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An exploration into the experiences and challenges of emerging organizations with regards to the financing of their services by the Department of Social Development in the Western Cape.

By

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A minor dissertation submitted in partial fulfillment of the requirements for the award of the Degree of Masters of Social Science in Social Development

**Department of Social Development
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COMPULSORY DECLARATION

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

Signature

Signed by candidate

Date 02/02/09

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ABSTRACT

In South Africa the Community based organizations (CBOs) play a vital role in the development and addressing the needs of poor communities. These CBOs are called emerging organizations by the Department of Social Development in the Western Cape. The Department of Social Development is providing funding to enable these emerging organizations for service provision.

These emerging organizations still lack adequate resources and struggle with numerous challenges in accessing funding from the Department of Social Development. Accessing Government funding is not easy and the emerging organizations have to compete with more established organizations.

The primary purpose of this study is to explore the experiences and challenges of emerging organizations with regards to the financing of their services by the Department of Social Development in the Western Cape.

This dissertation also provides the reader with an overview account of the research design as well as the research techniques, which were utilized in the fieldwork to gather information. The study is mainly qualitative and exploratory in nature. Interviews were held with the Directors of the non-profit organizations.

Finally, results are discussed and recommendations are made regarding funding process and the financing policy, which could assist in addressing current challenges facing the non-profit organizations. Particular attention was paid to financing of the NPO sector including emerging organizations, government partnership with the emerging organizations, growth and development, structure of the organization, management and leadership and fundraising of the emerging organizations.

ACRONYMS

AGM	Annual general meeting
BGM	Bi annual general meeting
CBO	Community Based Organization
CDW	Community development worker
DSSPA	Department of Social Services and Poverty Alleviation
CWE	Center for Women Enterprise
DSD	Department of Social Development
ISDM	Integrated Service Delivery Model
MINMEC	Minister of the National Department of Social Development and the Member of Executive Council
M&E	Monitoring and Evaluation
MTEF	Medium term expenditure framework
NDA	National Development Agency
NGO	Non Governmental Organization
NPO	Non profit organization
TVEP	Thohoyandou Victim Empowerment Programme
TPA	Transfer payment agreement
USAID	United States Agency for International Development

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CHAPTER 1: INTRODUCTION

In this chapter the writer will cover the problem statement, rationale and significance of the study, the questions, the objectives of the study, clarification of concepts, ethical consideration and finally the layout of the research report.

Emerging non-profit organizations are faced with a number of challenges with regards to funding due to National and Provincial Government policy changes and reviews over the past number of years. While it is imperative that the Government strengthen legislation governing the funding of the non-profit sector, it is also important to recognise and take into consideration the views of the non-profit organizations. Magongo et al (2004) state that Government funding policies that promote sustainability, capacity building and coordination at local level are critical to enable the poor, the vulnerable and the excluded within the South African society to secure a better life for themselves.

It is crucial to note that pre-1994 the state provided and directed services that were inequitable, discriminatory and exclusive (Sewpaul & Holscher, 2004). It became necessary to look at the policies that guided service provision. According to Dangor (1999:3), there have been various engagements and policy dialogue on developmental social welfare. Subsequently crucial engagements took place between the Development Resources Centre (DRC) and the Department of Welfare. Dangor (1999:7) states that the then Director General of Welfare Department, Dr Leila Patel approached the DRC to inform the Centre that the Welfare Department was writing a White Paper in which they would detail their strategies for transforming welfare policies to be in line with the vision and values of the new government.

In 1999, the South African government gazetted the then Department of Welfare's financing policy for Developmental Social Welfare Services. The policy was intended as a critical transformative instrument that would bring the welfare sector closer to achieving the vision as set out in the White Paper for Social Welfare (1997). Sewpaul & Holscher (2004:78) state that the previous financing policy for developmental social welfare services was based on the premise that the government is a funder and

not a purchaser of services. This notion implied that the Government provides financial support to the organizations in the NPO sector without selecting the services they need to buy.

The financing policy was not well received by the welfare sector, as it seemed to be marginalizing both welfare broadly and social work more specifically. According to the Parliamentary Monitoring Group (1999) there was no consultation with the Portfolio Committee on the financing policy before the actual approval for implementation.

The financing policy was withdrawn at the beginning of the year 2002. This raises a question about the consultation process in the formulation stage of the policy. 'One of the main obstacles to improved NGO-Government relations has been a tendency on the part of the government to treat NGOs as mere implementers of policy –policies that more often than not NGOs played no part in forming' (Lewis, et al 1994:15). As mentioned earlier in the text the partnership between the Government and the non-profit sector would be strengthened if the organization's views are recognized as valuable.

According to Plaatjies (1989 in Jeppe et al 1992), it is imperative for NGO's to realize how much contribution they can make to the democratization of the country. The Policy on the Financial Awards (Department of Social Development (DSD), 2004:3) states that the government realizes the critical role the non-profit organization sector plays in service provision.

Post 1999, a new financing policy on financial awards for service providers was formulated. This National Policy on Financial Awards was approved by the Minister of the National Department of Social Development and the Member of Executive Council (MINMEC) on the 5 October 2004. The policy was then distributed to all stakeholders and provided the Department with a framework and necessary policy directives for the implementation of transformation processes. It is clear that the policy aims to achieve the social and political objectives of the country in general and of the Department of Social Development in particular.

The Policy on Financial Awards (Department of Social Development (DSD), 2004) is currently implemented by the Department of Social Development through the funded organizations in the non-profit sector. The role of the emerging non-profit organizations is critical in redirection of these services and resources to plug the gaps.

The Policy on the Financial Awards (DSD, 2004) provides direction in the manner financing should be provided to the non-profit sector. The Policy on Financial Awards (DSD, 2004) is also intended to facilitate the reaching of strategic priorities of the Department through services that are integrated and developmental in nature. This means that the Department of Social Development will put more focus on funding sustainable programmes rather than giving handouts. The Earth Institute at Columbia University (undated) points out that the Millennium Villages which is the history most far reaching development project is presently proving that by coming against poverty at the village level through community-led development, Africa can achieve the Millennium Development Goals by 2015 and escape the poverty trap. The Earth Institute (undated) further mentioned that in this way people of this generation can move forward with development and start climbing on their own by merely giving them a hand up not a hand out.

According to the Sub-directorate Strategic Planning Report (DSD, 2007) the Department of Social Development in the Western Cape has adopted a 10-year strategic programmatic approach. In this approach eight integrated programmes such as Children and Families, Disability, HIV/AIDS, Substance Abuse, Sustainable livelihoods, Youth, Older Persons, and Institutional Capacity Building have been identified. The Sub-directorate Strategic Planning Report (DSD, 2007) further states that the programmatic approach as informed by the Integrated Service Delivery Model-ISDM, 2005 (DSD, 2007) requires the Department of Social Development to invest more resources on level 1 (Awareness and Prevention) and level 2 (Early Intervention) as opposed to the current practice where the bulk of resources are found in level 3 (Statutory) and level 4 (Reintegration). The experiences and challenges of emerging non-profit organizations that are financially supported by the Department of Social Development will be explored in the study.

1.1 Research problem

Emerging non-profit organizations experience challenges in accessing funding. Although the Policy on Financial Awards (DSD, 2004) encourages the development and support of emerging organizations, there are challenges that hinder the smooth process of funding for the emerging organizations. The problem is the emerging non-profit organizations experience problems with the process set out by the Department of Social Development they have to follow in order to get funding.

The concern is the capacity of the emerging non-profit organizations to access funding and meet the requirements. The Policy on Financial Awards (DSD, 2004) outlines the criteria to access funding and indicates clearly that the organization should provide services that are in line with the Department's priorities and objectives. The Policy on Financial Awards (DSD, 2004) further states the organizations must be able to show that they can provide efficient and effective service appropriately and should ensure that their management is inclusive and their board members are a reflection of the community they serve.

The challenge is the implementers who are charged with the responsibility to facilitate the funding process being guided by the financing policy possibly lack capacity to make difficult judgements. The implementers of the Policy on Financial Awards also seem to have difficulties in operationalising the term "developmental".

It seems that the non-profit sector has increased its dependency on the South African Government for financial support. Browne (1999:142) confirmed this notion and states that post 1994 foreign aid to most voluntary organizations declined or became more complex and challenging to access as foreign donors established direct bilateral funding relationships with the South African Government. This seems to have an impact on the ability of these organizations to access funding from other donors.

The emerging non-profit organizations struggle with lack of capacity and resources to access funding. Swilling and Russel (2002:81) confirm that it is a game of winners and losers and those who have the capacity to engage and access the resources from the Government will win the game. "The losers will be many NPOs in poorer

communities who simply lack the capacity and knowledge to access funding” (Swilling and Russel, 2002:81).

1.2 Rationale and significance of the study

It seems it is the intention of the Policy on Financial Awards (DSD, 2004) to encourage the development of community based organizations but the problem is these organizations seem to be dependent in funding from the Department because they lack skill to access funding elsewhere. It seems that currently there are problems in accessing this Departmental funding. It then becomes very important to understand what these difficulties are so that they can be rectified.

This research will play an important role in improving the funding process of the Department of Social Development in the Western Cape. Other emerging non-profit organizations in the NPO sector may also relate to the findings of the study and find them useful. The research will also equip local, provincial and national policy makers with information valuable for strategic planning. Most importantly, the emerging non-profit organizations themselves will be empowered, identify gaps and learning areas in conducting business in their organizations including accessing funding. The study is important because currently the emerging non-profit organizations are one of the focus areas for the Department of Social Development. No study has been conducted to date on the emerging non-profit organizations financed by the Department of Social Development in the Western Cape in respect of accessing funding.

1.3 Research topic

An exploration into the experiences and challenges of emerging non-profit organizations with regards to the financing of their services by the Department of Social Development in the Western Cape.

1.4 Main questions

- What are the views of emerging non-profit organizations on their role in development?
- What is the understanding and views of emerging non-profit organizations of the financing policy of the Department of Social Development?

- What are the challenges experienced by emerging non-profit organizations with regard to accessing funding from the Department?
- What are the experiences of emerging non-profit organizations of being funded by the Department of Social Development?
- What are the recommendations with regards to the funding policy and process for the consideration of amendments?

1.5 The objectives

- Explore the views of emerging non-profit organizations on their role in development.
- Explore the understanding and views of emerging non-profit organizations of the financing policy of the Department of Social Development.
- Explore the challenges experienced by emerging non-profit organizations with regard to accessing funding from the Department.
- Explore the experiences of emerging non-profit organizations of being funded by the Department of Social Development.
- Make recommendations with regards to the funding policy and process for the consideration of amendments.

1.6 Clarification of concepts

1.6.1 Introduction

There is a need to clarify the meaning of the concepts that are critical to a research study in order to understand them better (Babbie and Mouton 2001:99). In this study many definitions that have been used are definitions from government documents. The following key concepts have been identified as critical to this research:

1.6.2 Organization

“An organization is made up of a group of people who come together to accomplish a common goal or a set of goals. The size of an organization can vary from two people to thousands of people. Organizations can range from profit-driven companies, such as Shoprite/Checkers, to non-profit organizations, such as the Institute for Democracy in South Africa (IDASA), community youth clubs, church groups or even a book club” (Checheto- Salles and Geyer, 2006:2).

1.6.3 Non-governmental organization

“A non-governmental organization (NGO) is any non-profit, voluntary citizens' group that is organized on a local, national or international level. Task-oriented and driven by people with a common interest, NGOs perform a variety of service and humanitarian functions, bring citizen concerns to Governments, advocate and monitor policies and encourage political participation through provision of information. Some are organized around specific issues, such as human rights, etc” (Calhoun, 2002:1).

1.6.4 Non- profit organization

An NPO is an organization which has a public rather than a private purpose, and which does not operate for profit. (Not-for-profit means that the NPO's property or income is not paid out to its office bearers, except as payment for work done or services rendered. Types of NPOs include:

- Non-governmental Organizations (NGOs)
- Community-based Organizations (CBOs)
- Faith-Based Organization (FBOs)
- Organizations that have registered as Section 21 Companies under the Company Act (No. 61 of 1973)
- Trusts that have registered with the Master of the Supreme Court under the Trust Property Control Act (No. 57 of 1988)
- Any other voluntary association that is not-for - profit
(DSD, 2005)

1.6.5 Emerging organization

“An Emerging organization is characterized as an organization that is local based in terms of its origin, functioning and physical location. It has a local context and has roots in the community within which it is located. It may be registered or not registered in terms of departmental regulations. It may be funded by the Department of Social Development or in the process of being funded. It is an organization in which its staff may lack skill or competencies to successfully sustain the organization

over time. It is an organization that has limited or no formal financial and administrative system in place” (DSD, 2006:1).

For the purpose of this study the term emerging organization is referred to as emerging non-profit organization.

1.6.6 Poverty Map

The Poverty Map is a refinement of a Provincial Poverty Map indicating the geographic area of greatest need (Department of Social Services and Poverty alleviation, DSSPAa), 2005).

1.6.7 Transformation

“ Transformation refers to the process of changing structural arrangements and the manner in which services are delivered in order to comply to legislative and policies mandates related to funding of service providers” (DSD, 2004:36).

“The transformation of the social sector and the Department of Social Development is guided by the mission of the Department of Social Services and Poverty Alleviation which is ‘to ensure the provision of a comprehensive network of social development services through social capital formation that enables and empowers the poor, the vulnerable and those with special needs” (DSSPAa), 2005:5).

1.6.8 Social capital

Social capital is given different definitions by different authors and thinkers. For the purpose of this study the following definition will be used. “Broadly speaking social capital refers to the institutions, relationships and norms that shape the quality and quantity of social interactions within a society” (The Presidency, 2003:13).

1.6.9 Development

Gaspar (2004:38) states “Development is a process transforming structures- particularly those of production-consumption and major institutions-so that “basic human needs are satisfied for an increasing number of individuals at a high level”.

1.6.10 Developmental challenges

The Department of Social Development is confronted with challenges listed below in no particular order, such as youth development, substance abuse treatment and prevention, early childhood development, family strengthening, prevention of child abuse and neglect, capacitating women, poverty reduction projects, the aged, the disabled, youth involvement in crime and refugees. (DSSPAb), 2005)

1.6.11 Black people

In the context of emerging organizations “Black People” is a generic term, which means African, Colored and Indian people.

1.6.12 Human capital

Human capital is the lead strategy of human resource development, focusing on all phases of education such as early childhood, adult basic education and higher education. Human capital development aims at achieving development of the necessary knowledge, values, attitudes and skills for the people in the Province. (Social Cluster, 2005).

1.6.13 Organizational Transformation

“Organizational transformation is the process undertaken by the Department of Social Development to assess the ability of social service providers to transform themselves, as functioning entities in order to effect a transformed manner of service delivery. The organizational transformation of service providers is essentially focused on entrenching a human rights culture, addressing and correcting issues of governance based on the corrective action plans emanating from the assessment and democratic participatory processes”(DSSPAa), 2005:1).

1.7 Ethical consideration

Permission to include each sampled organization in the study was obtained from the organization concerned respectively. Informed consent has been obtained from the Directors of the organizations to participate in the study. The aims and objectives of the study were explained to the participants and they were given the opportunity to decline. Each organization was informed of the rationale and nature of the study and

was given the choice to participate without prejudice. The researcher telephonically communicated with the Directors of the emerging organizations prior the interviews regarding their participation.

The participants were informed of their rights to withdraw from the process should they feel uneasy, threatened or uncomfortable. Confidentiality was respected in terms of confidential information given to the researcher. The researcher made sure that the information provided by the participants is used solely for the purpose of the research. The findings of the research study will be presented to participants in writing to feedback on their participation (Grinnell, 1988; May, 1993; De Vos, 1998).

1.8 Layout of the research report

This research dissertation will be divided into five chapters:

Chapter 1

Introduces the research and gives direction in terms of the rationale and significance of the study, the problem statement, research topic, clarification of concepts, aims and objectives, and ethical considerations.

Chapter 2

Deals with reviewing the existing literature around challenges and experiences of emerging organizations, as well as legislation and policy pertaining to funding of NPO's.

Chapters 3

Sets out the research design and research methodology used in the process of conducting this research.

Chapter 4

Focuses on the research findings and a discussion and analysis of the main findings

Chapter 5

The final chapter and deals with conclusions and recommendations.

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CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This literature review will discuss the Policy on Financial Awards, as it is the basis for the study, financing of the NPO sector, partnership with the government, structure of the organization, leadership and management, growth and development of organizations and fundraising.

2.2 The financing policy

It appears there is recognition for the need for emerging non-profit organizations by the Department of Social Development and the government has given attention and financial support for service provision. Partnership Support and Funding (DSD, 2006) reported about 273 emerging non-profit organizations in the Western Cape Province that are funded by the Department of Social Development. However, the National Development Agency (NDA) (2003) states that more than 50 000 community based organizations are operating with no resources in South Africa. According to the NDA (2003) this was reported in a research presentation to Parliament in 2002.

Based on the figure as reflected in the study of organizations operating without resources, it can be estimated that in each Province about 4500 organizations are affected. It is clear that the Government has to increase its funding allocations and absorb more emerging non-profit organizations in the funding processes.

The Department of Social Development regards the emerging non-profit organizations as new community based organizations that need to develop in terms of expertise in providing the needed service. "CBO is an organization that provides social service at local level. It is a non-profit organization whose activities are based primarily on volunteer efforts. This means that CBOs depend heavily on voluntary contributions for labour, material and financial". (Chechetto-Salles and Geyer, 2006:7).

It seems for these emerging non-profit organizations to survive, supportive ordinary citizens and companies that have a heart and willingness to contribute may have to

come to their rescue. Emerging non-profit organizations try to sustain themselves by seeking funds from the Department of Social Development in order to broaden the scope of their service provision. These emerging non-profit organizations need to develop to be long-term future providers of these needed services. It seems the government funding of these emerging non-profit organizations is important to enable them continue playing this significant role.

The policy framework behind the allocation of the funding the non-profit organizations receive from the Department of Social Development is vital and it is important that the emerging non-profit organizations understand it. According to Stowe and Barr (2005) the emerging non-profit organizations have a challenge to participate in the development of policy because of lack of time and other resources. Stowe and Barr (2005) further mentioned that the majority of these organizations perceive development of policy, as a luxury they cannot afford. This is a fact as there can be practical financial challenges the organizations may face such as transport to get to the venues where policy discussions take place for example.

It is crucial that the emerging non-profit organizations are given policy education especially if they have not been widely consulted in the development of the policy. It therefore becomes crucial that resources needed pertaining to policy education are taken into consideration.

The Policy on Financial Awards (DSD, 2004) guiding the services of the non-profit emerging organizations is a framework to direct services to where the government believes they are needed most. The funding of the emerging non-profit organizations therefore has to be consistent with the policy directions that are outlined in the Policy on Financial Awards. According to Reitzes and Friedman (2001:8) the German party foundations are similar in that they are bound by their mandate to support only organizations and activities consistent with their political goals and all stress the need to ensure that activities meet their political criteria. In South Africa this proves to be the case, as the service providers are required to comply with the policies of the present government.

The financing policy's focus areas are to facilitate changes in buying the services from the non-profit sector including the emerging non-profit organizations and to ensure equitable distribution of resources. This would ensure that the poorest of the poor and the vulnerable benefit from the services provided. The policy is developmental in kind, facilitates cooperation and support to the non-profit sector especially the emerging non-profit organizations from the under resourced areas. In doing so, the Department of Social Development is obliged to respond to shifts in demographics and political trends.

This means the population and poverty pockets in South Africa have to be taken into account when distributing and allocating resources.

The Policy on Financial Awards (DSD, 2004) further states that in 1999, 3.7m out of 11.4m of such households were living below the poverty line in 1999, and of these, most are African. Poverty is therefore regarded as the most overwhelming challenge facing South Africa today. The financial resources are then distributed based on one of the principles of the Policy on Financial Awards such as equity, which addresses the redistribution of resources based on need, priorities and historical discrepancies.

The Policy on Financial Awards (DSD, 2004:3) provides direction with regards to funding partnerships, transformation guidelines and new costing models for service delivery. The Policy on Financial Awards (DSD, 2004:3) further states that the new financing policy describes the financing options, types of financing, eligibility criteria, methods of payment and requirements for funding.

The Policy on Financial Awards (DSD, 2004) outlines the criteria for measuring transformation. The criteria specify a number of issues for compliance including governance, organizational structure and daily management of the organization. The Department of Social Development ensures where financing is made available to non-profit organizations, that these organizations implement effective and sound financial systems in terms of Finance Management Amendment Act, No. 29 of 1999.

The organization must in particular comply with section 38 (1) (j) of the Public Finance Management Act, No. 29 of 1999 (Public Finance Management Act, 1999).

The Codes of Good Practice for South African Non-Profit Organizations (Department of Social Development (DSD), 2001) provide guidelines in terms of governance, administration, fundraising and donor community.

The Policy on Financial Awards (DSD, 2004) further states that monitoring and evaluation is important to assess compliance with the contract signed by the Department of Social Development and the non-profit emerging non-profit organization both in terms of service delivery and financial management. This is supported by the Sub Directorate Strategic Planning, Department of Social Services and Poverty Alleviation (DSSPAc, 2005:71) stating the Departmental Directorate of Monitoring and Evaluation has the responsibility to assess and monitor the funded organizations transfer payment agreements in respect of value for money.

The process assists the Department to have a point of reference in respect of the service delivery standards and transformation deliverables of external and internal partners in the Province. “The policy therefore is intended to ensure that there is value for money and that its priorities are being met” (DSD, 2004:7). Accountability from both the Department of Social Development and the funded emerging non-profit organizations is required.

The Policy on Financial Awards (DSD, 2004) further stipulates that this has to ensure whether the service provided to the customer or stakeholder demonstrates empathy towards recipients, is responsive, reliable, and gives assurance to the customers. It is therefore very important that the interventions driven by the Department of Social Development pertaining to transformation of services for the emerging non-profit organizations are developmental in nature and the financing of the programmes reflects value for money.

2.3 Financing of non-profit organizations

Financing of the nonprofit sector by the Department of Social Development is crucial for the organizations to work towards meaningful development of communities and poverty alleviation. “Even though the term 'non-governmental organization' implies

independence of governments, some NGOs depend heavily on governments for their funding” (Seokoma, 2005).

A first study on the South African Non-profit sector has been conducted by a joint venture between the John Hopkins University in the United States (US) and the Graduate School of Public and Development Management and the University of Witwatersrand in South Africa. Five years ago these institutions agreed to launch the South African Non-profit Sector Study of Public and Development Management in association with an international comparative study based at the Centre for Non-profit Studies at Johns Hopkins University. According to Kraak (2001) much faith has been invested in this South African sector study and there is hope that the study provides base data to be able to further interrogate the sector. The study looked at a range of issues including finances, as well as its spread across different sectors of activity. Of the total management staff of all NPO's surveyed, 59 per cent were women and 91% were black.

According to Swilling and Russel (2002) in 1998 the non-profit sector had an estimated income of R14 billion of which 42 per cent or R5.8 billion were contributions from the government. The R5.8 billion includes foreign government Overseas Development Aid. Well-developed, formal NPO's, which were more active in established, urban working class and middle class communities, benefited more greatly from government's funds than the poor and the poorest communities. The Policy on Financial Awards (DSD, 2004) gives guidance as to the equitable allocation of these financial resources so as to benefit small organizations such as the emerging non-profit organizations.

Sub-directorate Strategic Planning (DSSPac, 2005) states that an amount of R421 million per annum is spent on financing approximately 1 432-welfare agencies by the Department of Social Services and Poverty Alleviation in the Western Cape. According to Seokoma (2005), Statistics, (2005) states that the Western Cape Province fared very well in this year with 25% funding allocation from the National Budget as compared to other Provinces.

Mqulwana (2005) also announced in her budget speech that a target was set to reserve 25% of the Department's annual budget for social service delivery. These funds were to be phased in over a 3 year MTEF cycle, to organizations that were previously excluded, as well as those who are established locally functioning in marginalized communities.

In order for the Department to reach the target of 25% of the budget annually to be ring fenced for non-profit emerging organizations, the following calculations were done:

According to the Partnership Support and Funding Directorate (DSD, 2006), during the financial year 2005/2006, the Department of Social Development only allocated 13, 33% of its funding allocation to Social Service organizations to those organizations that are emerging and this amounted to R13.005,776 million in rand value in the Western Cape. In the year 2006, about 87% of the budget was spent on the established NPO's.

The Partnership Support and Funding Directorate (DSD, 2006) further mentioned that for 2006/07 the amount of R18, 218 million at 17, 5% will be utilized to support emerging non-profit organizations and this is an increase of about 5.2 million when compared to the previous financial year. In the financial year 2007/08 there has been an increase from 17, 5% to 21% and to 25% for 2008/09.

However, globally the emerging non-profit organizations seem to be experiencing challenges to access these resources. Wire (2004) reported funding challenges faced by Local Women's Business Center called Center for Women Enterprise (CWE) located in Boston and cites Congressman Patrick J. Kennedy (D-RI) (2004:1) who said "Having seen the kind of work CWE performs in Rhode Island, I can say with great confidence that we cannot afford to lose this fine organization, CWE fills in a gap that otherwise would go unnoticed. Many people in our community have the drive to start their own business but do not have the resources and counsel needed to get that business off the ground. CWE steps in to provide that needed support". This notion confirms the fact that these locally based emerging organizations fill an important gap

in communities. Wedin (2007) points out that if these organizations do not get access to funding this might result to services not reaching the poorest of the poor.

Wedin (2007:31) states “Most CBOs do not have access to any funding other than what the members themselves manage to contribute with, and lack of sufficient resources is one of the major challenges identified by CBOs”. According to the National Development Agency (2003) Kgotso Schoemac, executive director of Kagiso Trust Consultancy (2003) highlighted accessing development resources as a major challenges faced by community organizations including managing difficult partnerships with donors, government officials and other structures.

The National Development Agency (2003) further mentioned that organizations that are able to submit “fancy” proposals to access funding, experienced in dealing with finances and well established have the best opportunity to be funded. The emerging non-profit organizations normally face a challenge because of their nature, as they might not be at the level of being experienced in dealing with financial resources. Kelly et al (2005) point out that for successful access to funding an organization should be able to play the funding game.

The Policy on Financial Awards (DSD, 2004) states that there are guidelines regarding the funding of the non-profit sector to deliver the services pertaining to financing options, types of financing, methods of payment, eligibility criteria for funding and methods of financing. These guidelines are important for the organizations accessing funding from the Department of Social Development to understand. For example, the Department of Social Development purchases services from organizations by means of three options of which one is through subsidization of programmes that are in line with the Department’s requirement as stipulated in the financing policy.

This means that the emerging non-profit organizations would be required to submit business plans, called service plans in line with the District Office priorities where the organizations are located. This process occurs after the organizations and the Department have jointly assessed the primary needs in line with the District Office where the application is done. The emerging non-profit organizations have to meet the

Departmental criteria in order to qualify for funding. The Policy on Financial Awards (DSD, 2004) indicates that the emerging non-profit organizations qualify for a financial award from the Department of Social Development provided there is proof of registration with the appropriate authority or in the process of registration under the Non Profit Act. The organizations should match their programmes with the Department's priorities and objectives and target specific communities as indicated by the Department of Social Development.

The Policy on Financial Awards (DSD, 2004) further mentioned that non-profit organizations should show that they are able to offer efficient and effective service and a constitution that reflects the provision of social development services; the organizations should also set up management committees that reflect the community they serve and display the ability to use the funds for the purpose they are intended and according to the prescripts of the Public Finance Management Act 1 of 1999 (PFMA).

The applications of the emerging non-profit organizations that have applied for funding become part of a panel appraisal process driven by the Partnership Support and Funding Directorate. During the appraisal process each District office makes a presentation of the emerging non-profit organizations to be considered for funding and recommendations are made for funding. Decision-making is done based on the organization meeting the requirements of the Department for funding.

Stowe and Barr (2005) state that a challenge mentioned by several organization representatives is the amount of time it takes to prepare a grant application. Each funder expects their grant application to be presented in a different way. The lack of consistency in the criteria or the preparation of grant applications means that organizations need to invest a lot of resources into preparing applications rather than providing services. Wedin (2007) points out that the fact that there are difficulties for the CBOs to access funding is the main frustration including the fact that these organizations struggle with resources such as transport and money to apply for funds.

This poses a greater challenge for these emerging non-profit organizations because they tend to have fewer resources.

Stowe and Barr (2005) further mentioned that these organizations have difficulty accessing corporate funding; grant applications are overly complex and time consuming to complete; they have difficulty recruiting and retaining staff because they are unable to pay competitive salaries; and they have trouble recruiting and retaining volunteers.

The Policy on Financial Awards (DSD, 2004) describes possible types of financing that the Department of Social Development may make use of when buying a service from the non-profit emerging organizations. These are as follows:

2.3.1 Seed financing

“In instances where a service is in the early stages of development and is not yet able to qualify for financing according to the set criteria, this type of financing may be considered”. (DSD, 2004:24) This type of funding can be helpful for emerging non-profit organizations to start services in the community.

2.3.2 Capital financing

“This type of financing may be considered for non-consumable items such as furniture, equipment and maintenance. In very specific instances this type of financing may also be considered for the development of infrastructure, subject to compliance with legislative requirements in terms of ownership”. (DSD, 2004:24). Normally the emerging non-profit organizations experience challenges in accessing funding for items such as furniture, cars and office equipment to provide a meaningful service. Many donors are not willing to fund office accommodation, technical equipment as well as transport costs and vehicles. Instead funding is often ring-fenced or earmarked for specific activities, purposes and objectives decided by the donor (Kelly et al, 2005:15).

2.3.3 Venture financing

“This is a once-off type of financing and will be applicable to projects that only need start up financing to become self-sustainable” (DSD, 2004:24). Normally projects such as sewing, linked to sustainable livelihood, benefit from this type of financing but the emerging non-profit organization has to ensure sustainability.

2.3.4 Partial financing

“This type of financing applies in instances where only part of a broader service is approved for financing” (DSD, 2004, 25). This type of funding is helpful but sometimes presents challenges for the emerging organizations because it only provides for a certain part of the required funding. Emerging non-profit organizations have experienced this type of funding as a challenge because of this nature.

2.3.5 Shared financing

“This financing occurs when different funders decide to jointly fund a service or to fund different parts of a comprehensive service. (DSD, 2004:25)”. For example this may happen when an organization provides a service in a community that responds to various needs. The responsibility for funding of the service may be positioned in different Departments within the Government structures. For instance the Departments of Social Development and Health and Agriculture may fund a HIV/AIDS programme jointly to provide a service for care and counselling, treatment issues and the nutrition component of the programme. According to the NDA (2003) Vusi Madonsela, the acting Director of Social Development addressed the conference in 2003 and stated that the Government and donor sector have made crucial contributions to development but not in an integrated fashion. In this type of funding the Departments concerned have a responsibility to integrate their processes.

2.3.6 Long term contractual financing

“This method of financing applies to services that operate over a longer period of time and have long-term objectives, the achievement of which is reliant on financing from the department for typical ongoing, recurrent day-to-day operational costs. Financing is continued for as long as the service remains a priority and compliance with contractual conditions are confirmed” (DSD, 2004:25). The challenge with this type of funding is that emerging non-profit organizations are not always trusted to be given long term financing because they might not have a track record to prove that they can manage long term projects.

According to Scott and Pike (2005) emerging non-profit organizations face a variety of challenges as they seek to fulfill their missions and achieve their objectives and in

most cases these emerging non-profit organizations are too dependent on short-term project funding. Scott and Pike (2005) further mentioned that the short term funding may lead to insecurity and planning may be difficult leading them to cut services and or spend a great deal of time pursuing alternative sources of funding.

Seokoma (2005) pointed out that at the recent National Poverty Conference, the National Development Agency, which is the funding distribution arm of the Department of Social Development to eradicate poverty, emphasized the crucial role played by the CBOs in their efforts for poverty eradication and points out that Nicholson (2005) warns that the NDA cannot contribute to poverty eradication if it continues to fund projects on a short-term and ad-hoc basis. Stowe and Barr (2005) confirmed that the tendency for funders has been to support short-term projects rather than long-term activities and core costs and there has been a major impact on many organizations caused by Government cutbacks and downloading. It is a concern that the Department does not have much trust to give long term funding to emerging non-profit organizations.

This view is supported by Kuan et al (2000:16) who states that “It seems that the relationship between the third sector and the government in Taiwan today is as much about cooperation as it is about laissez-faire, control and mistrust, depending on the NPO and the government agency”. Kuan et al (2000:16) further states that there are those government agencies that use a “preventive” or “controlling” approach when dealing with NPOs for fear that they will commit abuses. According to Kuan et al (2000) the organizations are concerned about lack of trust and lack of common standards from the Government. This lack of trust is displayed in regulations applied by the Government and creating legal hindrances through policing the legitimate NPOs instead of dealing with the non-compliant culprits. It is important that the Government take note of these hindrances as they have a potential to affect the partnership of emerging non-profit organizations with the Government.

2.4 Partnerships with the government

The African Youth Alliance (undated) states that in many developing countries governments are increasingly turning to nongovernmental organizations (NGOs) and

civil society as partners in meeting their countries' development needs. In South Africa, the funding of community-based organizations that were previously excluded from partnership with Government in relation to service delivery is not only important for the Department of Social Development but other structures recognise the need. According to the National Development Agency (2003) the chief executive officer of the NDA, Delani Mthembu (2003) emphasised the fact that the NDA would focus on areas where applications were not received in providing funding to the community-based organizations. It is clear that there is a strong emphasis from the donor community to focus on community-based organizations.

According to Seokoma (2005) lack of funding has been a challenge for the organizations and has led to suspension of some of their essential projects. Seokoma (2005) further mentions that Nicholson (2005) envisages the possible solution to this challenge as the Department forming working partnerships with non-profit organizations or assigning some of their programmes to capable organizations.

Seokoma (2005) points out that Fiona Nicholson, TVEP Programme Director, ensures that her organization strives to ensure that service delivery is implemented at the community level. Seokoma (2005) further mentioned that Nicholson (2005) explains, "We assist government departments to deliver services according to their respective mandates." It is obvious that this relationship and the endeavours to strengthen partnerships are important for both parties (NPO sector and the Government) and should be valued. Wedin (2007) points out that in her study conducted on CBOs, there was a great concern from several interviewees about the low recognition from the government of the work done by the CBOs and that government do not pay attention nor value their knowledge and experience.

The Codes of Good Practice for South African Non-Profit Organizations (DSD, 2001) also intends to encourage and support non-profit organizations (NPO) to meet the diverse needs of people in South Africa. The Codes of Good Practice for South African Non-Profit Organizations (DSD, 2001) further state that NPO Act no. 71 of 1997 ensures that a conducive environment is created for the non-profit organizations to be productive and effective, become effective partners with government and the private sectors. The Act encourages the nonprofit organizations to take responsibility

for maintaining high standards of practice in good governance, effective management, optimization of resources, successful fundraising and careful administration of their organizations.

According to Kraak (2001) it was expected that the post 1994 Government and NPO's would build strong partnerships in key areas of delivery and that there would be a shift from relying on Northern donor funding to income from Government contracts. Kraak (2001) further points out that although there is scope for partnerships within the policy framework, there is lack of capacity at the provincial and local government levels to spend the funds, and the funds were rolled over from year to year.

According to Kuan et al (2000) in Taiwan there are initiatives from the representatives of government agencies encouraging the strengthening of the government/third sector relationship by emphasizing positive cooperation to build stronger and healthier NPOs.

The Department of Social Development promotes the partnership through the signing of service level agreements currently called "Transfer Payment Agreements" (TPA's). The Policy on Financial Awards (DSD, 2004) states that there are mutual expectations when these written contracts are signed by the Department with the emerging non-profit organizations. In these contracts the roles for both the emerging organization and the Department are clearly stipulated.

The Policy on Financial Awards (DSD, 2004) further states "In addition, the contract also spells out the service provider's obligations in respect of deliverables (outputs), reporting and accounting, and monitoring and evaluation procedures to ensure accountability for public funds received" (DSD, 2004:27). The challenge is in order to ensure accountability the organizations have to ensure that proper organizational structures are in place.

2.5 Structure of the organization

Emerging non-profit organizations should ensure that their structure is clear to the members of their organization to avoid confusion and conflict. According to Kuan et

al (2000) a study conducted with the NPO sector (1998) revealed that there is still lack of maturity in their organizational structure resulting in difficulties to find sustainable means to maintain the development of these organizations.

The structure of the organization must be such that decisions made and information pertaining to the organization is disseminated to those affected and are part of the organization. Hermain and Heimovics (1991:7) point out that it is important that the structure of the organization reflects roles, responsibilities and job descriptions of all staff members. Hermain and Heimovics (1991:6) further state that leadership roles are affected by the structure of the non-profit organizations and decision-making processes can get complicated.

Organisational Communication (undated) points out that hierarchical structures assist with providing direction but there are advantages to both downward and upward communication. Organisational Communication (undated) further states that organizations have started to support upward communication and this may encourage employees to feel they are valuable and get motivated.

According to Galbraith (1995:3) the structure of the organization will create a barrier to collaboration regardless how well thought through it is. This is because the organization is comprised of human beings with individual behaviours and different personalities. Therefore it is of utmost importance that the roles and responsibilities of the Director and the Board members of the organization must be clear for the effective and efficient functioning of the organization.

The organogram of the organization has to be shared inclusively so that all staff members are clear of their roles, portfolios, responsibilities and lines of reporting.

Comforth (2001) states that having the foundation of the survey of the Charity Boards in Wales and England his research paper looked at what influence board inputs, structures and processes have on the effectiveness of boards. The research findings revealed that board inputs and board members are important in explaining board effectiveness because they have the time, skills and experience to do the job, clear board roles and responsibilities. Comforth (2001) further mentioned that a common

vision is shared by board and management on how to achieve their goals; and the board and management from time to time assess how they work together. It is therefore important that emerging non-profit organizations recruit members who are available to work and have similar interest as the organization.

It is critical that the emerging non-profit organizations have a constitution, policies, rules and regulations that govern the organization for members to have insights. According to the Panel on the Nonprofit Sector (2007) there have to be principles of sound practice that should be considered by every charitable organization as a guide for strengthening their effectiveness and accountability.

The notion of accountability and transparency differ from country to country and at organizational level in the non-profit sector. For an example, Kuan et al (2000) point out that in Taiwan, accountability and transparency do not have the same importance as is the case in the United States, where there is an expectation from the public and the requirement from the Government that the NPO sector provide information regarding their activities and financial situation. Kuan et al (2000) further state that in Taiwan there is no law compelling them to make the information available to the public. However, many of the NPO 's in Taiwan understand the organizations' responsibility in terms of accountability to show that it has sound financial management and that resources are utilized for the purpose they were provided for and intended results are achieved.

Gilan (2008) points out that in a workshop organized by the Pakistan Centre for Philanthropy (PCP) in collaboration with the Ministry of Social Welfare exclusively for international donor agencies on Non-Profit Organizations (NPO) Certification system in Islamabad, the speakers stressed the importance of the NPO sector to be transparent and practise good governance for credibility. Globally good governance is encouraged in the non-profit sector.

In South Africa, governance and accountability is important in the NPO sector. The Department of Social Development in the Western Cape requires that there is an existing board of management before funding is recommended. The emerging non-profit organizations are encouraged to make information available to the public and

this is normally done through the annual general meetings (AGM). There may be challenges faced by the emerging non-profit organization to plan the AGM based on the fact that they are still new and have not applied their minds as yet as their current focus has just been on resources to provide services.

Kuan et al (2000:3) states “the public, which is solicited by an ever-growing number of fundraising campaigns, will certainly become more selective in its giving and support organizations not only on the basis of the causes they work for but also on the basis of their performance and the concrete results they have achieved”. As a result it will be quite helpful for the organizations to provide information in respect of the organization, operations, management and its finance so that the public is informed and therefore be keener to provide support.

Kuan et al (2000) further mentioned that there is recognition that accountability standards need to be strengthened by different stakeholders including a number of organizations, the government and the general public. Ding (2002) mentioned that in China they acknowledge that the NPO sector needs to be accountable to various parts of society. Accountability is critical across countries and it is important that the board management is well established to promote good governance.

According to Ding (2002) in China good governance is requested as a condition before an organization is provided funding by International organizations and donors. Ding (2002) also acknowledges the fact that governance is a new concept in China and the people of China are being familiarized with its connotations and lot of research and training is being embarked on.

The Panel on the Nonprofit Sector (2007) emphasized that organizations could learn from each other and improve their operations if principles are applied across the non-profit sector. For instance the Panel on the Nonprofit Sector (2007) outlined 33 principles that are structured under four categories namely; Legal Compliance and Public Disclosure, Effective Governance, Strong Financial Oversight, and Responsible Fundraising.

It is important that a charitable organization should establish and implement policies and procedures to protect and preserve the organization's important documents and business records. The Panel on the Nonprofit Sector (2007) advises that an organization's board should discuss the set of principles and make use of what is relevant and applicable to the organization.

The section on Legal Compliance and Public Disclosure declares "A charitable organization should make information about its operations, including its governance, finances, programs, and activities, widely available to the public. Charitable organizations also should consider making information available on the methods they use to evaluate the outcomes of their work and sharing the results of those evaluations" (Panel on the Nonprofit Sector, 2007:2). This area is crucial for the management board of the emerging organizations so as to comply with legal prescripts for funding such as section 38 of the Public Finance Management Act (1999) and the Policy on Financial Awards of the Department of Social Development as mentioned earlier in the text.

The section on Effective Governance declares, "Charitable organizations must have a governing body that is responsible for reviewing and approving the organization's mission and strategic direction, annual budget and key financial transactions, compensation practices and policies, and fiscal and governance policies. The board of a charitable organization should meet regularly enough to conduct its business and fulfil its duties. The board of a charitable organization should establish its own size and structure and review these periodically. The board should have enough members to allow for full deliberation and diversity of thinking on governance and other organizational matters. This generally means that the board should have at least five members. The board of a charitable organization should include members with the diverse background (including, but not limited to, ethnic, racial, and gender perspectives), experience, and organizational)." (Panel on the Nonprofit Sector, 2007:3).

The section on Strong Financial Oversight declares, "A charitable organization must keep complete, current, and accurate financial records. Its board should receive and review timely reports of the organization's financial activities and should have a

qualified, independent financial expert audit or review these statements annually in a manner appropriate to the organization's size and scale of operations. The board of a charitable organization must institute policies and procedures to ensure that the organization (and, if applicable, its subsidiaries) manages and invests its funds responsibly, in accordance with all legal requirements." (Panel on the Nonprofit Sector, 2007:3).

The section on Responsible Fundraising declares, "Solicitation materials and other communications addressed to donors and the public must clearly identify the organization and be accurate and truthful. Contributions must be used for the purposes consistent with the donor's intent, whether as described in the relevant solicitation materials or as specifically directed by the donor. A charitable organization must provide donors with specific acknowledgements of charitable contributions, as well as information to facilitate the donors' compliance with tax law requirements" (Panel on the Nonprofit Sector, 2007:4).

The emerging non-profit organizations are required to comply with similar principles as outlined above and these should be reflected in their Constitution governing the organization. It is important that the Board members as well as other members of the organization understand and have ownership of the Constitution. Amongst other things, the Policy on Financial Awards (DSD, 2004) states that emerging non-profit organizations should adhere to the requirements of the Department such as submission of business plans, called "service plans" with correct information as prescribed by the Department in order to be considered for funding. Most importantly, the objectives, outputs and outcomes should be clearly defined in the service plan. It is crucial to consider the fact that the emerging non-profit organizations need to be guided as this area can be difficult.

This means that final product that the Department is buying from the emerging non-profit organizations and what the programmes promise to achieve should be apparent. Leadership and management of the emerging non-profit organizations should play a critical role in this funding process and have insights into the services they are selling to the Department for them to secure funding.

2.6 Leadership and management of emerging organizations

2.6.1 Management

Management and Leadership in emerging non-profit organizations can be a challenge as the organizations may have capacity needs. It is also challenging that there has to be a balance between managing and leading in the organization as these require skill and experience. The emerging non-profit organizations have less experience in the funding process and there is an expectation from them to demonstrate competence. However it is important that these organizations provide a meaningful service.

According to Checheto- Salles and Geyer (2006) those concerned with management can be identified as members of the board, the executive director and programme directors. Checheto-Salles and Geyer (2006) further point out that management has set of functions such as planning, organizing, leading and coordinating activities. It is therefore important that the managers of the emerging non-profit organizations understand their role. Most importantly, the managers need to lead the strategic direction and establish the vision of the emerging non-profit organization and planning is crucial.

Kraak (2001) a donor representative and analyst of the NPO sector, points out the key NPO management and organizational shortcomings such as lack of creative, dynamic and visionary leaders (Directors, Board members, Managers). According to Checheto-Salles and Geyer (2006) the manager has to be prepared and be conscious of his functions. It is therefore critical that emerging non-profit organizations ensure that the management staff is able to perform these functions.

Communication is crucial to ensure that all members understand the vision and the goal of the organization. According to Wedin (2007) lack of communication in respect of utilisation of funds and the funder's expectation has led to a number of conflicts in the CBOs. It is important that the leaders of the emerging non-profit organizations clearly communicate to the members all funding matters to lessen mistrust.

Checheto-Salles and Geyer (2006:14) further state that "Top managers are those able to interpret the policy of the organization, middle managers are responsible for the

implementation of policy; and first-line managers are those who conduct routine administration. The manager has to identify the goals and objectives and resources to complete the task". It is very important for the managers of emerging non-profit organizations to be equipped and trained to be competent in managing the coordination of these functions for the success of the organization.

2.6.2 Leadership

According to Argano (2007) the leader's charisma is not as important as the leader's mission. The Codes of Good Practice for South African Non-Profit Organizations (DSD, 2001:6) states that the leaders of the emerging non-profit organizations should realize that they have three major responsibilities to fulfil the mission and ensure the survival, growth and development of the organization. Firstly, they have to ensure that the organizations' service programme is meeting community needs effectively and efficiently. Secondly, for the organization to fulfil its work, the leader has to establish reliable and sustainable support. Thirdly, they have to engage in the process of training and development of their followers into individuals that are highly involved and focused on quality.

"The board of a charitable organization must institute policies and procedures to ensure that the organization (and, if applicable, its subsidiaries) manages and invests its funds responsibly, in accordance with all legal requirements." (Panel on Nonprofit Sector, 2007:3). The Policy on Financial Awards (DSD, 2004) supports this principle and points out that the service providers should comply with financial prescripts and requirement as stipulated in the contract; and ensure that there is return on investment and value for money on the service provider's strategy, implementation and execution.

It is critical that internal monitoring and evaluation practices (line-function monitoring) are applied by the emerging non-profit organizations and external monitoring is conducted to assist in tracking progress and identifying developmental areas. The Policy on Financial Awards (DSD, 2004) highlights the important function monitoring and evaluation should play in the non-profit sector. The Department of Social Development as a purchaser of services monitors and evaluates the funded

organizations for the services purchased through the Directorate Monitoring and Evaluation.

Magongo et al (2004) state that it is critical that non-profit organizations build in an organizational capacity building component that support planning and management of these organizations in their community based funding strategies. It is therefore important that monitoring and evaluation practices identify these gaps. According to Magongo et al (2004) follow up systems to monitor outcomes of the funding are not sufficient from the donor agencies.

It is a fact that a Monitoring and Evaluation system for programme outcomes has not been achieved even at Departmental level in the Western Cape. The focus is still at outputs. This aspect is therefore important to determine value for money and ultimately the impact brought about by the funded programmes in the targeted communities. It is important that this role of monitoring and Evaluation is done in such a way that it identifies gaps and reveals developmental areas in these non-profit emerging organizations for corrective action.

2.7 Growth and development of emerging organization

Globally, growth and development of community-based organizations has been given attention. According to the Eurasia Foundation (2004) the Eurasia Foundations Representative Office in Armenia held a conference attended by Armenian government officials, leaders of local NGO and CBOs, international organizations, representatives of USAID and the media to advance the growth of the community based organizations. Eurasia Foundation (2004) further mentioned that the conference was devoted to the development of local community based organizations (CBOs) and also focusing on the sustainable CBO models presently implemented throughout Armenia. It is encouraging to note development and sustainability of the non-profit emerging organizations is on the agenda in different countries.

According to Kuan et al (2000) the perceptions of the public, the media and the government about the third sector have changed since development has brought about changes to the role played by NPOs in society. Kuan et al (2000) further mentioned

that the important role assumed by the NPO sector in development has been noticed and there is a huge awareness in the society at large for the services provided and benefits as well as the advocacy role they play for society. The role played by the NPO sector has received recognition globally, particularly their contribution to development.

According to Fenwick (2005) post 1994, development issues were included on the agenda by the Department of Social Development and there are many community income-generating projects and organizations that emerged since then. This means that the Department of Social Development provided financial support to these developmental projects to function. Fenwick (2005) further mentioned that the majority of these organizations could not survive due to lack of internal organizational sustainability and business skills in spite of funding awarded to them. It is important that emerging non-profit organizations realise the need to remain focused to sustain themselves.

Development of the NGO sector is crucial and Korten (1990) confirms and identifies three stages or generations of NGO evolution. According to Korten (1990) the first stage is NGO development that focuses on relief and welfare, and beneficiaries receive direct service delivery for the relief. Korten (1990) cites examples such as distribution of food, shelter or health services. At this stage the NGO takes note of immediate community needs and responds to them.

The second generation as defined by Korten (1990) is NGOs who are oriented towards small scale, self-reliant local government. During this stage the capacity of the local communities is being built by the NGOs to meet their needs through self-reliant local action.

Sustainable systems development is the third generation as defined by Korten (1990). At this stage, the NGOs make a shift from being operational in terms of service provision towards a catalytic function. The NGOs try to make inputs or contributions to changes in policies and institutions locally, nationally and internationally. At this stage NGO development begins to change from a relief NGO to a development NGO.

Organizational sustainability is critical to the continued existence of the NGO sector, and their ability to become a viable partner with government and the donor community in bringing about sustainable development (African Youth Alliance, 2004:10).

Capacity building of members in all aspects as determined by the needs identified is very important and should receive attention. There is a serious challenge caused by a lack of skilled personnel (Reitzes and Friedman, 2001:42). Garriga (undated) points out that the concept of capacity building includes human resource development at all levels. The Department of Social Development also puts emphasis on building of social capital and human capital as the driving force behind the Department's work. This process therefore requires revised and more refined approaches by the Department of Social Development in responding to the non-profit emerging organizations' capacity needs.

McKinsey and Company (2001) mentioned that capacity building has been insufficiently supported in the past by the funders and the managers gave less priority to capacity building as opposed to the programmes they were funded for. McKinsey and Company (2001) further mentioned that this position has actually changed and traditional foundations and venture philanthropists put emphasis on investing in capacity building of non profit or and giving financial support for building capacity of organizations. Magongo et al (2004) support this notion and mention that international donors who are funding community based organizations can only receive "better value for money" if all their community based funding strategies have an organizational capacity building component that supports planning and management.

According to Kuan et al (2000) efforts have been made in Taiwan over the past few years on the part of some government agencies to help build the capacities of NPOs because they may have realised that applying strict controls alone does not necessarily guarantee against abuse and does not really assist NPOs to overcome their problems.

McKinsey and Company (2001) cite important lessons from organizations that have engaged in successful capacity building. The NPO of this study that experienced the greatest gains in capacity were those that undertook a re-evaluation of their objectives

and their vision of what the organization was trying to achieve in the next phase of its development. It is clear that there is a link between development of the organization and capacity building.

The management of the emerging non-profit organizations therefore needs to ensure access to capacity building interventions so as to become competent in dealing with finances and this increase their chances of being funded. As much as organizational capacity of the organization is important self-development is as crucial and can be beneficial for the organization. The non-profit manager's job is paramount in maintaining this level of excellence in his or her own development and the development of staff and volunteers. Since part of the reason why so many people work for a not-for-profit organization is because of the mission and the feeling of making a difference.

It is of utmost importance for a manager to ensure the excellence of work through training and development. This requirement on its own poses a challenge because the management board is made up of volunteers or individuals who have been approached to volunteer and they receive no payment for their services. In fact, the board usually provides some funding out of their own pockets. Some board members might be challenged to attend these meetings because they lack financial resources.

According to Argano (2007:1) Drucker (2005) highlighted self-development as important and states "Developing yourself begins by serving, by striving toward an idea outside of yourself - not by leading. Leaders are not born, nor are they made - they are self-made." The growth and development of a person eventually is the responsibility of the individual regardless of other contributing factors and circumstances. The manager that receives training and development will be competent in many areas including fundraising, which is critical to sustain the organization.

2.8 Fund-raising and ethical values

Fundraising is important for the emerging non-profit organizations in order to sustain themselves and the role of the leadership to motivate and train the board to get sincerely involved in fundraising is critical. The Department of Social Development

may provide 75% of the total budget requested by the organization and the remaining 25% is the responsibility of the organization. It is crucial that the emerging non-profit organizations develop a fund raising plan for the sustainability of the organizations. This has not always been a success for the emerging non-profit organizations non-profit as the trend has been to depend mostly on the Government for financial support.

According to Magongo et al (2004) Government needs to set donor funding policies that promote sustainability, capacity building and coordination at local level. Fund raising requires time and dedication in order to be successful. Kraak (2001) points out that few NPOs have dedicated fundraising capacity. In these organizations, the likelihood is that there is no coherent fundraising strategy in place. "Smaller organizations in rural areas also find it difficult to compete with local hospitals and larger, better –known organization, which are able to carry out more sophisticated and larger –scale fundraising campaigns" (Stowe and Barr, 2005:4). Stowe and Barr (2005) further mention that technologies help small organizations to communicate with other organizations to build partnerships and engage in fundraising activities jointly. However not all of these organizations get involved in these activities because they cannot afford them.

Wedin (2007) points out that these organizations lack or have no access at all to resources such as internet and e-mail and the limited access to phones makes it difficult for them to participate in initiatives, as well as working with advocacy and getting access to financial resources. Argano (2007:1) states "Organizations send mailing labels, stickers, calendars, cards, all in the hopes that this "gift" will guilt the receiver into donating a "suggested" amount. Typically, the cost of direct mail is astronomical and the donor base is not loyal to the cause or the organization".

It is crucial for the funded emerging non-profit organization to adhere to the fundraising codes prepared by the Department of Social Development in consultation with relevant stakeholders in the fundraising sector to keep with the requirements of the Non-profit Organizations Act of 1997. According to the Codes of Good Practice for South African Non-Profit Organizations (DSD, 2001) any person responsible for fundraising in the organization should be professional and competent in the aspect of fundraising in emerging non-profit organizations. The manner in which the emerging

non-profit organizations conduct fundraising says much about their character and their future.

According to Kraak (2001) there are low levels of commitment and there is a lack of fundraising skills, strategies and drives. Board members should play a major role to ensure the emerging non-profit organizations raise funds. According to Sternberg (2008) active participation of board members is important as a contribution to the organization.

Fundraising requires a skilful approach and Poderis (2008) states that a solicitor for funds has to be persistent and polite when raising funds in order to secure appointments with potential donors who are capable of contributing greatly to the organization. Poderis (2008) further mentioned that important contributors are usually very busy and it can take a long time to be seen by them and the fundraising representative must still persuade the potential donors to give thousands or millions of dollars. Poderis (2008) also emphasises that the fundraisers have to be cautious not to put pressure and end up with a refusal but must be willing to put in lot of effort and time. The possibility of receiving money from people who can give to non-profit organization is motivated by the fact that they feel there is value from giving. People who are concerned about certain issues would rather throw their financial support to where their mouth is (Focus Garden Products, 2007).

2.9 Conclusion

In this chapter a review of relevant literature pertaining the challenges and experiences of the emerging non-profit organizations in the Western Cape has been outlined. Aspects that need attention to successfully access funding were discussed such as the structure of the organization, leadership and management, and strengthening partnership with government including fundraising.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The primary purpose of this chapter is to present an overview of the research design as well as the research techniques, which were utilized in this research. Since the study is mainly qualitative in nature, research methods such as semi-structured (face to face) interviews were used. This chapter will present the research design, the sampling process, data collection, data analysis and the limitations of the techniques.

3.2 Research design

The qualitative research design enabled the researcher to explore the expectations, perceptions and understanding of the financing processes the emerging non-profit organizations are engaged in, as experienced by the emerging non-profit organizations.

The study is exploratory because the area has not been researched in the Department of Social Development. Babbie and Mouton (2001:80) further state that the purpose of an exploration is to obtain answers to questions to get sentiments on the subject. This approach has been relevant in this context as the researcher managed to get information with regards to the experiences of these non-profit emerging organizations. An appropriate design for the proposed study is a qualitative design. A qualitative study frequently involves the use of in-depth interviews, the use of informants and methods such as literature review, which may lead to insight and comprehension (Babbie and Mouton, 2001:80).

3.3 Sampling design and sampling methods

The Department of Social Development is comprised of different Directorates and Partnership Support and Funding is one of these Directorates. The Partnership Support and Funding Directorate creates an enabling environment for the planning, coordination and the implementation of developmental social service programmes. This Directorate fulfills this function through the district Offices using the framework of Departmental Strategic Objectives. The emerging non-profit organizations submit the service plans to be considered for funding at the District offices.

The target population studied in this research is the non-profit organizations that are funded by the Department of Social Services and Poverty Alleviation in the Western Cape. The sample of the population is what Patton (2002) referred to as purposeful sampling, which focuses on selecting information-rich cases where study will highlight the questions under study. The emerging non-profit organizations were purposively selected. Newman (1994) points out that purposive or judgmental sampling uses the judgment of an expert for selecting cases with a specific purpose in mind. The rationale to select the emerging non-profit organizations funded by the Department of Social Development is based on the fact that they are new and with unique experiences in the process of accessing funding

According to the Sub directorate Strategic Planning (DSSPAc, 2005:60) in the Western Cape there are eight provincial crime hotspot areas which are identified as Khayelitsha, Mitchell's Plain, Guguletu, Nyanga/Phillippi, Kuilsriver, Worcester and Kraaifontein as well as the 170 informal settlements in the Metropole. Priority has been given to these areas for the redistribution of resources. Strategically there is a great need for the emerging non-profit organizations to be supported in these identified areas. This means that the Department has to redirect the transfer of money in respect of funded organizations to these under resourced areas. Three District Offices located in these areas were sampled such as Khayelitsha, Mitchell's Plain and Guguletu. These were purposefully selected.

The Department of Social Development has sixteen District offices in the Western Cape Province. Currently there are two hundred and twenty seven emerging non-profit organizations funded by the Department of Social Services in the District offices of the Western Cape Province.

The sample studied in this research was made up of nine organizations selected in three District Offices in the Western Cape District Offices namely; Khayelitsha, Mitchell's Plain and Guguletu. The Director or the Project Manager of each emerging non-profit organizations selected was interviewed. The rationale for selecting in these three District offices was based on the fact that they are in the metropole, are

identified crime hotspot areas. There is a strategy in place to build the capacity of the organizations situated in these Districts. The Department contracted a service provider to provide training and coaching services to emerging non-profit organizations. The emerging non-profit organizations in the three district Offices were part of the first phase of the training and coaching facilitated by the Department of Social Development.

The following criterion was pursued:

Registered and funded emerging non-profit organizations

Social Service organization

Youth organization

Poverty reduction projects (Sustainable livelihood)

It is important to note that the sampling method used was purposive sampling

The table below indicates the emerging non-profit organizations that were selected.

Table 1: Emerging non- profit organizations interviewed

DISTRICT OFFICE	NAME OF THE NON-PROFIT ORGANIZATION
Khayelitsha	Organization A (youth)
Khayelitsha	Organization B (social service)
Khayelitsha	Organization C (poverty alleviation)
Mitchell's Plain	Organization A (social service)
Mitchell's Plain	Organization B (poverty alleviation)
Mitchell's Plain	Organization C (youth)
Guguletu	Organization A (youth)
Gugulethu	Organization B (Social service)
Guguletu	Organization C (poverty alleviation)

3.4 Data collection methods and tool

3.4.1 Desk study and document review

An extensive desk study was carried out to obtain background information and understanding of the context as well as the organizations studied. This occurred prior, during and after the field study. Literature mainly relevant to the financing of CBOs and the challenges to access funding was obtained.

3.4.2 Semi-structured interview

According to Ruane (1995:149) the interview is a purposeful conversation wherein the interviewer has a set research agenda i.e. key points or questions that must be addressed. To facilitate accomplishing this research goal, the researcher uses either an interview guide or an interview schedule. According to Ruane (1995:199), unstructured interviews are a good idea when one is pursuing an exploratory piece of research.

The data was collected via the use of in-depth interviews guided by a semi-structured interview schedule. An interview schedule (attached in Annexure) was prepared well in advance and tested during a pilot study conducted in Khayelitsha whilst preparing the research proposal. The researcher used a research interview schedule which is 'a guideline for the interviewer and contains questions and themes that are important to the research' (De Vos 1998:299). The Directors of the organizations were interviewed. The questions were not necessarily asked in sequential order. The researcher merely introduced the themes on which the information is required and participants participated spontaneously. The researcher used probing skills such as open-ended questions summarizing, minimal encouragement and paraphrasing to encourage respondents to elaborate.

3.4.3 Information gathering equipment

A tape recorder was utilised to ensure that the original information gathered from respondents has stored for further data processing. Pens and writing pad were used for data recording whilst conducting all individual interviews.

3.5 Data analysis and interpretation

There are different approaches used by different theorists to data analysis. The researcher used Tesch's approach to data analysis, as it is the most relevant to the study. (De Vos: 1998).

The researcher got a sense of the whole by reading through all of the transcripts carefully. The researcher selected one interview that is the most interesting and went through it asking "What is this about?" and thinking about underlying meaning in the information. The researcher wrote thoughts that come up in mind. When the researcher completed this task for several respondents, a list of all the topics was made. Similar topics were clustered together and formed into columns that might be arranged into major topics, unique topics and leftovers. The researcher took the list and returned to the data. The researcher abbreviated the topics as codes and the codes written next to the appropriate segments of the text.

The researcher tried out this preliminary organizing scheme to see whether new categories and codes emerged. The researcher found the most descriptive wording for the topics and turned them into categories. The researcher reduced the total list of categories by grouping topics that related to each other (De Vos: 1998).

3.6 Limitations of the study

3.6.1 Qualitative design

The researcher concedes that qualitative research has its limitations just like any other epistemology. Critics of qualitative design often cite that it is difficult to verify information given by informants and that the meaning of statements is often ambiguous. Denzin (1978) and Patton (1999) point out that these concerns can be allayed by triangulation (going back to the informants to cross check if the findings reflect their views).

3.6.2 Sampling

The researcher realizes that a sample of 9 from a target population of 227 could raise concerns of not being representative but time constraints did not allow the researcher

to have a larger sample. According to Becker and Bryman (2004) while it may be true that findings cannot be generalised over the entire population, it is also common practice in qualitative studies to restrict the number of respondents to facilitate in-depth interviews.

In the study, the Directors of the emerging non-profit organizations were interviewed. The rationale for choosing the director is based on the fact that they are managing the organizations. They are the link between the board members and the staff members. They have information with regards to the strategic and operational matters of the non-profit emerging organizations. However focusing solely on the director of the organization might have limited the study in terms of gathering as much data as possible.

3.6.3 Researcher

Since the researcher has conducted this research in her capacity as a student and also a social service professional employed by the Department funding the organizations, power relations might have played a role in the process of gathering information.

3.7 Conclusion

In this chapter a summary of the methodology used in this research is outlined. It also gives description of the research design, sampling strategy, data collection and data analysis. The limitations of the study were also described. In the following chapter the research findings with discussion and analysis of the main findings is presented.

CHAPTER 4: PRESENTATION OF FINDINGS AND ANALYSIS

4.1 Introduction

This research aims to explore the experiences and challenges of emerging non-profit organizations financed by the Department of Social Development in the Western Cape. It has pursued a qualitative research design and can be categorized as explorative.

In this chapter the findings from the in-depth interviews are presented. The findings are analysed thoroughly and compared with the findings from the literature. The chapter is structured in the following manner:

A presentation of the participants, followed by the framework for analysis is given. Then the findings from the interviews will be presented and discussed according to the framework for analysis. The themes outlined as research questions in chapter one will guide the analysis in this chapter. Conclusion and recommendations are in the last chapter.

In order to explore in depth the experiences and challenges of the emerging non-profit organizations with regard to the funding processes of the Department of Social Development interviews were conducted with nine emerging non-profit organizations. The emerging non-profit organizations differed in terms of service field (youth, social service and poverty alleviation). A thorough presentation of the emerging non-profit organizations will be given in this section. The emerging non-profit organizations will be presented according to themes.

4.2 Framework for analysis

In the interviews conducted a number of commonalities in terms of areas to be addressed were highlighted and are categorized issues around the following objectives.

- Views of emerging non-profit organizations on their role in development;
- Understanding and views of emerging non-profit organizations of the financing policy of the Department of Social Development;
- Challenges experienced by emerging non-profit organizations with regard to accessing funding from the Department
- Experiences of non-profit emerging non-profit organizations of being funded by the Department of Social Development.
- Recommendations with regards to the funding policy and process for the consideration of amendments.

University of Cape Town

Table 2: Framework for analysis

Theme	Category	Sub-category
Role in development	Play a bigger role	<ul style="list-style-type: none"> -Since they are emerging they need to come up with a difference within the communities. -As an emerging non-profit organization they should bring the services closer to the people on the ground -The emerging non-profit organization has to identify gaps and needs in service delivery because the perception is that Government cannot -For the disadvantaged communities to become active participants in the economic development, to address issues such as the lack of opportunities and low self esteem. -To nurture the talent that exist in the communities
Views on the Policy on Financial Awards	Financing policy is an important document that needs to be work shopped.	<ul style="list-style-type: none"> -The emerging non-profit organizations (majority) are not aware of the policy -No knowledge of the content of the policy -Others have never heard about it
Challenges in accessing funds	Funding processes pose a challenge to access funds	<ul style="list-style-type: none"> -It took about two years for the Department to respond to the submitted proposal -Constitution was handed but there was no response or acknowledgement letter - Department does not provide the amount requested by the organization - Application form that appears to be user friendly but can be confusing if not familiar with, too long. -The terminology is sort of very fuzzy, difficult and confusing. -Department requires organizations to fill in their own table according to their own way in columns for the budget section. If not properly filled the organization must go back and do it again.

Theme	Category	Sub-category
Experiences of being funded	Gains of being funded by the Department of Social Development	<ul style="list-style-type: none"> -Emerging non-profit organization to ensure governance is in place prior funding -Funding opened other doors for the organization -Gave the organization wing to fly and to be recognised by other funders -Funding gave the organization a boost to be operational -Funding assisted greatly in administration costs -Funding assisted the organization to work towards accomplishing the vision and the mission -The emerging non-profit organizations could implement the programmes as planned
Recommendations on funding process/policy	Funding policy to be available to all. Funding processes to be fully consultative	<ul style="list-style-type: none"> -Making the funding policy document available to all -Consultation with the stakeholders prior to funding. -Capacity building into understanding the business of the Department -Focused more on what the organizations want to attain instead of Departmental needs -Regular workshop should be conducted with new applicants and currently funded when funding cycle starts -Weekend workshop or one day so that people can understand funding process -To strengthen the element of trust in respect of the financial resources provided by the government to the emerging non-profit organization -Development practitioner shouldn't be office bound but they should be in the field -The application form need to be made simpler, it's a bit complicated. -crucial role of internal and external monitoring

4.2.1 Emerging non-profit organization

Emerging non-profit organizations interviewed (about 9) defined emerging organizations as new and still developing in terms of structure, and in the process of establishing themselves. For example one participant said

“Emerging organization is a starting up organization, one that is coming up, that is emerging, in the beginning stage, they still developing you know, when it comes to structure, skill development especially”.

Another participant said

“My understanding is ehm, of emerging organization is that they are starting out like we have started out with human resources, dedication and loyalty of members in a volunteer capacity with very little resources, in fact utilizing our own finances and our energy and whatever we had we would bring to our organization so that we could sustain it ourselves”.

Another participant stated

“Emerging organization is a new organization, which is in partnership with Social Development”.

According to Partnership Support and Funding (DSD, 2006) a non-profit emerging organization is an organization that may lack skill or competencies to successfully sustain the organization over time. Partnership Support and Funding (DSD, 2006:6) further states that “emerging organization is an organization that has limited or no formal financial and administrative system in place”.

4.2.2 The role of the emerging non-profit organization in development

The organizations interviewed believe they have a crucial role to play. The emerging non-profit organizations strongly believe that they are filling the gaps where service provision has not been adequate or non-existence in these communities. One of the participants from the emerging non-profit organizations stated

“Ehm, my understanding is that as an emerging organization we feel that eh we should actually bring services closer to the people on the ground”.

The participant further stated

“And the gaps we have to identify the gaps in service delivery because we know that the government can't eh you know, should have the service, what we do is to identify the gaps and also the needs in terms of our communities, also it's the substance, in essence it is about ehm skilling young people so that they become actively active participants in the economic development”.

Another participant from the emerging non-profit organization stated

“I think they've got a bigger role to play since they are emerging, they need to come up with a difference within our communities”.

The participant further said

“ I think within our communities we need to now to be the people that are assisting the people to start up their own business of getting whether to be entrepreneurs rather to be job seekers within our communities so that's the role that should emerging organization play”.

Some emerging organizations believe that development in skills in general and most importantly business skills is crucial and has been neglected in the past. The emerging organizations are making strides in addressing this issue.

According to Fenwick (2005) even though post 1994 development issues were included on the agenda by the Department of Social Development and many community income-generating projects and organizations emerged, the majority of these non-profit emerging organizations could not survive due to lack of internal organizational sustainability and business skills in spite of funding awarded to them.

4.2.3 Challenges facing emerging non-profit organizations

The majority of the participants indicated that lack of funds and resources are major challenges for the emerging non-profit organizations. One participant said

“In terms of resources ehehe ehm, a lot more of a struggle, if you are emerging because you competing against the established organizations that have already built up partnerships with companies for funding and also within like government, ehm so its to get your foot in the door and also trying to make them understand what you trying to do”.

Another of the participant said

“Well, the first one is definitely the funds because you get a lot of people getting together and trying to get something started but before they become despondent because there is no funds available, people aren't getting paid and a lot of people and I can speak from experience that like, like our team is very close knit and we've been doing this for long before we got funding from ehm Social Development or from anybody because we always towards making it happen for ourselves, you know eh, ja especially we sent out proposals like ok we sent out a lot of proposals, I can probably show lots of regret letters, you know and that's the thing”.

This notion is confirmed by Wire (2004) in an article on Local Women's Business Center Faces Funding Challenges that community members are motivated to initiate businesses but lack resources and counsel required. As indicated in the literature, Stowe and Barr (2005) concur that the greatest challenge seems to be the financial issue. The National Development Agency (2003) elaborates that organizations that are able to submit “fancy” proposals to access funding, experienced in dealing with finances and well established have the best opportunity to be funded.

Another challenge experienced by the emerging non-profit organizations is that they find themselves competing with those organizations that are established and already in the pool for receiving funds from the Department of Social Development. These organizations have been exposed to the funding processes. These emerging non-profit organizations have also indicated that the Department of Social Development treat them same as established organization who are familiar with the process of accessing funding.

One participant said

“Those who are established it means that they already more experiences they know when even when they ask money, eh they know eh, eh to cover some of eh the issues, but for us there were some, when we ask money and when start to implement the project we discovered that there was other things we did not plan”.

Another participant said

“So the main challenge is first for us to know into our strategic planning to see to it that at least volunteers there is a plan of transition from volunteers to short term employment and to full term employment, so staffing to us is the main challenge”.

Stowe and Barr (2005) point out that these organizations have difficulty recruiting and retaining staff because they are unable to pay competitive salaries; and they have trouble recruiting and retaining volunteers. Wedin (2007) confirms that the non-profit emerging organizations experience difficulties in accessing funding from the Government and donor funding is not easy because these organizations have to compete with more formal and established organizations.

The emerging non-profit organizations indicated that infrastructure is a main challenge for them to provide a meaningful service. The Department of Social Development does not necessarily provide funding for office and equipment such as fax. This is a challenge because these organizations are new with minimal or no resources. One participant said

“The office you know at present we using a very very small office, and eh, we really are interested in terms of getting a office where we could really be visible to the youth, yes we are visible but we believe we are not that that visible, so I think those three things are the main main areas that need assistance”.

Another participant said

“But which we didn’t get the funding as you see in this office, we kind of negotiated with a mother organization and companies to assist us with this furniture”.

One participant said

“Yes, we we lack, that kind of resources, fax, I’m currently using the facilities up there, there now each morning I have to go there and see emails and then come here, so there is lack of resources, that’s why we say you know eh initially when we applied for the funding we we needed a start up, but I feel that if the consultation process took place, we could have look at eh, ok the amount of money allocated to us, then we cut down on the staff”. Another participant said “we do not have enough, like I said the computer, we have, and we just need a photocopier. When we train our, our people we also need a T.V. combo you know”.

Another participant said

“Well, I would say that eh, I think in my understanding we were gonna receive seed funding”.

The emerging non-profit organizations has a challenge to access funding for infrastructure and Kelly et al (2005) confirm this notion and points out that instead funding is often ring-fenced or earmarked for specific activities, purposes and objectives decided by the donor. Wright (2007) points out that it is important to invest in people, equipment and systems for the success of the organization. As mentioned in the literature review, the Policy on Financial Awards (DSD, 2004) directs that seed funding is considered in instances where a service is in the early stages of development and is not yet able to qualify for financing according to the set criteria. It is important that the emerging organizations are made aware of the funding process to ensure they understand the type of funding they have been recommended for and Kelly et al (2005) point out that for successful access to funding an organization should be able to play the funding game. Proper consultation is critical for the organizations to understand the type of funding approved before allocation of funding.

4.2.4 Understanding Policy on Financial Awards and recommendations

The emerging non-profit organizations should have a sound understanding of the funding policy and implementation thereof. The majority of the participants indicated that they had no knowledge of the Policy on Financial Awards. One participant said

“To be honest my dear, I never saw that document, first time I hear from you, I was told between June and July I said to the other management staff we needed to get this document and meant to get the local district office and they were quite willing to assist me, eh but the only problem that I had because the welfare planners didn’t know what I was referring to”.

Another participant responded

“Ehm, the policy, well, Financial Awards, can you just clarify, when you say the finance Awards is that the money you receive from the Department”?

According to Magongo et al (2004) funding policies that promote sustainability, capacity building and coordination at local level are critical for the Government. The

Panel on the Nonprofit Sector (2007) states that policies and procedures should be instituted by the board to ensure that the organization manages and invests its funds responsibly, in accordance with all legal requirements.

The emerging non-profit organizations interviewed suggested that the Department of Social Development should provide policy education on the Policy on Financial Awards. Another participant said

“Ja, I think what I would like to see happening is the workshop around the financial policy to clear up the fuzziness, the confusion and the terminology to sort of simplify it so that at the end of the day we will come up with recommendations”.

Another participant said

“The changes, ehm well, I think that ehm, more people firstly need to be educated about the policy because its definitely, its definitely a thick document and if you talk to my head I don't think we can eheee, we can really discuss it, but definitely like it should be work shopped ehm to assist like other members of staff you know, ja”.

4.2.5 Challenges regarding accessing funding

Processes, procedures, requirements including unknown factors in the funding process have been perceived as hindrances by the emerging non-profit organizations in the process of accessing funding. One participant said

“We had our constitution which we handed to them but somehow eh that wasn't taken forward until the MEC at the time came and and in a public meeting I had to sort of challenge him or inform him of the work that we are doing for so many years and its only then that he said who knows about this organization and no one has actually taken it forward yet we had this partnership with social service since 1994, when the government gained power, you know, so we were not taken seriously in the beginning, so now we started getting attention”.

One participant said

“Oh, to me, to be really opened and honest, it's not an easy process because before one has to get funding there are lot of procedures that one needs to follow”. The participant further said “Getting up the NPO numbers, knowing how to fill up the application form because the Department is using up a different application form, a service plan that one uses and then if you haven't fill up that service plan accordingly, it gets back to you, then you need to refill, it

looks like it's a friendlier user but its quite a confusing form if you haven't dealt with it before".

Another participant said

"My main frustration is, with due respect to you and those gentleman government officials that most times the officials are very indecisive they are very, who do you think you are, I am the social worker, I am the qualified, I'm the professional you will so we will come with our things, just listen to us, so we will come with our things, with our strategy because we strategize as well and then they will redirect us into what I will call your business which is not right, because we are so in need of the funds we just go with it".

Stowe & Barr (2005) supports this by saying many organizations also find themselves tailoring their programmes to meet the requirements of funders that puts them at risk of "mission drift." As indicated in the literature review the Policy on Financial Awards (DSD, 2004) outlined requirements to be met by the emerging non-profit organizations to be eligible for funding. According to Magongo et al (2004) the donor organizations experience a challenge in designing strategies to fund the small local organizations in developing countries.

The emerging non-profit organizations have experienced the Departmental requirements as a challenge because they can be directed to change their original plan and conform to what the Department requires them to do.

The filling of the application form for funding issued by the Department of Social Development was found to be a challenge by the emerging non-profit organizations.

One participant said

"The challenge was to write the proposal, not to write the proposal as such, but to fill your application form for funding, it is very, very complicated and need a lot of eh, you need to be work-shopped, you need to be informed because they are giving space, a small space but you have a lot of things to fill and you do not know how to put it".

Another participant said

"The difficulty was twenty odd that form, twenty pages almost thirty pages ehm and ok it's understandable but the jargon that was used was kinda, like you probably need somebody that knows that type of eh language ehe to to put it that way you know to kinda answer that question, we were like sitting around asking each other ok do you think do you think we fit in

to this, do you think this is what we need say yeh, the question were structured and the lot of questions were almost repeated so you kind a like write something over again”.

Another participant said

“Way too long, too many repetitive questions”

Another area of concern highlighted by the participants is the budget area to be completed by the applicants in the application form. One participant pointed out

“Oh, I would, say the Budget was the worst, because on the Budget the way that the Department want you they got their own table, that you should follow when doing the budget, so you come up with your own budget accordingly to the columns, the way that they have done it so it is not done the way they want it in the column, you should go back and redo according to the column, so that was the, really difficult part”.

As mentioned in the literature, Panel on the Nonprofit Sector (2007) emphasise that a significant percentage of the organization’s annual budget should be spent on programs that pursue its mission. Panel on the Nonprofit Sector (2007) further mentioned that the budget should also provide sufficient resources for effective administration of the organization. It is therefore important that the emerging organizations are assisted and capacitated adequately to fill in the budget section on the funding application form.

Another challenge highlighted is the fact that the organization has to establish a management board and have the funding application forms signed by the chair person and the treasurer. One participant said

“And then the other part as well is when you are doing up make it a point that all the Board of Directors, all the role players within the organization, their particulars, some of them, you know the Board of Directors, you need to get them, some of them are out of town, and if their signatures can’t be in the form, nothing will really would happen, you know so that was the most difficult that I experienced with the application form”.

Some emerging non-profit organizations experience the aspect of work without pay as a challenge because as the founders of the organizations, they also work in the organization to earn a living. Some of these members had to compromise their position

and status as founders of the organizations to become employees. This aspect of volunteerism is a challenge for the emerging non-profit organizations when they have to recruit members to serve on the management board.

One participant said

“We were also because we were all unemployed people in the community, we had a commitment, we sort of employed ourselves but then we were informed that you can’t be a referee and a player”.

As mentioned in the literature review, the Codes of Good Practice for South African Non-Profit Organizations (DSD, 2001) states that the board is made up of volunteers and they receive no payment for their services. The Panel on the Nonprofit Sector (2007) mentioned that effective governance is important and organizations must have a governing body that is responsible for reviewing and approving the organization’s mission and strategic direction including annual budget and key financial transactions, compensation practices and policies and governance policies. It is therefore important that members of the governing body are knowledgeable of these functions in the organization and the recruitment process for the management board can be a challenge.

4.2.6 Experiences of being funded by the Department of Social Development

The participants highlighted the experiences of being funded by the Department of Social Development. The emerging non-profit organizations realise the contribution the Department of Social Development has made to enable them to function in spite of all the challenges.

One of the participants said

“I would say, to me this funding that I received from the Department has managed to open other doors for me, and then also the vision that we had and the mission we managed to, the Department had made it so possible”. “The gains for us were that eh we could now actually eh move we could implement our program”.

Another participant stated

“The main gains, eh if you talk about gains I would say that for us it was a plus that eh we got funding from the department because this is what we actually needed to give us that boost so

that we actually become operational you know and we have to complement the department on that because as an as an emerging organization we needed this kick start”.

Another participant said

“Ehm, the gains is that now we you know, to be honest we were just doing this for free for a long time and it now it just, it makes it a lot easier because you know some people became desponded are like, you know, aha you know like I really go today and the thing you don't wanna you don't wanna loose people on the way maan you know, aha, you know so for us we felt like it was good to financially reward people for like the work that we are doing”.

Another participant stated

“Ok, what have I gained, you see first of all this thing of getting that funding in terms of poverty, we don't have poverty now like that like the time we are having its much better now then before and secondly, in terms of administration, you know administration is so expensive like when we do it because most of the things that we do, we do electronically like we sending emails, internet is so expensive”.

As mentioned in the literature Partnership Support and Funding Directorate (DSD, 2006) pointed out that for 2006/07 there has been an increase amount to support non-profit emerging organizations of about 5.2 million when compared to the previous financial year. In the financial year 2007/08 there has been an increase from 17, 5% to 21% and to 25% for 2008/09. This is indication that there has been an effort from the Department of Social Development to financially support the emerging organizations.

The emerging non-profit organizations indicated that receiving funding from the Department of Social Development gave the organization credibility to be recognised for funding from other funders. One participant said

“Ehhh, been funded by the Department of Social eh-h Service, for us, is giving us_ eh-hh, like eh-hh, wing to fly”. The participant further mentioned, “that we can fly because always when we give our report, they've said that who is funding, is this project, is been funded by who, and say it's been funded by social services and is giving you eh-eh-eh, everyone is willing to put money”.

Another participant said

“We are able now to have an office which is opened from nine to four depend on the clientele, so we are able to sustain our office with seven and a half thousand rand including paying our fieldworker which is very little money”.

The emerging non-profit organizations have also experienced the funding process as forming and encouraging partnerships with the Department of Social Development.

One participant stated

“Now it has given us that sense that here the Department that partner sees us as highly potential so it boosts your self-esteem”.

As indicated in the literature review, the Policy on Financial Awards (DSD, 2004) confirms this notion by stating that partnership between the parties is also promoted through the signing of the contract, called Transfer Payment Agreements (TPAs). According to the African Youth Alliance (undated) in many developing countries governments are increasingly turning to nongovernmental organizations (NGOs) and civil society as partners in meeting their countries' development needs.

The Department's requirement for the Management Board to be established and strengthened Leadership has encouraged the organization to recruit board members from different backgrounds. This was experienced as the challenge because the organizations had to ensure that there is an existing management Board to oversee the functioning of the organization. In spite of challenges the emerging non-profit organizations have managed to establish management boards to promote good governance in the organizations. One participant stated

“There are six eh members on the board and then there are five eh four people working for the organization and we have like volunteers also like that that assists us when we have bigger projects”.

One participant said

“Eh, my board consist of people that are really passionate about what we do, but they are from different backgrounds of working with young people, which is my chairperson is the lady which is from Department X”.

Another participant stated

“And also my Treasurer is someone who is leading, who is school Principal, which is based in area Y, so those are the people that are having a background of working up with the communities, so having them on the board, I think it’s a privilege, its an honour, you know having them around, I think they are people that are guiding project”. Another participant said, “There is a board although with they have low skill because the chair person is actually a principal and then I’ve got a lady who is CD, she is a dynamic woman. We’ve got another lady on the way she is a young artist, a very dynamic, she is also involved in the community and then we got another guy, he’s a pharmacist, he serves on other boards, so the skills are there”.

Another participant said

“Yes, and I’m having Father X as a member of the church because this project was started by the Church and I’m having Mr. X and Mr. Y is one of the members who have started up this Khayelitsha organization who was having that idea but now he is prospering, busy with another Institution the whole of Western Cape, he is giving more advisers here because he is exposed about the industry of Khayelitsha B and I’m having Mr. X who is our treasurer, he is working hand in hand with our administrator here so that he can know about the finances that we are having here and also I’m having eh a lady, I mean, she is our secretary, she is capable”.

Another participant stated

“We are considered to be lucky, as a young organization we have a, a good board members, we do have 6 board members, Um, we have three women, and three men, Um, but, it also, it comes to in terms of the relations, Um, so, um, in our next meetings, um, we are trying to change it a bit more this year, Um, so we’ll have another chairperson, probably this year... not a new board and they said we need to co-opt another two people, just to make it more stronger, but anyway I’m so happy with my board”.

Another participant said

“The board of governance has the a professional board, someone who is an ex social worker who is also one of our coordinators and then we have a Dr X., we got an attorney who is female, a teacher and there’s another man who actually work work in social service with the M& E team, so we also need to just have supposedly so called a white person and then a Xhosa person on the board, we have already asked some people but they were too busy but that is in the process”.

As mentioned in the literature, Panel on the Nonprofit Sector (2007) states that the board of a charitable organization should establish its own size and structure and review these periodically. The board should have enough members to allow for full

deliberation and diversity of thinking on governance and other organizational matters. These emerging non-profit organizations have made efforts to ensure that their management boards are diverse with experts and have experience in the field of the service to be provided.

Coupled with the requirement to establish a Management Board to access funding are the strategic and operational functions to be performed for the organizations to provide an efficient and effective service. Acknowledging the fact that the non-profit emerging non-profit organizations are basically new and growing organizations is good but it is important that there is annual planning and meetings are held appropriately. The study has revealed that these emerging non-profit organizations are in different levels in terms of performing these functions.

The researcher can cautiously say that with her own experience of dealing with organizations that are emerging it is important to verify the existence of such a non-profit emerging organization and the operations before funding is provided. In respect of their crucial meetings the emerging non-profit organizations indicated to be in the process and others have planned and others already held meetings such as annual general meeting (AGM). This aspect is important for the emerging non-profit organizations to demonstrate accountability. One participant said

“We haven’t had an AGM, yet since I’ve mentioned from the beginning that we only received the funding in October so at least but in all events that have taken place, all the board members have tried to be present”. Another participant said ‘The AGM, what we according to our constitution we said every second year we will have our annual general meeting right, our last BGM was in 2005 right, it was going to be again this year, but what happened was the restructuring of the constitution is not right so we set up that we have so we are working towards that, we are working to relooking at the constitution and maybe from there we will be able to meet once a year at the AGM and at the BGM every second year”.

Another participant said

“Eh, the last AGM we had last month because our end year was in March, so we are in May now but we will have one in March”.

Another participant said

“Fortunately by the 1st of August, we will be having our board meeting again, then that is where I will raise that to the board as to when that can take place and when can we have our AGM”. The other participant said “We’re not at that point yet, we’ll have our first AGM eh, in 2008”. Another participant said, “Because we just been functioning from September, so we are fairly, fairly new”.

Another participant said

“The AGM we did it in November after we had our meetings in November and end of November, the end of November also is when we meeting for all our members”.

Another participant said

“And also when conducting meetings ehm I’ve got to be that go between and lot of influence, yes, we’ve had one AGM, ehm and also we have our monthly meetings so we have like meetings on the spur of the because because of decisions again, eh, well, normally, we have like our annual meeting just after August”. The other participant stated ‘Eh, we have biannual general meetings and in terms of the nature of programme that we doing we felt that if we have an annual general meeting really we won’t be giving time for our board to really understand the task because the programme we doing are very unique, they need a lot of timing and chairing, so if its one year we believe that someone might not have done what he or she is supposed to do”.

As mentioned in the literature Panel on the Nonprofit Sector (2007) suggests that organizations also should consider making information available on the methods they use to evaluate the outcomes of their work and share the results with the public. Kuan et al (2000) mentioned that there is recognition that accountability standards need to be strengthened by different stakeholders including a number of organizations, the government and the general public.

For operational requirements it is clear that the non-profit emerging organizations function and reporting mechanisms occur at different levels as reported by the organizations. One participant said

“I will submit the report. A monthly report to my board, whenever are having like a monthly meeting, a board meeting, I will submit up and give the performance of each service provider and each person that is working within the project itself, then I will do that feedback”.

Another participant said

“And um, we are connected to email so we don’t just waiting for a meetings to be called so everyday activities so we can send the e-mail to each board member”.

Another participant said

“But normally eh what we’ve done we have established a board of trustees and there is a working committee as well, it comprise of management committee and working committee. They meet more than once, like every second or a week almost just to daily involve with this, so but then for us its consultation, takes place right through, up to the chair person, consultation, right through nothing gets done without consulting the relevant role players”. Another participants said “Ok, with my meetings with my board, whatever we have to embark on with a board meeting we try to to to look or to decide for the next board meeting while everybody is present, that is a way of keeping them being also responsible, so that immediately after the meeting we suggest the date that we should have the next board meeting so that is how are manage not miss our board meetings”.

Another participant said

“Ok, Its,eh, basically we have a meeting every month, eh sometimes more that once a month, for the mere fact sometimes there’s sometimes there ‘s a lot of difficulties ehm when it comes to on the spot decision making so we have to access everything from a week to week basis”.

The participant further mentioned

“We have daily meetings, 30 minutes, every morning, to reflect on all different things and then on Fridays we have another staff meeting and then on fortnights we have meetings with service providers before the month end, before they submit their reports and then we’ll have the meeting”.

Another participant said

“Very much so, we had a meeting with the board last year, the fourth meeting was on 19 December 2006 right, the middle of 2006 was M& E staff member, Mr X, we asked him to assist us with the workshop in how to identify the board and keep performance areas and so on, and so on. This is what we did and end of December 2006 we were able to get some people together. These people were identified in the workshop that Mr. X assisted us with in April month and social service has the report now they are all professional people and do help us in fact when we met on the 31 of march this year they said they had gone through our constitution and they were saying Ms. X, I think the constitution and they were saying I think the constitution need to be relooked at, so we need a new constitution”.

Another participant said

“So, eh, in terms of deadline, it depends, eh deadline in terms of eh strategic planning deadline about reporting because eh the board have some requirements which is in term of eh, narrative report like eh SARS eh all those kinds of things, I think there are some things which are different, there are some things which we are doing and are things which the board need to do it, and I think we know what we need what is it to be done and I think we have a secretary among the board members which consist of six people who are everyday informed if eh some adhoc meetings if there are there and eh, if the board cannot meet because others are struggling so the three people will formulate the adhoc meeting and take decisions”.

Another participant said

“Well, ehm, we normally have like meeting and we have specific deadlines that need to be met, ehm so a lot of a time ehm at the end of the week or we normally on Friday just before everyone lives we have a get together and we discuss what has taken place in the week, ehm, and if there was anything wrong and that is if its conveyed to the board, or board, or brought up in the next meeting, so a lot of times there’s an agenda set for these types of meetings and we raise all those issues”.

One participant said

“There’s always like someone coming to check see what we doing, check our reports like what is happening, how many kids we seeing this week, you know the structure are basically that we that we keep report on what is the next step and non of these decisions are like ever made without the other ‘s consent”.

As mentioned in the literature the Panel on the Nonprofit Sector (2007) guides that the boards of the organizations should meet regularly enough to conduct its business and fulfil its duties. The Panel on the Nonprofit Sector (2007) also mentioned that the boards should receive and review timely reports of the organization’s financial activities.

Leadership and management of the emerging non-profit organizations are important and emerging non-profit organizations indicated different styles and patterns of leadership in relation to the board management. Communication is imperative for the leadership to overcome possibilities of labour relations issues becoming grievances in the organizations. It is crucial for the leadership to encourage good communication channels that may lead to minimal conflict in the organization. Lack of communication may lead to unnecessary conflict and can be a hindrance for growth

and development of the organization. The emerging non-profit organizations indicated that board members can play a big role as a support to the leadership to effectively function. One participant said

“To be honest I have to take a lot of heat sometimes eh because like say prior to a meeting like especially when it comes to just this arranging of this meeting at the end of the month, like you’ve got to make sure that everybody is there in some of the cases like emotions, Ja, ehm, that high, it’s that time of the month, ehee, so its ehm, I got to play my part without taking any sides”.

Another participant stated

“But it happened that, to avoid too much questions, ehm I involve the board in the many activities which I’m doing and I say really we work very well and the its like eh most training and other things, there are other things they don’t understand so I must phone them or must send the emails to say these things or there are some questions regarding reporting and sometimes I’m stuck and I don’t know what to do, what is the way of putting this, they look at it”.

One participant said

“Eh, I will say now with the technology that we are having, you know, communicating through the emails and telephones that is the way that makes it so easy to try and communicate on daily basis”.

Another participant said

“And that for me its very important because sometimes the board feels they like you know because they are in the office to see what is happening they sometimes feel like maybe someone is doing a lot more than the other or like one person hasn’t been around like a few days you know ehm I have to then fill them in on what is happening and that sometimes eh ehee how can I say you could sometimes because we so close maan its sometimes it’s a bit difficult to like be that neutral person I got to stand up for people that are here as well”.

Another participant said

“But I have a very good relationship with all the board members with the executive of the organization because I have been part of the process right from the start from grass root level up to be where I am today so I do have a good communication strategy within myself where I am kept on my toes, that I am not eh expecting too much of people unless I haven’t done it I cant have any other expectations from people so I try to do the things before before I expect

people to do things, but eh there is communication structure. It is placed on the walls of the organization”.

One participant said

“We are able to handle that and conflict is good right to handle conflict because that keep you on your toes that also tell you as to where are you now and that helps you to redirect or restructure”.

Another participant said

“Eh we actually need personal development training and assertiveness, self sustainability, leaderships, roles and functions of staff, board and volunteers or membership”. The participant further said “, when they received training, they must be held accountable, for the training that they received, you know what I’m saying and mechanism will be put in place to keep them accountable”.

Another participant stated

“Eh, by having some meeting that, you can get maybe some views also on the floor because as you know that maybe the board is not perfect all the time and also myself I am not perfect all the time, I can get my group from the floor that they give us this direction that we should take”.

Another participant stated

“Ja, the challenge, ehm, we, how are all members are lastly or we do eh conflict eh management workshop organised by a centre for conflict resolutions here in Cape Town”.

One participant said

“What is good maybe is to manage the conflict. So, Oh, we can’t avoid the conflict, the conflict is good because after the conflict so after the conflict, I can see my weakness, so always in our meetings we talk, the conflict is good, there’s always conflict’. The participant further said “do you understand, its not only, I’m eh the boss. So I don’t say no no you can’t meet one of the board members came and I called another staff member so when the board member came she is not about what is the situation is, so and we could talk, we could talk, ja so he is from outside, he could say his own view and I explained myself, so ja we can’t avoid the conflict, the conflict must be there, ja, the conflict must be there”.

One participant said

“It happened but now everyone understand where he stands they brought some staff like, I’m too good in allocating some of the things and there are some learning’s also. ja, but at the moment I never sent for disciplinary hearings because I’m still over in my capacity”.

As highlighted in the literature review communication is crucial in various aspects in the emerging organizations and Wedin (2007) confirms this notion and points out that lack of communication in respect of utilisation of funds and the funder's expectation has led to a number of conflicts in the CBOs. It is also important that the management has to be clear regarding the labour policies to enable them make sound decisions in the workplace for both employer and the employee.

The emerging non-profit organizations also experience and perceive the Management Board as a support and monitoring structure to assist them to keep up good performance. These organizations also acknowledged the fact that the external monitoring is necessary.

One participant said

“Yes, it is, I think the any they are doing, is they came up since we are emerging organization we are having our board meetings on monthly basis, and then whenever they do have sometime, they'll come around in the office just to look at the staff, what is happening and all that so when they come around and visit it's like I'm also being monitored which is that makes me feel more stronger because I know that my board is in full support of the organization”.

Another participant stated

“Eh, I think that the one thing is to make them happy, when they see the report as to what you're doing. Just to see, we have planned this we have done this and we send them the pictures, ehm, first, they must find that the organization which they are serving is something very important for the communities, they must always updated about the activities and also in term of the finances, they are small organizations, but we are, you see our bookkeeper, we have an accountant, we have an auditor”. Another participant stated, “I will submit the report. A monthly report to my board, whenever are having like a monthly meeting, a board meeting, I will submit up and give the performance of each service provider and each person that is working within the project itself, then I will do that feedback”.

This demonstrates that the leadership of the emerging non-profit organizations are being accountable and utilizing the management boards in a meaningful way. The study also reveals that the management boards of the emerging organizations are playing an important role to provide support to the leadership in terms of financial management and operations of the organization. This is commendable considering the

fact that the management boards do not receive compensation for the work they do for these organizations.

The organizations have also experienced monitoring and evaluation processes conducted by the Department of Social Development pertaining to the funding of their services. The emerging non-profit organizations are expected to be accountable in managing the funds allocated to them. One participant said

“Yes, and then I submitted a quarterly report so that was part of monitoring, I will regard that as part of monitoring”.

Another participant stated

“ Ja, ehmmm, is very important, because is, ehhh, to monitor, because development is quite, ehhh, huge, and if you want to, ehhh, one of the things in development is planning.ehhh, you can't plan if you don't know what is your strength, what is your weaknesses, and also what is the employment, because employment is always changing,_so, it is, is, is very important that there must be some tools which, ehhh, the Department can put in place. But those tools must be sharing with us, which your Department must come to us, Ehmmm, beside, that one ourself as organization we have our own intern, ehhh, monitoring mechanism, which we are putting in place to evaluate ah-ahh, our activities”.

Another participant said

“I think, eh monitoring, I really support the system of monitoring and evaluation because that is where you going wrong, and then if there is no one who is not monitoring you besides board and then the funders are monitoring you, you tend to be more motivated because you know that these people have assisted me and then I need to deliver, so it's a way of motivating you of delivery within our communities”.

Another participant said

“So that we can be kept on our toes and be accountable and also so that they can pick up if there's anything that we don't understand clearly they will be able to pick it up and say ok it seems as you are struggling with that, what is it that you struggling with and how can we help you”.

Another participant said

“It actually renders support and assistance to organizations capacity, you know. I feel its something good for organizations to have monitoring and evaluation and also mentoring,

although I can understand that they can't play that mentoring but evaluation personally I think its important because eh organization should also have accountability, you know".

Another participant said

"But then also we had an M&E team, your social service monitoring and evaluation team in 2005, and they could see when they came here they couldn't sit in a office because it was a store room and then they said but you can't work here and they helped us".

Another participant said

"We have received the report yes, and the report was, we must have a governance board of governance, we got that board of governance".

As highlighted in the literature review the Policy on Financial Awards (DSD, 2004) highlights the important function monitoring and evaluation should play in the non-profit sector. Magongo et al (2004) also points out that follow up systems to monitor outcomes of the funding are not sufficient from the donor agencies. Strengthening of Monitoring and Evaluation practices is critical to assist in tracking progress and identify the gaps.

Capacity building and lack of it was identified to be an area to be strengthened for the organizations that are in the process of being funded by the Department of Social Development. Capacity needs were highlighted by the non-profit emerging organizations in order for them to be in compliance with the Department of Social Development's requirements.

One participant stated

"Since I have mentioned that currently we are on a training with one of the service providers that are trying to equip us as an emerging organizations, I have also ensured that with the board and they also had a look at it, so that's also some of the equipment we are using to assist the organization in terms of organizing and planning, having a more clear direction and a plan".

The other participant stated

"Ehm, they have received training, for example, our executive members have received project management training like I said before, hmm, and how to develop a board right and fundraising, they still have governance and other workshop, training outstanding received from, the NPO coaching, by the Department of Social Development".

One participant said

“Yes, I was having board members in the NPO training, but eh last time I didn’t have it because they were complaining that they are working, and the NPO coaching is running during their working hours because I have a very big challenge, and they are giving that thing is gonna give back and impact to their jobs, they have to work because they are having families you know but they are giving time to the organization”

As mentioned in the literature review McKinsey and Company (2001) mentioned that capacity building has been insufficiently supported in the past by the funders and the managers gave less priority to capacity building as opposed to the programmes they were funded for. McKinsey and company (2001) further mentioned that this position has actually changed and traditional foundations and venture philanthropists put emphasis on investing in capacity building of non profit or and giving financial support for building capacity of organizations. Magongo et al (2004) also support this notion and mention that international donors who are funding community based organizations can only receive “better value for money” if all their community based funding strategies have an organizational capacity building component that supports planning and management.

The emerging non-profit organizations realise the need for capacity building of the members in the organizations. It is also clear that non-profit emerging organizations differed in terms of skills and capacity needs required for their individual members.

Another participant stated

“Ehm, the administration and the infrastructure side of it needs to develop because I think nobody is really skilled enough in like those aspects, like, like, here you get, ok people have set task of like what they want to do but I think it needs to be a bit more ehm, we need to have that type of office this is not really, ehm”. The participant further mentioned “so ja, we just need to, there’s other people like other people if like there’s more money we could employ somebody to like to be in this type of office you know that take of documentation, you need that”.

One participant said

“I would say in to work ethics because currently you know when you are working with people from the community and work in the community it’s always a difficult situation, people need to really to take work seriously that I’m from community. I’m working for this community,

and then they need to be like an example with our community, this is a challenge I feel that we are facing within the organization”.

Another participant said

“I think we need to be capacitated on fundraising because the reason I’m saying that especially on fundraisings we don’t have, we don’t have ideas of fundraising”.

Another participant said

“Because in terms of negotiation skills we need to convince people out there, we need to convince funders that we are a good organization, that we are an organization that is not just of local but of regional, national and international significance, so negotiations skills in that sense are needed, and customer service and communication skills”.

As highlighted in the literature review Argano (2007) emphasised the aspect of self-development as important and points out that developing yourself begins by serving, by striving toward an idea out side of yourself-not by leading.

The development and growth of the emerging non-profit organization from the beginning to an ideal state of an established organization is important. There is a great need to track progress in the organization. In order to track growth and development of the non profit organization the leadership has to ensure that he or she has a sense of where the various projects and programmes stand as coordinated by the staff members and the assignments.

One participant said

“ Precisely, precisely like were into hard skills, which is new in this area and there is a continuous for me, not because, that’s why this working committee, because the working committee, comprises of instructors, facilitates the modules, so there is that continuous for me, not because, that’s why this working committee, because the working committee comprises of instructors, facilitates the modules, so there is that continuous interaction of myself and there I know exactly where are they in terms of, in time for the modules, in progress, ja”.

It is important to also note that each emerging non-profit organization may view growth and development differently depending at what stage the organization positions itself or is viewed as being. In my experience as a field worker growth may be interpreted in different forms according to the implementation of activities,

progress and their increased involvement in experiencing advanced work in a particular field in the organization. Another participant said

“Ehm, this year November as I said, we met with the Board, not only the board alone, also the volunteers, Like Wednesday eh we doing evaluations so we’ll call the people to look at the plan for 2008, after this programme there is one strategy, one, so each year we are growing”.

Addressing the issue of fundraising within the non-profit sector especially in respect of emerging non-profit organizations is critical.

One participant said

“Again, as I said as an emerging organization, we actually, haven’t, we’re not at that stage yet, where the board is involve with fundraising, although, eh, last week they did come up with issue like this, and also then I must say when it comes to board members eh in our area, eh I just have that sense that its happening in other communities as well, the board members and management need to find that conducive relationship”.

4.2.7 Changes to the funding process

Many of the participants expressed their views in respect of the manner the funding process is driven. Proper consultation was identified as a matter that needs to be looked at by the Department of Social Development when executing this function.

One participant stated

“The funding process, I would say that for now I think the Department should actually eh, there is always nice things one can say about the Department, I also think that they didn’t consult with with us in the first place”. “Although we are grateful for the money they gave us but we feel that they should at least started a consultation process”.

Another participant stated

“Um, ja, what I, what I discovered is that um, the, the, the, need to be too much short notice that please come tomorrow, there will be this, maybe you are not available. Um, but they need to be given more time, maybe, you could say that in two months time people need to submit the proposal, maybe in one months time there will be time for work-shopping” But its happening that with the Department that its always short time, ja, short time, come for this, just, you are doing things in a hurry, so, soso it should be planning, planning with the organization”.

Another participant said

“My request is that sometimes you can say listen next year in July the people who are funding will go weekend workshop or one day so that people can plan and we have more time because in that time you can achieve more than in such a, a, a short meetings, which is perhaps, sometimes people don’t attend or if they attend or if they attend, they attend half sessions”.

It became clear that the emerging non-profit organizations are not satisfied in the manner consultation is handled by the Department before allocating the funds. It is important to note that these organizations link this lack of proper consultation with lack of proper planning. The application form to access funding was identified by the participants as the biggest challenge in the funding process. One of the participants said

“That is new you know, too rigid its too complicated, you know eh especially eh for emerging organizations I mean I am speaking purely emerging organizations and the that one has, I can understand because I’m on the other side, I feel that Social Development component should actually have regular workshop or at a certain time when they know when the funding cycle starts they should call on, go in to the data base call on, call on the organizations that are currently funded or that is applying for funds and take these organizations to a place at a workshop where they are actually assisted in filling out these forms”.

Another participant said

“Like I said we are so in need of funds and because we’ve been working all these years as volunteers, you got to motivate the people at least with something and with salaries that community development worker get is so little, you know but at the end of the day the service are sometimes better than those professionals”.

Another participant said

“I think the matter of trust, I think Social service don’t realize is that at lot of our own personal human element the compassion which you can’t put money to, is like measurable, you can’t actually put value to that and I think they just expect this is good enough for you but they don’t measure the value of human capacity, human compassion into what you call it, applied into the work that we are doing you know, so they need to take note and sit with us and say, so and so, what exactly are doing you know and then calculate the time that people work at least just give them something different because at the end of the day it is also poverty alleviation that we are doing, these people are under sixty years old, right and they need to go and work”.

The emerging non-profit organizations emphasised the fact that the Department of Social Development should consider all resources that are needed by the organization to provide a better service. Wright (2007) in support of this notion states that the cost of overheads in service delivery is a challenge. Wright (2007) elaborates that for the organization to survive and grow business requires cash-flow and too often overheads are viewed with suspicion by funders and policing how much money is being diverted from direct delivery. Wright (2007) further confirms by pointing out that restricted income is a challenge facing non-profit organizations.

The participant further stated

“That is what is what can be done because I think poverty alleviation strategy is important and social service is not looking at eh if you give this organization they have so many members, and they have rooster, they have registers and things in place and they see ok they are so many people if we can give them so much money and then at least we keep some of the people there and the one will say to other and more people will come in do you hear what I’m saying, and we will be able to split the work, will be able to split the awareness we are looking at also the support groups”

The emerging non-profit organizations expressed the need for sufficient financial support to enable them to perform the work effectively. Wright (2007) in support of this notion states that the non-profit organizations are unable to invest in the growth of their people leads to managers burning themselves out.

4.3 Conclusion

In this chapter research findings according to themes and their related categories is presented. Sub categories were discussed and used in the context within the framework of relevant literature. The final chapter of this dissertation will outline the conclusions and recommendations suggested in this research.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The main purpose of this chapter in this study is to outline the conclusions that can be drawn from the findings of this research. The study will also make some recommendations to be considered for the Department of Social Development, development workers, emerging non-profit organizations and future researchers.

5.2 Conclusions

The purpose of this research was an exploration into the experiences and challenges of emerging non-profit organizations with regards to the financing of their services by the Department of Social Development in the Western Cape. The literature reviewed suggests that the emerging non-profit organizations do experience challenges with regards to the financing of the services they provide to the communities. The conclusions outlined below will be discussed in relation to the objectives of the research study.

The following objectives were explored in the study:

Objective 1

-Explore the views of emerging non-profit organizations on their role in development

It is clear that the emerging non-profit organizations have a crucial role to play in the development of communities. The emerging non-profit organizations understand their role in the development of communities based on the background of their organizations and in terms of their focus areas in service provision.

Objective 2

-Explore the understanding and views of emerging non-profit organizations of the financing policy of the Department of Social Development.

It became clear that the emerging non-profit organizations have no knowledge of the funding policy. The Policy on Financial Awards document has to be made available to non-profit emerging organizations.

Objective 3

-Explore the challenges experienced by emerging non-profit organizations with regard to accessing funding from the Department

There is a revelation that there are numerous challenges facing emerging non-profit organizations. Funding process is a primary challenge for the emerging non-profit organizations in accessing funding. The funding process driven by the Department of Social Development is perceived as carrying potential hindrances for the emerging non-profit organizations in accessing funding. Proper consultation with the emerging non-profit organization prior funding is imperative to jointly agree on what to be funded.

Objective 4

-Explore the experiences of emerging non-profit organizations of being funded by the Department of Social Development.

In spite of many challenges and difficulties highlighted in the report there are benefits for the emerging non-profit organizations in receiving funding from the Department of Social Development

Objective 5

-Make recommendations with regards to the funding policy and process for the consideration of amendments.

It became clear that the Policy on Financial Awards document has to be made available to the emerging non-profit organizations and continuous capacity building and policy education is imperative. This will ensure that areas needing capacity building pertaining to aspects such as types of funding, financing options as outlined by the funding policy and other significant areas for the procurement of services have been dealt with adequately.

5.3 Key recommendations

5.3.1 To the Department of Social Development - Western Cape

1. Education on the Policy for Financial Awards is imperative for the emerging non-profit organizations.
2. The Department of Social Development should design strategies to fund the small local organizations.
3. The Department of Social Development should listen to the emerging non-profit organization's opinions and sentiments on funding issues and acknowledge their experiences and challenges in respect of accessing these funds.
4. Proper consultation prior to funding allocation is important for mutual decision making.
5. Aspects such as funding for Infrastructure that are hindrances to the emerging non-profit organizations providing a meaningful service need to be given consideration by the Department of Social Development.
6. The Department should strengthen capacity building interventions pertaining to funding processes for the emerging non-profit organizations.
7. The Department of Social Development should consider a stipend for those board members who lack financial resources to fully participate in fulfilling their functions in the organization.
8. The Department of Social Development should encourage/promote conferences or gatherings comprising representatives of these emerging non-profit organizations (CBOs) and other stakeholders. With the assistance of facilitators, the groups could share work experiences, identify development-related issues and obstacles, and propose new approaches.

5.3.2 To the development practitioners

Development practitioners employed by the Department of Social Development should ensure visibility in the communities they serve and ensure that the emerging non-profit organizations are capacitated continuously.

Development practitioners/welfare planners and programme coordinators should fully understand the funding policy and transfer this knowledge to the emerging non-profit organizations.

5.3.3 To the non-profit emerging organizations

Establishment of a forum for the emerging non-profit organizations is vital where they would share experiences and challenges and how best to deal with those.

The emerging non-profit organizations should take responsibility to find out about government policies and strategies that have an impact on their services.

5.4 For future research

Equitable distribution of resources to non profit organizations in South Africa, both urban and rural

Governance matters and problems for emerging non-profit organizations in the non-profit sector

Funding strategies need to be explored to ensure sound partnership between the non-profit emerging organizations and the Department.

5.5 Final comments

In this chapter a brief outline of the main conclusions and researcher's recommendations of this research has been provided. The researcher has emphasized some important aspects with regard to funding processes and wish that parties involved will consider the recommendations for planning purposes.

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APPENDICES

Appendix 1: Letter to the Directors

UNIVERSITY OF CAPE TOWN



Department of Social Development

Private Bag Rondebosch 7701 RSA
Telephone: 27-21-6503481
Fax No: 27-21-6892739
Email: mbooyens@humanities.uct.ac.za

The Director

August 23, 2006

Dear Sir/Madam

RESEARCH PROJECT: MS NTOMBOZUKO LECARDIA ZUKIE MAKENA

Ms Makena, employed by the provincial Department of Social Development, is a student in our department, doing a coursework Masters Degree in Social Development.

Part of the requirements of the course is that she should conduct a research study. The topic she has chosen is: The experiences of emerging organizations of being funded by the Department of Social Development.

Your organization has been selected to participate in this study. We trust that you will be prepared to have an in-depth interview with Ms Makena, during which you, as the director of an emerging organization, share your experiences and insights with her. Government funding of emerging organizations is relatively new. There is therefore much to be learnt from you and the other directors included in this study, which could feed back into policy and practice.

Should you want more information from UCT, please feel free to contact me. My office landline is (021) 650 3481.

Thank you for your cooperation.

Yours faithfully

Dr Margie G Booyens

Appendix 2: Interview schedule

RESEARCH QUESTION THEMES

1. EMERGING ORGANIZATIONS AND DEVELOPMENT

'Please talk to me about the role played by emerging organizations in development at community level'.

- a) What is your understanding of an emerging organization?
- b) What role do you think the emerging organizations should play in the development of communities?
- c) What role does your organization play in the development of the community you serve?
- d) How is the emerging organization different from the established organizations?
- d) What are the challenges facing emerging organization generally?
- e) What are the challenges facing your organization in particular?

2. FINANCING POLICY OF THE DoSD IN THE WESTERN CAPE

'Please share with me your views of the policy on financial awards of the DoSD'.

- a) What is your understanding of the policy on Financial Awards?
- b) What in your opinion are the strengths and shortcomings of this policy?
- c) How is the policy on Financial Awards viewed by other staff members of your organization?
- d) What do you think of the Department's expectations of the organization in terms of financial requirements and administration?

3. CHALLENGES WITH REGARD TO ACCESSING FUNDING FROM THE DoSD

'Please tell me about the challenges you and your organization have experienced with regard to accessing funding from the DoSD'.

- a) As an emerging organization, what did your organization find most difficult about accessing government funds?
- b) What (if anything) facilitated the process of accessing DoSD funds?
- c) What do you think of the DoSD's funding application form?
- d) What were your challenges in filling out the application form?

4. EXPERIENCES OF BEING FUNDED BY THE DoSD

‘Please talk with me about your experiences of being funded by the DoSD – the frustrations; the gains?’

a) What in your view are the main gains of being funded by the DoSD?

5. RECOMMENDATIONS WITH REGARD TO POLICY ON FINANCIAL AWARDS AND PROCESSES

a) What recommendations, if any, do you have regarding changes to the policy on financial awards and processes?

b) What (if anything) do you think should be changed with regards to the funding process?

c) Do you think it is necessary for organizations to be assessed by the monitoring and evaluation Directorate and if yes, for what purpose?

6. EMERGING ORGANIZATIONS AND BOARD GOVERNANCE

‘Please tell me about your board’.

a) Is the board skillful in helping the organization make decisions in important matters, if so how?

b) How does the organization ensure that the board members engage in productive and satisfying interaction with the staff and with the Director?

c) How does the organization ensure that the Board member’s time and efforts are utilized efficiently?

d) What approach/strategies has the organization put in place to assess the extent to which the board members are engaged in strategic matters of the organization?

e) What standards have been developed by the organization for the board to use to determine if it is meeting deadlines?

7. LEADERSHIP, MANAGEMENT AND THE CAPACITY OF THE ORGANIZATION

7.1 ‘Please tell me about your role as Director in relation to the Board’.

a) As a Director/manager of the organization how do you handle/run meetings with the Board?

b) How do you make sure that the information affecting the organization is distributed to the Board?

- c) How do you ensure that the assignments and individual responsibilities of Board members are clear?
- d) How do you make sure that you have a good sense of where the various projects stand and communicate this to the Board?
- e) How do you engage the members to seek better and new ways of dealing with problems and challenges?

7.2 *'In what areas does your organization need to grow and develop?'*

7.3 *'In which areas do your staff members need to develop their capacity?'*

University of Cape Town