as a single approval process would cover three years. NPOs reportedly struggled to complete the three-year proposals. One particular challenge was that they did not know what inflation rate to use for future years. This problem could easily have been solved if DSD had provided NPOs with the standard inflation rates that National Treasury advises provinces to use for the MTEF period. A more serious problem with the three-year approach is that DSD is not able to allocate beyond the current financial year. It can, at the most, undertake to provide funding for three years, but in unspecified amounts. Thus while some NPOs have now received three-year agreements, these do not specify the amounts to be received in 2011/12 and 2012/13. This has confused and upset NPOs.

The next problem relates to delays in being informed about the outcome of the applications. This year, as in previous years, NPO submitted applications around October 2009 but were only informed in late June 2010 about the outcome of the applications. Meanwhile the government’s financial year starts in April 2010. One NPO interviewee excused this delay on the grounds that DSD would first need to get a monitoring and evaluation report on each organisation before knowing whether it could continue funding it. This excuse does not seem reasonable as monitoring and evaluation could happen in the middle of the financial year for which NPOs are funded.

Although these delays have been a problem for several years, they were much more of a problem this year given the anxiety caused by the earlier letter (see previous section) warning about budget cuts. DSD informed NPOs that it would continue funding at the existing levels and if the award was different from the current level, the difference would be spread over the months remaining once the NPO had been told the amount they had been awarded. This would have been of little comfort to NPOs which received reduced funding and whose funding for the later months would be further reduced by what would, in effect,

be refunds to DSD. NPOs felt that they had a legitimate expectation in law that they would receive at least as much per month as in the previous year after having received this amount for the first four months of the 2010/11 financial year.

DSD had, in fact, planned to send out award letters earlier this year. They could not fulfil this intention because of a new element introduced into the approval phase. In previous years an internal DSD team had assessed the proposals and agreed on the awards. This year the MEC required that an external service provider be appointed to conduct an audit or “integrity test” of the process to ensure that it was fair, “fearless” and applied the principles consistently. This delayed the process.

Once awards have been approved, the standard process is that DSD first sends a letter informing NPOs of the amount that has been awarded and subsequently sends through a TPA for signing. NPOs reported delays in both these processes. In some cases, there were reportedly differences in the amount recorded in the letter and the TPA. NPOs were also surprised to find that clauses of the TPA had been changed, resulting in an agreement that seemed biased in favour of DSD. When NPOs raised their concern about this, they felt “bullied” into signing, with DSD warning that unless they signed, they would not get their money. This threat was strengthened by the fact that the process had been badly delayed and NPOs were now badly in need of the money.

Another way in which TPAs have changed this year is that they now specify outputs i.e. what must be “delivered” for the money. This is in line with a general move within government towards performance-based budgeting. Some NPOs now face a situation where the amount of funding for which they applied has been cut, but without matching cuts in the expected outputs.

In addition to late notification of standard applications, several interviewees reported late arrival of money for projects. This included cases of an NPO being offered funding – without having applied – in September of a given year. When this funding was not followed up with funding in further years, the NPO felt that the September funding was probably offered because DSD had unallocated money and was worried about its own underspending rather than through commitment to ongoing funding of service delivery. In other cases funding for special projects was discussed and agreed relatively early in the financial year, but only arrived mid-year. Such delays bring a real danger that the project will then under-spend, or will spend sub-optimally in the rush to spend 12 months of funds in a much shorter period.

The 2010/11 cut in budget

Above we refer to the notification that NPOs providing children’s services received in late January 2010 about the likely cut in funding. As can be expected, this caused great consternation in the sector. The second letter did not serve to allay the fears. The only comfort was the clear statement that cuts would only be made to funding of NPOs that were non-compliant or not operating within the government’s chosen programme areas. Advice offices, for example, were told that they should not expect funding. This comfort fell away when NPOs were finally informed of their allocations in that some NPOs that were fully

compliant and within the programme areas had had their budgets cut. Where cuts were made, NPOs struggled to get reasons for the cuts and to which areas they related.

A further source of tension was the Department's use of the term "purchase of services". Several interviewees noted that the national policy on financial awards to NPOs provided for purchase of services alongside subsidy and other options. They pointed out that if DSD awarded less than the amount specified in the application on the grounds that they had decided not to "purchase" the full set of activities, then (a) DSD needed to specify clearly which activities it did not intend to purchase and (b) DSD needed to pay the full costs involved of providing the services that they were "purchasing". NPOs complained that neither of these had happened.

Summary

The above details a range of problems in relation to NPO funding. Many of the problems relate to lack of clear and timely communication by DSD. Many relate to inefficiencies in DSD's operations. One result of these problems is that NPOs are prevented from doing proper planning. This, in turn, is likely to jeopardise the quantity and quality of service delivery to vulnerable children. A second result is a souring of the relationship between DSD and NPOs. Several interviewees remarked on the fact that this relationship has been relatively good in the Western Cape. Several also remarked on the fact that DSD's past actions showed that it was keen to work in a "developmental" way. This remark was made, for example, in relation to DSD's willingness to fund innovative pilot projects, as well as the way in which, when small NPOs were found by the monitoring and evaluation process to have problems, DSD tried to find ways to address this and did not simply cut funding. Unfortunately, some of the goodwill established over previous years has been destroyed by what has happened around the 2010/11 funding.

The recent judgment of the Free State High Court in the NAWONGO case referred to above instructs the Free State government to come up with a better policy in respect of funding of non-profit organisations (NPOs). The judgment notes that the current situation violates the rights of children and other vulnerable groups that are laid down in the Constitution and in other legislation such as the Children's Act and Older Persons Act. The judgement provides guidance to the Free State Department on how it should revise its policy in order for the policy to be reasonable. Firstly – the policy must recognise that the NPOs are providing services that the Department itself is obliged to provide in terms of the Constitution and various laws. Secondly – the policy must have a fair, equitable and transparent method of determining how much the department should pay and how much the NPOs should contribute from other sources of income such as donations from funders. This judgment is relevant for NPOs and provincial departments of social development in Western Cape and other provinces as well because the Free State policy on funding of NPOs is almost identical to the national policy which covers all provinces.

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