

An exploration of
whether the Policy on Financial Awards for Service Providers
(Circular No. 17/2004)
is a reasonable solution to the subject of
welfare service financing

by

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A minor dissertation submitted in partial fulfilment of the requirements for the
award of the
Degree of Masters in Social Policy and Management

Department of Social Development
University of Cape Town
November
2005

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Declaration

This work has not been previously submitted in whole, or in part, for the awards 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.

Signed by candidate

November 2005

Mari Lotvonen

Abstract

Since 1975 the South African government has struggled to find a suitable way to finance welfare services that would meet both the welfare service providers' and the government's needs. In spite of several policy formulating attempts the solution has still to be found. The most recent policy document regarding welfare service financing is the Policy on Financial Awards to Service Providers (Circular No. 17/2004), which intends to transform the social service delivery system in South Africa.

The research undertaken was empirical research, aiming to explore whether welfare organisations in the Western Cape can meet the transformation criteria as stipulated in the Policy on Financial Awards (RSA, 2004a) and obtain funding from sources other than the government. The research sample was selected using the purposive sampling method. Sample selection criteria was that an organisation must have received subsidies from the Provincial Administration Western Cape (PAWC) in the financial year 2003/2004, must employ four or more social workers and the head office must be located in an urban area within the greater Cape Town. Only twenty welfare organisations met the sampling criteria therefore the sample became the research population. All twenty organisations participated in the research, resulting in a one hundred percent (100%) response rate. The research design combined three quantitative and qualitative data collection methods – personal questionnaires developed by the researcher, informal interviews with respondents, and document analysis of audited financial statements for the year 2003/2004. The data was collected between May 2005 and August 2005.

One transformation criterion is that welfare organisations' employment profiles must be reflective of the communities they provide services for. Based on the research findings, none of the welfare organisations meet this transformation criterion. If the Policy on Financial Awards is strictly applied, this lack of meeting the criterion is illegal in terms of South African labour legislation. In terms of service provision in rural areas the Policy definition was not precise, but the findings suggest that fifteen organisations (75% of the research population) are likely to face difficulties in meeting this transformation criterion. Based on the analysis of financial statements, seven organisations (35% of the research population) can be considered to be financially sustainable. In terms of obtaining funding from sources other than government the findings suggest that nine organisations (45% of the research population) have adequate fundraising strategies.

Acknowledgements

To Associate Professor André de V Smit whose guidance throughout the research process enabled me to achieve my goals.

To all twenty directors and Chief Executive Officers (CEOs) of the welfare organisations who, in spite of their hectic time schedules, participated in my research and provided the information required in order for me to carry out the research process.

To Ms. Nazlie du Toit from Community Chest who patiently assisted me in locating most of those welfare organisations that employ more than four social workers.

To Ms. Elizabeth Atmore who edited my work at very short notice.

And finally, to my husband for his support and understanding during this research process.

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Chapter 1: Introduction

This chapter briefly describes the research process undertaken. A brief background of the legislative framework in which welfare organisations operate is provided. In addition, the specific concerns which led to the selection of the research topic, whether or not welfare organisations in the Western Cape can meet the transformation criteria as stipulated in the Policy on Financial Awards for Service Providers (RSA, 2004a), are described. The selected research design and methodology is briefly explained, as well as the scope and limitations of the research. The ethical considerations of the research are outlined and the chapter concludes by outlining the rest of the research report.

1.1. Background

Since 1994 South Africa has been in a state of transformation. An important aspect of this is the transformation of the welfare delivery system. At National level the Department of Social Development is the main driving force behind welfare delivery system transformation. In 1997 the Department of Welfare (currently called the Department of Social Development) published a White Paper for Welfare (RSA, 1997), which is a policy document outlining government's goals for welfare transformation. One crucial aspect of the transformation of the welfare delivery system is the manner in which the government finances welfare services. Since 1975 the government has struggled to find a suitable way to finance welfare services that would meet both the welfare service providers' needs and the government's needs (RSA, 1991).

The most significant document regarding welfare service financing was the Financing Policy for Developmental Social Welfare Services (RSA, 1999) issued by the Department of Welfare. The Financing Policy (RSA, 1999) aimed to rationalise welfare financing and to provide national guidelines on how to finance developmental welfare service programmes. However, the Financing Policy (RSA, 1999) failed to be put into operation for several reasons, including the fact that the Policy was drafted within three weeks (Ned, 1999b), it was not broadly consulted, resource implications and costing were not dealt with (Bester, 2001), and the Policy was inconsistent with existing legislation (Masutha, 1999).

The most recent policy document regarding the welfare services financing is the Policy on Financial Awards to Service Providers, Circular No. 17/2004 (RSA, 2004a). In the Social Development Portfolio Committee meeting on 14 April 2003, it was agreed that there is a need for a new uniform policy on how to allocate financial awards to service providers, and that non-government organisations should receive more funding from the State (Theron, 2003; Lamani, 2003). Once again the plan was to shift from funding seventy-five percent (75%) of social workers' salaries to programme-based welfare service funding (Swanepoel, 2003).

During the same Social Development Portfolio Committee meeting, the concern was raised that the policies of the Department of Social Development were not consistent with South African legislation (Masutha, 2003) and therefore the legislation should be revisited and costed before implementing new policies (Theron, 2003). In spite of the concerns raised by Masutha (2003) and Theron (2003), the process of developing the Policy on Financial Awards (RSA, 2004a) moved forward.

In 2004, either in February (RSA, 2004b:55) or in October (RSA, 2005a:29) the South African Minister for Social Development and nine provincial Members of the Executive Council (MINMEC) approved the Policy on Financial Awards for Service Providers as a final policy document (RSA, 2005a). On 5 November 2004 the Policy on Financial Awards (RSA, 2004a) was forwarded to service providers in the Western Cape by the Provincial Administration Western Cape (PAWC). Provinces were expected to start implementing the Policy from 1 April 2005, according to the provincial social development priorities, even though it had not been costed and procedural guidelines had not been formulated. In its current form the Policy on Financial Awards (RSA, 2004a) aims to guide "...the country's response to the financing of service providers in the social development sector, to facilitate transformation and redirection of services and resources and to ensure effective and efficient services to the poor and vulnerable sectors of society." (RSA, 2004a:7) The Policy on Financial Awards (RSA, 2004a) outlines strict transformation criteria that service providers have to meet in order to qualify for financial awards from the State.

1.2. Problem formulation

The Policy on Financial Awards (RSA, 2004a) is a crucial document for welfare organisations because future financial awards from government will be based on the organisations' ability to fulfil the proposed transformation criteria. However, considering the past problems the Department of Social Development has encountered in its attempts to formulate financing policies for service providers, the concern remains – is the Policy on Financial Awards (RSA, 2004a) a solution to the past funding related problems?

For that reason this research broadly explores the issue of the provision of financial awards from the welfare service organisations' point of view. More specifically, the research explores whether welfare organisations in the Western Cape/Cape Town can meet the transformation criteria as stipulated in the Policy on Financial Awards (RSA, 2004a) and therefore obtain funding from the State.

The purpose of the welfare organisations is not to make profit but provide quality services to all South African citizens regardless of their ability to pay for these services. It follows that these welfare organisations are not likely to generate sufficient income from service fees and become financially sustainable in that way. Therefore the financial awards from the PAWC are likely to be the main income source of these welfare organisations. The concern is what will happen to these organisations and their clients/beneficiaries if these financial awards are discontinued because the organisation does not meet the transformation criteria as outlined in the Policy on Financial Awards (RSA, 2004a)? Linked to the financial sustainability and the organisations' ability to continue to provide services if financial awards are discontinued is the organisations' ability to raise income other than the government subsidy. For that reason the organisation fundraising efforts are also explored in this research.

By implementing the Policy on Financial Awards (RSA, 2004a) and strictly outlined transformation criteria the Department of Social Development aims to have more control over the services that it will finance in the future. The Department of Social Services states that it is the shared responsibility of the government and welfare organisations to provide social services to people in need (RSA, 2005a). The concept of shared responsibility implies that the Department of Social Development considers its relationship with welfare organisations as a partnership in which both parties

benefit from the relationship. In spite of the shared responsibility the Department of Social Development has the power to decide which welfare services are financed by the State. If welfare organisations do not provide services that are in accordance with the requirements of the Department of Social Development their services are not financed. This leaves welfare organisations with two choices: to adapt to the government requirements or to survive without government financial support. Both options require some degree of transformation within the welfare organisations.

It is acknowledged that the welfare organisations' transformation is often a challenging and painful internal process rather than just a detailed documentation of their operations. However, the transformation criteria as outlined in the Policy on Financial Awards (RSA, 2004a) requires that the welfare organisations have to provide visible evidence that the organisation has transformed or is in the process of transforming its operations in order to qualify for financial awards from the State. Therefore the research focuses on the technical aspects of the welfare organisations' transformation in terms of the Policy on Financial Awards (RSA, 2004a).

1.3. Motivation for the research

Since 1975 the issue of welfare service financing has been a problem for both the Department of Social Development and welfare organisations. The Department of Social Development has issued policies, notices, gazettes and laws regarding welfare service financing in an unorganised manner, which in turn has created a chaotic environment for welfare organisations to operate in.

In addition to the implementation of the Policy on Financial Awards (RSA, 2004a) another significant change influencing social welfare service delivery is the establishment of the South African Social Security Agency in April 2005 (RSA, 2005a:11). It is expected that this agency will be fully operational by April 2007 (Skweyiya, 2005) and will mean from that time onwards the Department of Social Development will not be responsible for social security issues such as social grants (pensions, child support grants etc.). Until now around eighty percent (80%) of the Department of Social Development budget allocation has been for social security payments and only twenty percent (20%) for the social welfare service delivery. For the financial year 2005/2006 budget allocation for social security increased to eighty-six percent (86%) of the Department's budget allocation (RSA, 2005a). Due to the establishment of the South African Social Security Agency (SASSA) the Department of Social Development has prioritised the transformation of the social welfare delivery

(RSA, 2005a). The Department of Social Services and Poverty Alleviation in the Western Cape also has prioritised the transformation of the welfare service delivery as one of the transformation objective states "Service delivery priorities have been established and resources allocated to areas of greatest need by March 2009." (RSA, 2004c:43)

The Department of Social Services and Poverty Alleviation received a total budget allocation of R4.9 billion for the 2005/2006 financial year, which is almost 24% of the provincial budget. The allocation to social security is a R4.2 billion conditional grant, which is more than eighty-six percent (86%) of the Department's total budget. For social service delivery it was allocated R670 million, which includes two conditional grants: R20 million for Integrated Development Plan (food grant) and R6 million for HIV/AIDS (community based care). The allocation for the social service delivery increased by more than R62 million (about 10%) from the previous year's budget allocation. At over R310 million, subsidy payments for social service providers make up the largest portion of the total budget for social service delivery (Mqulwana, 2005).

Although the goal of the Department of Social Services and Poverty Alleviation is to establish service priorities and reallocate resources by March 2009 the budget allocations for the financial year 2005/2006 display a shift in the provision of financial awards to service providers. According to Mqulwana (2005) and the Draft Transformation Plan (RSA, 2005b) for the financial year 2005/2006, twenty-five percent (25%) of the annual budget allocation for social service providers is reserved for the previously excluded organisations that are based and operate in marginalised communities and to the organisations that have previously been inadequately funded. Mqulwana (2005: unpaginated) also states that the Department of Social Services and Poverty Alleviation will "...develop and implement an intensive programme to nurture and build the capacity of excluded organisations to deliver services within the department's requirements."

In order to fulfil the provincial welfare service delivery transformation plan the Department of Social Services and Poverty Alleviation released a Draft Transformation Plan for consultation on 20 April 2005. The Draft Transformation Plan (RSA, 2005b) is heavily guided by the Policy on Financial Awards (RSA, 2004a), especially in terms of the requirements that organisations have to fulfil in order to qualify for financial awards from PAWC. The Draft Transformation Plan (RSA, 2005b) outlines the provincial priorities in terms of target populations and geographical areas

in social welfare service delivery. For instance, services to the youth are one of the provincial priorities and Mitchell's Plain and Khayelitsha are considered to be two priority geographical areas for resource distribution in the Cape Peninsula in the Western Cape. In the Western Cape the Department of Social Services and Poverty Alleviation has identified the following rural areas as high priority areas (Presidential nodal areas) for resource distribution: Central Karoo, Theewaterskloof, Matsikama, Witzenberg, Cedarburg, Worcester, and Oudtshoorn (RSA, 2004c:11).

Due to recent changes within the Department of Social Development, including the establishment of the South African Social Security Agency, the implementation of the Policy on Financial Awards (RSA, 2004a) and the release of the Draft Transformation Plan (RSA, 2005b), welfare organisations are under increased pressure to transform their operations if they have not yet done so. Because of the recent changes, the possibly severe consequences of the implementation of the Policy on Financial Awards (RSA, 2004a) and the general lack of research on the welfare sector, it is essential to investigate where welfare organisations stand in terms of the current environment.

1.4. Preliminary literature review

The Policy on Financial Awards for Service Providers (RSA, 2004a) is a new policy document therefore, there is no existing literature directly relating to the Policy or analysis of the implications of the Policy. The Department of Social Development acknowledges that, whilst the social welfare service delivery system has transformed in the past ten years (RSA, 2004a), there are still critical challenges that have to be dealt with in terms of the further transformation of service delivery. Examples of these challenges include: accessibility of services (especially in rural areas), deracialisation of faculties, development of community based services, representativeness of the management boards and personnel, ensuring the sustainability of emerging organisations, building management and financial capacity, and the development of affordable costing models (RSA, 2004a). For subsidised organisations this means that they have to go through an internal transformation process in order to deal with the above listed challenges.

McKendrick (1992) argues that the most difficult shift for welfare organisations is to change the nature and direction of the services they provide. The perceived lack of organisational and/or management capacity of welfare organisations is another issue that these organisations have to deal with (Watson, 2000; Swilling and Russell, 2002;

Kraak, 2001). One contributing factor to the lack of management capacity is likely to be that traditionally case workers, such as therapists, who lack management training have been promoted to managerial positions (McKendrick, 1985).

In terms of the open systems theory the external environment influences the organisations' capacity to meet the internal and external organisational challenges (French and Bell, 1990). For instance, there may not be skilled and qualified management board members and/or employees available from previously disadvantaged communities. Another concern is that if these organisations use their scarce resources to provide services in rural areas, they have to cut down on services in urban areas, where the majority of the Western Cape population lives.

The transformation of welfare organisations' requires time and resources. Since most of these organisations are likely to be dependent on government subsidies, they face the dilemma of transformation in an environment where they might not have the necessary resources to change but are compelled to do so in order to secure future resources.

The Policy on Financial Awards (RSA, 2004a) outlines fifteen specific transformation criteria based on the identified challenges facing social welfare service delivery. From a theoretical point of view, if an organisation has a sound management system, the organisation should not have difficulties in meeting the proposed transformation requirements. Therefore management theory, especially strategic planning, programme planning and controlling aspects, guides this research process.

The Policy on Financial Awards (RSA, 2004a) has a direct influence on how the government will determine the provision of financial awards to welfare organisations. The Policy also requires that these organisations have to become less dependent on government funding. In order for organisations to become less dependent on government funding they have to be able to raise funds from other sources. One of the most cited problems facing welfare organisations is a lack of funding. A well-planned, clearly formulated fundraising strategy (Cuthbert, 1992; Cook, 2002) will enable welfare organisations to become less dependent on government funding.

1.5. Research goal and objectives

The research goal is to explore whether welfare organisations' in the Western Cape/ Cape Town can meet the transformation criteria stipulated in the Policy on Financial Awards for Service Providers (RSA, 2004a) and therefore obtain funding from the state.

In order to achieve the above research goal the following four objectives were set for the research:

1. To establish the number of welfare organisations that meet the transformation criteria as outlined in the Policy on Financial Awards (RSA, 2004a) and to explore possible difficulties in meeting the transformation requirements.
2. To establish organisations' capacity-related difficulties if they do not meet the transformation criteria.
3. To explore if the organisations will be able to raise adequate income to continue their services if the subsidy from PAWC is discontinued.
4. To explore if the transformation criteria as outlined in the Policy on Financial Awards to service providers (RSA, 2004a) is realistic in terms of redirecting social welfare service delivery.

1.6. Research design

This research is an empirical research aiming to explore the possible difficulties welfare organisations face in terms of the transformation criteria as outlined in the Policy on Financial Awards (RSA, 2004a). The exploratory research design was selected because there is no existing evidence of the welfare organisations' ability to meet the transformation criteria. In order to collect relevant and meaningful data the research combined quantitative and qualitative research designs. The research adopted three data collection methods. The first was a personal questionnaire developed by the researcher. The second data collection method was an informal interview, which took place either while the respondent completed the questionnaire or after. The third was the document analysis. Analysed documents were audited financial statements for the year 2003/2004 and annual reports for the year 2003/2004. The research utilised triangulation in a sense that the data was collected through three different data collection methods.

1.7. Research methodology

1.7.1 Research population

The research population in this research was twenty well established non-governmental organisations (NGOs) that provided social welfare services and received subsidies from PAWC. The implications of the Policy on Financial Awards (RSA, 2004a) are likely to be more seriously felt by organisations who receive subsidies from PAWC, who employ many social workers, and who are located in urban areas. Therefore the population selection was purposive selection process. In order to select large, urban based welfare organisations the following three selection criteria were established:

1. Subsidies from PAWC

An organisation must have received subsidies, either for providing social welfare services or special projects (conditional grants), from PAWC in 2004. This criterion was set as organisations receiving subsidies from PAWC will be affected by the Policy on Financial Awards (RSA, 2004a).

2. Number of employed social workers

An organisation must employ four (4) or more registered social workers. This criterion was based on the assumption that the greater the number of social workers the larger the amount of the PAWC subsidy.

3. Geographical location of the head office

The organisation's Provincial head office/general head office must be in one of the following magisterial districts: Bellville, Cape Town, Goodwood, Wynberg, Athlone, Mitchell's Plain, Kuilsriver or Simon's Town. The reason for defining geographical area was that according to the Policy on Financial Awards (RSA, 2004a) urban based welfare organisations are likely to experience difficulties in providing services at rural areas.

After going through the PAWC database2004welfareorgs (RSA, 2005c) and making several telephone calls the researcher was able to identify twenty welfare organisations that fulfilled the set criteria for the research population. Since the research population was only twenty welfare organisations, no sampling method was utilised but all twenty organisations were contacted.

1.7.2 Data collection instruments

Data was collected through a personal questionnaire. The researcher developed the personal questionnaire that would collect a specific set of data for the purposes of this research. Since the personal questionnaire was not a standardised measurement instrument, its validity and reliability were not scientifically tested. Based on the execution of the personal questionnaire it can be said that within the twenty respondents the questionnaire produced constant responses.

The personal questionnaire explored what the welfare organisations currently have in terms of the transformation criteria by requiring 'yes or no' responses to the questions regarding the transformation requirements. Based on the 'yes or no' responses the questions were explored through more in-depth, predetermined choices. The predetermined choices were based on the management theory and current literature about the perceived capacity problems of service providers. If none of the predetermined choices were applicable to the organisation the respondent had an opportunity to write down an applicable option.

In this research the term informal interview is used to describe the conversation that was initiated by the respondent either while the respondent completed the questionnaire or after. The issues raised by the respondent were related to different aspects of the questionnaire and these issues were discussed. The respondents were asked to write down the discussed issues in the questionnaires (the 'other' option had space to write on). The document analysis took place after the respondent completed the personal questionnaire and provided the requested documents such as annual reports and the audited financial statements for the financial year 2003/2004.

1.7.3 Data analysis

The data collected through the personal questionnaires and informal interviews was recorded immediately as the respondents completed the questionnaire and wrote down their comments. The numerical data from the questionnaires was recorded in Microsoft Excel spreadsheet software and the same software was used in analysing the questionnaire results. Questionnaire data was mainly nominal, in which numbers do not have value, but the numerical responses could be counted and their frequency of occurrence described. The nominal responses were analysed by using descriptive statistics (Fink, 1995) – the proportion, percentage, ratio and rate of the responses.

The written responses to the 'other' options as well as the respondents' comments were analysed using the qualitative data analysis method. Written responses were short, giving the possible reason/s for not having something, a short comment about a certain issue or a short list describing the relevant topic.

The analysis of audited financial statements for the year 2003/2004 was based on the Financial and Information Management Systems (FIMS) and focused on the contents of the income statements and balance sheets. The annual reports for the year 2003/2004 provided background information of the organisations and were used in order to gain a broad picture of their operations.

Overall research findings were compared to the transformation requirements, management theory and literature in order to determine whether the welfare organisations' in the Western Cape/Cape Town can meet the transformation criteria as stipulated in the Policy on Financial Awards (RSA, 2004a) and therefore obtain funding from the State or other funding sources.

1.8. The scope and limitations of the research

The concern around providing subsidies to service providers in order to ensure equitable social welfare service delivery is too extensive to be addressed in one research project. In order to conduct a focused research project the scope of this research was narrowed down to the current situation in terms of welfare organisation transformation. This research only focused on the technical aspects, or visible evidence that the welfare organisations have transformed or are in the process of transforming their operations, although the efficiency and effectiveness of the service programmes was not explored as this could form a research topic on its own. The relationship between the government and welfare organisations was not explored even though it is an important aspect of the broad transformation of social welfare service delivery. The transformation process within the organisation was not explored either, although it is a further important aspect of meaningful and sustainable service delivery transformation. In order for the organisation to transform its service delivery, its culture has to change. This change is not an easy task as it takes time, a sense of urgency to change and strong leadership, and can be addressed in a research topic of its own.

1.9. Ethics

The focus of the research was on the technical aspect of the organisations transformation in an attempt to measure whether these welfare organisations can meet the transformation criteria as stipulated in the Policy on Financial Awards (RSA, 2004a). It follows that the research did not explore sensitive issues. The organisations were informed about the purpose of the research and about the intended utilisation of the research results in writing (through facsimile). The organisations were asked to participate in the research and all of them participated willingly. The researcher was prepared for the possibility that respondents might not be willing to answer all questions but this problem did not arise during the research process. Although the organisations' audited financial statements are public information the researcher respected some respondents' decisions not to provide them for research purposes. In terms of confidentiality the respondents were assured that individual organisations would not be pointed out by name but rather aggregated information would be used when reporting on research findings. In the light of mutual learning the researcher will provide feedback for the participating organisations in the form of a research report via email.

1.10. Outline of the remainder of the report

Chapter two provides a brief history of the process the Department of Social Development has gone through in terms of its attempts to find a way to subsidise welfare services. The history mainly focuses on past legislation and policies that have guided the subsidy provision process in South Africa. Special attention is paid to the formulation and failure of the Financing Policy (RSA, 1999) because it illustrates the complexity of the policy formulation process. The formulation of the Policy on Financial Awards (RSA, 2004a) is described as well as the transformation criteria included in the Policy since it forms a central part of this research. The management theory is briefly introduced in order to lay a theoretical foundation for what organisations should do in order to be able to meet the technical transformation challenges. Attention is also paid to the brief history of fundraising in South Africa since its brevity is likely to be reflected in the organisations' current fundraising efforts or lack of them. The chapter is concluded by outlining the basic principles of a successful fundraising strategy.

Chapter three plays the role of a tool box, taking the reader through the technical considerations needed to achieve the research goal and objectives. The research design describes the steps taken in the selection of the combined qualitative and quantitative research design. The research methodology explains the formulation of the personal questionnaire, which was the main data collection method in this research. The process of piloting the personal questionnaire and the changes resulting from this are described.

The criteria that organisations had to fulfil in order to participate in the research are described, as is the actual process of executing the personal questionnaire with twenty organisations. The data recording and analysis processes are introduced and the chapter concludes with the discussion of potential sources of error in the data collection process.

Chapter four starts by describing the research population and continues by presenting the main findings of the research. In order to ensure quick access to the findings the results are, as far as possible, presented in the form of Figures and Tables. In addition to the Figures and Tables the findings are related to the relevant policy and legal requirements as well as to the relevant theories and literature. The chapter concludes by combining the main results in a Figure in order to provide a visual summary of the findings.

Chapter five is the final chapter of the research report. It starts with the conclusions, which demonstrate how the research goals and objectives were achieved during the research process. The chapter ends by means of recommendations, which are based on the research findings, analysis and conclusions, in order to outline the way forward.

Chapter 2: Literature review

The Policy on Financial Awards to Service Providers (RSA, 2004a) is a recently implemented policy document, therefore, there is no knowledge about the outcome of the policy. This chapter starts by introducing the key concepts used in this research and the current subsidy system for welfare organisations in Western Cape. The chapter introduces the current policy and legal framework in which welfare organisations are operating. The transformation criteria as outlined in the Policy on Financial Awards (RSA, 2004a) are introduced and the theoretical aspects of meeting the transformation criteria for welfare organisations are discussed.

2.1. Definition of key concepts

Welfare organisation

In this research welfare organisation means non-profit organisation that employs social workers, receives subsidies from Provincial Administration Western Cape (PAWC) and provides direct welfare services to clients and/or support services to welfare organisations.

Social welfare services

Social welfare services include direct welfare service programmes to clients and support services to welfare organisations.

Social welfare services are defined in the National Welfare Act, 1978 (Act 100 of 1978) [Definitions of 'social welfare services', sections (b)-(i)] as:

...organised activities, measures or programmes in connection with: Social work, prevention and treatment of social pathological conditions in the community, groups of persons, families or individuals: Promotion, protection or stability of family and marital life. Welfare of aged, physically or mentally disabled persons, welfare of children, prevention of alcoholism and substance dependency and their treatment, provision of housing, corrective services and social relief.

Support service programmes to organisations include resource development programmes, which are aimed at enhancing direct service delivery organisations' sustainability, responsiveness to human resources and accountability of financial management (RSA, 2001:20).

Transformation criteria

The transformation criteria, as outlined in the Policy on Financial Awards (RSA, 2004a), that organisations have to meet in order to qualify for financial awards from the government.

Financial sustainability

Financial sustainability is an organisation's ability to meet its current and future financial needs if subsidies from the government are discontinued. In this research study, financial sustainability includes reserves that an organisation has, degree of dependency on PAWC subsidies and the organisation's efforts to raise and secure funds from sources other than the government.

Fundraising strategy

A fundraising strategy is a detailed plan of how to meet an organisation's current and future financial needs. The organisation's fundraising strategy ideally includes a donor database, a systematic way of researching potential donors, a diverse donor base and a diverse utilisation of fundraising methods. It should also include a fundraising target, purpose, objectives, action plans, budget, personnel and evaluation of the fundraising activities. The marketing and advertising strategies are considered to be part of the organisation's broad fundraising strategy as they make the organisation known in the public sphere.

Financial accountability

Organisations are financially accountable if they implement effective, efficient and transparent financial management and internal control systems as stipulated in the Public Finance Management Act, 1999 (Act 1 of 1999). Financial accountability also requires that organisations keep accounting records, according to generally accepted accounting practices, of their income, expenditure, assets and liabilities. It also requires organisations within six months after the end of the financial year, to draw up financial statements which at least include a statement of income and expenditure and a balance sheet in terms of the Section 17 (1) of the Nonprofit Organisations Act, 1997 (Act 71 of 1997).

Financial awards and subsidies

A subsidy is a supplementary financial aid given from government to welfare organisations so that the government can purchase these organisations' services. A financial award is an "Allocation of funds for approved developmental social welfare services." (RSA, 2004a:35)

2.2. The current subsidy system

In the Western Cape, the Department of Social Services and Poverty Alleviation has a budget allocation of R310 million for subsidy payments for social service delivery for the financial year 2005/2006. In addition to subsidising social work posts, the government subsidises some special welfare programmes if there are funds available. These are called conditional grants and are usually aimed at integrated social development and community-based care. The budget allocation for the year 2005/2006 includes R20 million for integrated social development, which is a food grant, and R6 million for community-based HIV/AIDS care (Mqulwana, 2005).

In the Western Cape province, the Draft Policy Framework for Developmental Social Welfare (RSA, 2001) guides the subsidy allocation process. The Draft Policy Framework (RSA, 2001) is a tool to guide the transformation of service delivery in the Western Cape. The Draft Policy Framework (RSA, 2001) outlines the developmental approach for social welfare and is aimed at assisting welfare organisations to complete the application form for subsidies from the PAWC. The aim of the Draft Policy Framework (RSA, 2001) is to ensure that services have a developmental aspect, that they are in line with the transformation of social welfare service delivery and that there is a base for the costing of the services.

According to Swanepoel (2003) the service plans submitted by welfare organisations are evaluated and the programmes are examined when the funds are allocated, but in reality seventy-five percent (75%) of the social workers' salaries are subsidised.

According to Ned (1999a) the current method of financing welfare services does not take into account the organisations' capacity to deliver the services. Basically, the organisations' strengths and weaknesses are not evaluated but funds are just given to them under the assumption that they are able to deliver. In spite of the service plans and good intention to provide financial awards for welfare organisations based on welfare service programmes, currently the welfare organisations receive subsidies from the government based on the number of employed registered social workers or

auxiliary social workers. The question is how government reached the conclusion to subsidise social workers' posts in the first place?

2.3. Background for providing financial awards for social welfare services

South Africa has never claimed to be a social welfare state and for that reason the government lays the main responsibility for welfare provision on the family and community (RSA, 1953; RSA, 1991; RSA, 2005a) that is, residual welfare. However, the government acknowledges that it has the responsibility to ensure that all the citizens have access to the basic welfare services if all else fails.

2.3.1 Subsidies for employed social workers

The system of subsidising seventy-five percent (75%) of the costs of a social worker post started in 1938 and the thinking behind the idea was that through the appointment and work of professional social workers the quality of welfare services would increase (RSA, 1953). In 1964 a simplified subsidy for the qualified social workers system was introduced. The subsidies, fixed amounts, were based on the type of post. For example, whether the post was filled for a year or less or if the post was a full time or part-time post (Martine, 1989:125). Also, as Martine (1989:126) states, "As in all cases up to this time subsidies were only granted when it had been proved that the work was already in progress." Until 1989 the subsidy criteria for social work posts was based on the points system "...caseload of 66 and points tally of 225 based on the nature of cases and intensity of problems." (Martine, 1989:126)

2.3.2 Subsidies for welfare programmes

In 1984 it was recognised that the subsidy schemes were inadequate and it was recommended that the social work posts should only be subsidised in the context of approved social welfare programmes (McKendrick, 1985). Based on the 1984 recommendations, the 1987 subsidy scheme made provision for welfare organisations to plan future welfare services and to get subsidies for planned services (Martine, 1989). New subsidies were to be considered in terms of:

- Social workers' salaries;
- Auxiliary services to social workers;
- Other professional services; and
- Other approved expenses.

The 1987 subsidy scheme outlined the framework for welfare service programme proposals focusing on the relevance and effectiveness of the programmes (McKendrick, 1985). The programme proposal format had the following eleven categories (McKendrick, 1985:158; Martine, 1989:126):

1. Identifying details of the organisation;
2. Summary statement of the problem/need and proposed programme;
3. Community profile;
4. Nature of the problem/need;
5. Suitability of the welfare organisation to provide the programme;
6. Aims and objectives of programme;
7. The organisation providing the programme;
8. Work methods and procedures used to implement the service programme;
9. Personnel needed to run the programme;
10. Finances needed for the programme; and (sic)
11. Evaluation of the impact of the programme.

At the end of the 1980's it was agreed that, in principle, the new subsidy scheme was good and if used effectively it would enable welfare organisations to plan effective and efficient social welfare service programmes, which would include the establishment of monitoring and evaluation systems (Martine, 1989; McKendrick, 1985).

In spite of the recommended subsidy scheme in 1987 another committee was appointed to investigate welfare matters and funding in the same year. The Working Committee Report (RSA, 1991) starts by stating that since 1975 the existing financing practices for welfare services in South Africa had lost their effectiveness and recommends that "...the State should switch without delay to programme subsidisation..." (RSA, 1991:14). The main reason given for this need to switch was that the government had several 'subsidy formulas' to finance welfare services. For example, many times two or more government departments partially subsidised the same service, and institutions were registered for other subsidy schemes based on both professional posts and number of beds in the institution.

One of the main difficulties, both at that time and currently, seems to be the definition of welfare programmes. The definition of social welfare services that the government could subsidise was stipulated by the National Welfare Act, 1978 (Act 100 of 1978),

and it is still the legal definition of welfare service programmes. The Government Gazette [RSA, 1992: Section 5(1) (a-vi)] made provision for making financial awards to organisations that "...undertake or take or co-ordinate organized activities, measures or social welfare programmes regarding: family care, care of the aged, social security, care of disabled, alcohol and drug dependency, and care of the offender."

The Proclamation R7 of 1996 (RSA, 1996) aimed to amend the Social Assistance Act, 1992 (Act 59 of 1992) and also lists the above target groups for social welfare programmes that can be subsidised by government. The current version of the Social Assistance Act, 1992 (Act 59 of 1992, section 5) simply states that the financial awards can be made to "(a) any welfare organisation which undertakes or co-ordinates organized activities, measures or programmes in the field of developmental social welfare services". It follows that the definition of the programme focus has not been legislated and that there is still no proper definition of welfare service programmes.

It has been clear since 1975 that the subsidy system is not effective and that something had to be done. Since 1975 the government has acknowledged that subsidising social workers' posts is not an effective way to determine the amount of a subsidy for a welfare organisation, the main reason being that the number of employed social workers does not guarantee that the provided services are effective and efficient. Currently, however, social welfare services are still subsidised in terms of the number of employed social workers. Since 1975 at least five committees have investigated the subsidy issue but a solution has yet to be found.

2.4. The transformation of the social welfare service delivery

Since 1994 South African society has been in a state of transformation. An important aspect of this is the transformation of social welfare service delivery.

2.4.1 The White Paper for Social Welfare

In 1997 the Department of Welfare issued the White Paper for Social Welfare (RSA, 1997), which is a broad policy framework on how to transform social welfare service delivery in South Africa. The White Paper (RSA, 1997) clearly states that the social work posts and unit costs of facilities/services are not financed, but rather that welfare programmes are financed according to the principles and guidelines for the reprioritisation of welfare service delivery, as set out in the White Paper (RSA, 1997).

Financed social welfare service programmes should be rehabilitative services, preventative, developmental and protective services, and social security, which are aimed at vulnerable and needy population groups. The White Paper (RSA, 1997) identifies women and people with disabilities as vulnerable groups. Mental health, substance abuse, crime prevention through restorative justice, people with chronic illnesses and HIV/AIDS are identified as special needs and problems affecting individuals and families.

The White Paper [RSA, 1997, chapter 6 section 24 (e)] states that the change to programme financing will be completed within five years. During the transition phase the social welfare services are to be financed according to the 'current formula', i.e. subsidising social work posts and 'beds', but financing is based on the approved business plans. The standard business plans are to be used by all provinces and will require clear outputs and performance statements [RSA, 1997 chapter 6 Section 24(g)].

Clearly the White Paper (RSA, 1997) lays the foundation for developmental social welfare services and strongly recommends that the criteria for qualifying for financial awards have to be changed. Once again the programme based financing was emphasised even though the social welfare programmes were not clearly defined.

2.4.2 Welfare Laws Amendment Act, 1996

The Welfare Laws Amendment Act, 1996 (Act 106 of 1996) aims:

...to amend the Social Assistance Act, 1992, so as to amend a certain definition in order to authorize financial awards to unregistered, non-profitable organizations rendering developmental social welfare services; and to broaden the activities in respect of which financial awards may be made to any activity in the field of developmental social welfare services;

The importance of the Welfare Laws Amendment Act, 1996 (Act 106 of 1996) is that it allows the government to provide financial awards to the organisations that provide developmental social welfare services even if they are not registered in terms of the National Welfare Act, 1978 (Act 100 of 1978), Fundraising Act, 1978 (Act 107 of 1978) or Nonprofit Organisations Act, 1997 (Act 71 of 1997). Clearly the aim is to subsidise developmental welfare programmes but once again the Welfare Laws Amendment Act, 1996 (Act 106 of 1996) fails to provide a clear definition of these programmes.

In 1996 the Welfare Laws Amendment Act, 1996 (Act 106 of 1996) allowed the government to subsidise unregistered welfare organisations that provide developmental social welfare services. But a year later through the implementation of the Nonprofit Organisations Act, 1997 (Act 71 of 1997) government indirectly communicated that organisations should be registered in terms of the Nonprofit Organisations Act, 1997 (Act 71 of 1997) in order to qualify for financial awards from the government and private sector. In addition, as a provision of the Policy on Financial Awards (RSA, 2004a), the registration of welfare organisations in terms of the Nonprofit Organisations Act, 1997 (Act 71 of 1997) is a legal requirement for receiving financial awards.

2.4.3 The Financing Policy for Developmental Social Welfare Services

In response to the White Paper for Social Welfare (RSA, 1997) and perceived problems regarding welfare service financing, the Department of Welfare formulated the Financing Policy for Developmental Social Welfare Services (RSA, 1999). The aim of the Financing Policy (RSA, 1999) was to "...rationalise welfare funding, to target beneficiaries and distribute benefits equitably, to ensure resources are used efficiently and effectively, and thereby to correct injustices and imbalances brought about by the present skewed allocation of resources" (RSA, 1999:4). The Financing Policy (RSA, 1999) also aimed to provide national guidelines on how to finance developmental welfare service programmes. The acceptable welfare service programmes for funding were: preventative, early intervention, statutory, continuum of care and development service programmes (RSA, 1999). The three main criteria in financing the welfare services were that the organisations should provide holistic services, effective and efficient services and services that reflect new developmental social welfare services (Ned, 1999a).

The Financing Policy (RSA, 1999) required welfare organisations to submit service plans regarding their offered welfare programmes. The submitted service plans would be assessed and costed in terms of community needs, appropriateness of the proposed service, and its focus on early intervention or prevention (Ned, 1999b).

An interesting aspect of the Financing Policy (RSA, 1999) was that it provided guidelines on how to monitor and evaluate social welfare programmes through the Development Quality Assurance (DQA) framework. The aim of the DQA was to

monitor how well the service programmes were implemented. The intention was to appoint a transformation management team, which would assist the organisation with the DQA and in that way transfer skills to the organisations (Ned, 1999a). However, the Financing Policy (RSA, 1999) did not consider the fact that the existing service programmes might not have built in monitoring and evaluation systems that are essential for the DQA to be beneficial.

It was expected that the Financing Policy (RSA, 1999) would be fully operational in the financial year 2003/2004 (RSA, 1999) but by 2005 this had not occurred and a new financing policy, Policy on Financial Awards (RSA, 2004a) has been accepted as a final policy document according to which social service are to be financed. In order to better understand the development of the Policy on Financial Awards some reasons for the failure of the Financing Policy (RSA, 1999) to materialise are discussed next.

2.4.3.1 The failure of the Financing Policy

According to Ned (1999b) two task teams were given three weeks to draft the Financing Policy (RSA, 1999). The Financing Policy (RSA, 1999) failed to become operational because the policy was implemented hastily, the policy was not broadly consulted by important stakeholders such as welfare organisations and other government departments and "...resource implications and costing were not dealt with adequately." (Bester, 2001: unpaginated) According to Masutha (1999) the Financing Policy (RSA, 1999) was inconsistent with existing welfare legislation and as such is legally invalid and unenforceable. According to Jehoma (1999) assigning ten percent (10%) of the welfare budget allocation for developmental social welfare service delivery is not adequate to cover the costs of implementing the Financing Policy (RSA, 1999). Also, it would be difficult to measure the achievement of the policies aims as its objectives were not clearly spelt out. In 1999 the Financial and Fiscal Committee recommended that the Financing Policy should be taken back to the drawing board because the Policy lacked the clear implementation guidelines which should be made evident when starting to formulate any policy (Jehoma, 1999). Also because of the vague definition of the term developmental welfare services it is difficult to "...project accurately the costs of the Financing Policy." (Jehoma, 1999: unpaginated)

Because of the above concerns and the concerns from internal and external stakeholders regarding the lack of clear and coherent financing policy, the delayed

implementation process and overall confusion the regarding status of the Financing Policy (RSA, 1999) the Minister for Social Welfare and nine provincial Members of Executive Council (MINMEC) Task Team undertook to review the Financing Policy (RSA, 1999) in 2001. In November 2001 the task team recommended that: "...all activities relating to implementation should cease immediately." (Bester, 2001: unpaginated)

This discontinuation of implementation was based on the following issues found by the MINMEC task team (Bester, 2001):

- The categorisation of financing options is not clear due to overlaps, such as too many similar terms (for example, grant financing and project financing);
- Membership of the transformation management task teams was based on personal allegiances rather than suitability for the task;
- Transformation management task teams were not intersectional and for that reason lack of integration, lack of strategic leadership and lack of a vision to translate goals into action was evident;
- There was no clear and coherent system to manage the implementation process;
- The absence of clear deliverables linked to timeframes;
- Management and implementation was centred on funding and protecting traditional NGOs rather than the needs and priorities of service delivery; and
- The lack of built-in monitoring and evaluation systems in service programmes.

The Financing Policy (RSA, 1999) had the admirable intention of transforming welfare financing in South Africa. However the policy failed because of a lack of broad consultation, lack of clear objectives, vague definitions and lack of financing for the implementation of the policy. The way the Policy on Financial Awards (RSA, 2004a) is being communicated and formulated raises similar concerns, and is therefore discussed next.

2.4.4 Development of the Policy on Financial Awards

In 2003 the Social Development Portfolio Committee reached the conclusion that once again there was a need to formulate a new policy that would direct the provision of financial awards to service providers. While the Social Development Portfolio Committee agreed that financial awards should be based on the service programmes, which would include social workers salaries, the concern was voiced

that the Department of Social Development policies are not based on South African legislation (Masutha, 2003). This meant that the legislation should be revisited and costed before implementing new policies (Theron, 2003).

Based on the previous difficulties in implementing financing policies the Department of Social Development should have provided the following guiding documents before implementing the Policy on Financial Awards (RSA, 2004a):

- An implementation plan;
- Norms and standards for the services, which would guide the process of costing the services;
- Minimum standards for services for children, youth, disabled persons and older persons;
- Cost the implementation of the transformation programme and identify sources of funding;
- Procedure manuals for officials, currently subsidised organisations and potentially subsidised organisations;
- Ongoing communication programme for all role players;
- Identify key performance indicators; and
- Develop data collection systems, which would enable the measurement of the impact of the programmes.

According to the strategic plan for the Department of Social Development (RSA, 2005a) the Department is currently in the process of developing the above guiding documents. In addition, the Department prioritises the formulation and implementation of the following documents: new service delivery model for developmental social services, generic norms and standards for the delivery of social welfare services and the Policy on Financial Awards (RSA, 2005a:61).

2.5. The policy on Financial Awards to Service Providers

In terms of the past difficulties in implementing the financing policies and the way the Policy on Financial Awards (RSA, 2004a) is being developed the question is: will the Policy become an effective way to redirect the social service provision in South Africa? Only time will tell and for that reason the focus is on the current situation that welfare organisations have to face.

The broad aim of the Policy on Financial Awards (RSA, 2004a) is to provide national guidelines on how to allocate financial awards to service providers. Provincial departments of social services are expected to develop their own policies on how to finance social welfare services according to provinces' special needs and priority areas.

The aim of the Policy on Financial Awards (RSA, 2004a:17) is to guide "...the country's response to the financing of service providers in the social development sector, to facilitate transformation and redirection of services and resources and to ensure effective and efficient services to the poor and vulnerable sectors of society." Therefore it is a broad national policy which includes all non-profit organisations that provide developmental social welfare services and it outlines what these organisations should have in order to qualify for the financial awards.

The Policy on the Financial Awards (RSA, 2004a) identifies four critical issues in financing the service delivery organisations. The critical issues are to finance:

- Services that promote equity, diversity and social integration;
- High priority areas where the needs are greatest;
- Service outcomes; and
- Organisations that are accountable for their funds.

The transformation requirements as outlined in the Policy on Financial Awards (RSA, 2004a) reflect the national Department of Social Development's transformation goals for social service delivery. In order to reach the Department's transformation goals the Policy on Financial Awards (RSA, 2004a:20-21) requires that an organisation has visible evidence that it has transformed its services or is in the process of transforming its services in terms of the fifteen specific criteria for measuring the service delivery transformation. These transformation requirements can be broadly categorised into following six areas:

1. An organisation's internal policies and procedures must be in line with the South African Constitution and other relevant legislation;
2. An organisation must have redirected its services to be developmental and aimed at rural and vulnerable populations. These services must be cost effective;

3. An organisation's personnel and management board must be representative of the community to whom the services are rendered. The organisation must ensure the internal capacity building of its personnel and management board;
4. An organisation's stakeholders must participate in the organisation's internal policy planning and service programme planning;
5. An organisation has to co-operate, have joint service plans with other organisations providing services on the same service field and share resources with small, recently established community based organisations; and
6. An organisation must be financially sustainable and be able to be accountable for the allocated funds.

In addition to the above broad transformation criteria the Policy on Financial Awards (RSA, 2004a:26-27) lists the following specific eligibility criteria that the organisations have to fulfil in order to qualify for financial awards:

- Registration in terms of the Nonprofit Organisations Act, 1997 (Act 71 of 1997) or affiliation to the registered NPO or proof that organisation is in the process of getting registered;
- Provided services have to be targeted to vulnerable sectors of the community as the Department of Social Development outlines them – women , children, youth, elderly, persons with disabilities, victims of violence and abuse, persons affected by substance abuse and people infected with, and affected by, HIV/AIDS (RSA, 1997);
- The organisation's constitution must embrace the provision of social development services;
- Demonstrated ability to provide effective and efficient services;
- Is able to account for the utilisation of the financial award from the department in an acceptable manner;
- Is legally registered in terms of any other relevant legislation; and
- Supports and commits to share resources with, and transfer skills to, emerging organisations.

The Policy on the Financial Awards (RSA, 2004a) focuses heavily on the cost effectiveness and accountability of the social welfare service programmes and aims to force subsidised organisations to pay more attention to programme planning, monitoring and evaluation. This is even though the Policy fails to provide clear

definitions of the social welfare programmes. The Department of Social Development declares that the “The policy provides guidelines for the delivery of efficient and effective services and ensures the accountability of service providers to the Department and the community.” (RSA, 2005a:29) However, these above guidelines on how to deliver effective and efficient services are not evident in the Policy on Financial Awards (RSA, 2004a). In the following section of this paper the transformation requirements are linked to the management theory in terms of what organisations have to do in order to be able to meet the transformation requirements.

2.5.1 Effective and efficient welfare services

The main principle in the provision of effective and efficient services is that the services are aimed at the systematically identified need/s and that the need/s is/are addressed in the best possible way. The Policy on Financial Awards (RSA, 2004a) does not outline what the effective and efficient services are but requires that the subsidised organisation has to be able to prove that it provides effective and efficient services. From the theoretical point of view the organisation has to have a sound management system in place in order to be able to provide effective and efficient services.

2.5.1.1 Management theory

Management has four interrelated functions: planning, organising, leading and controlling. Briefly, planning refers to the way the organisation aims to achieve its goals. The organising refers to the way the organisation is structured and how jobs are organised within the organisation structure in order to reach the organisation goal. Leading refers to the motivation of the employees and more importantly directs the process of setting organisation goals. Lastly, controlling refers to the process of ensuring the organisation actually achieves what it set out to achieve (Skidmore, 1995; Patti, 1983; Camay and Gordon, 1997). In order for the organisation to be effective and efficient its management must have the capacity to carry out the above four basic tasks.

Planning is the core function of the other three aspects of management. If an organisation does not have a plan of what it aims to achieve, it does not really matter how the other three issues are arranged because there would not be sound reason for doing it. An even worse case scenario would be that the direction the organisation takes is not specific enough resulting in efforts being directed to many insignificant tasks that do not necessarily contribute towards the achievement of the organisation

information with regards to the current situation in the community. The programme plan has to clearly state what the ideal situation within in the community would be, and what needs to be done in order to attain this.

During the programme planning process the reasons for the existence of the need should be analysed. The programme plan has to state how the programme aims to address the factors contributing to the need (Camay and Gordon, 1997). The organisation that aims to implement the service programme should identify existing resources within the community in order to avoid duplication of services as well as to identify the number of people who are still without these services. The organisation also has to assess its capacity to deliver the service programme in terms of the resources (skills, finances) the organisation has (Skidmore, 1995). These aspects of the programme planning can be categorised under the needs assessment and analysis phase (Patti, 1983).

If the organisation decides to implement the service programme based on systematically assessed need/s and the assessment of the organisation resources, then it has to develop an implementation plan. An implementation plan includes clearly stated goals and objectives which the service programme aims to achieve. The objectives must specify what the programme aims to achieve, to whom and how many the service is targeted and by when the service should be done (Camay and Gordon, 1997; Patti, 1983). The programme implementation plan has to define all activities/tasks that need to be done in order to achieve the service objectives. The performed activities should be defined from the clients' first contact with the organisation until the clients' needs have been met. In addition, the service programme plan should clearly allocate tasks to the employees who are needed to provide the service. Clear definition of performed tasks assists the organisation in determining the resources that are needed to provide the service.

2.5.1.5 Costing the services

After determining the tasks and materials that are needed to provide the service the programme plan needs to state the cost of providing the service. The Policy on Financial Awards (RSA, 2004a) requires that the organisations implement cost-effective service programmes. Activity Based Costing (ABC) system is one way to identify possible unnecessary and repetitive activities which cause unnecessary costs.

The cost of providing services includes four kinds of costs: direct and indirect material costs and direct and indirect labour costs. For welfare services direct costs include the time social workers spend directly with clients and materials, if any, that are regularly given to clients. Everything else forms indirect costs, which are called overheads. The process of allocating overheads for the different services is problematic for welfare organisations. The typical way to allocate overheads is to sum them up and to divide the total by the number of services.

Activity Based Costing (ABC) system is a way to allocate overheads to the services. The ABC method enables management to analyse how much different activities consume overheads. When using the ABC method all the activities that have to be performed in order to produce satisfied clients are analysed. These activities start from the initial contact when a client calls and makes an appointment to see a social worker and end when the client's needs are satisfied. After the activities are identified the costs are assigned to each of these activities. This cost is usually based on the time spent with each activity. Then the costs from these activities are assigned to the cost of service. The main benefit of the ABC-system is that it provides a way to identify and eliminate unnecessary activities and thereby reduce the total costs of providing the service.

Although the service programmes should be cost effective, effective and efficient it is important to remember that these services are aimed to meet the clients' needs. In order to provide quality services to all clients the programme plan should have a definition of the service norm or standard service that all clients should be entitled to. Based on the service norm the programme plan should include a statement of the performance indicators and standards, which would ensure equal treatment of each client.

2.5.1.6 Performance indicators and standards

The Department of Social Development (RSA, 2005a:61) is currently developing generic norms and standards for social welfare services aiming to: "...Provide a basis for determining appropriate norms and standards for service delivery, which will in turn provide a basis for funding and greater efficiency and effectiveness in service delivery." In order to ensure that clients receive quality services organisations should have their own internal performance standards. Ideally, internal performance standards should be based on the criteria that the stakeholders consider to be a good quality service (Adirondack, 1998:97).

Performance standards are an agreed minimum level of the service programme's performance. Performance indicators measure specific aspects of service programmes in order to ensure that programmes are carried out according to the performance standards. Performance indicators can be qualitative and/or quantitative (Adirondack, 1998:96). Quantitative performance indicators measure the 'how much' or 'how many' aspects of services, for instance, how many clients should be seen per month or how much time a social worker is expected to spend with clients per month. Qualitative performance indicators measure how well services are performed, such as how clients are treated or how social workers behave with clients.

2.5.1.7 Management Information Systems

The Policy on Financial Awards (RSA, 2004a) requires that the subsidised organisations monitor their services. Monitoring is a part of the Management Information System (MIS). Shortly, monitoring refers to regular information collection and recording about the organisation operations and service programmes based on the identified performance indicators. Often monitoring in non-profit sector is just a routine of collecting numbers such as how many clients were assisted during the year or how many clients came from certain population groups (Adirondack, 1998:71). The numbers themselves are meaningless if they are not compared to the predetermined targets, which should have been set out in the service programme's goals and objectives. In addition, these numbers have to be compared to the previous years' information in order to predict trends and modify programmes to become responsive to the actual needs of the communities.

The following statement from the Service Delivery Model (RSA, 2004d:44) aptly describes the pressures under which welfare organisations have to operate as well as the possible disastrous consequences of not monitoring services:

Traditional administrative methods have currently collapsed under pressure to deliver - there is no standardisation and quick or easy access to information. Case files are not updated and management feels disadvantaged by the lack of cumulative and comparative data. The major results are that there is little accountability, statistics and information to support planning and decision making, and information is not effectively managed.

The process of designing the built-in management information system for the service programmes addresses the six basic questions: what, how, when, who, to whom and why. Based on the identified performance indicators the organisation is able to decide what information to collect, when to collect that information, how to collect it

and who should collect it. According to Hanbery, Sorensen and Kucic (1981:29) management information system must produce information that:

- Assesses the patterns of service delivery;
- Defines how current resources are being obtained and consumed;
- Provides monitoring information for management;
- Develops data for multiple reporting requirements; and
- Assesses the outcome of provided services.

The collected information itself is meaningless if it is not compiled, analysed and used. The most important use of monitoring information is to take corrective action if there is a deviation of the standard performance of programmes. The aim of corrective action is to ensure that the programme is implemented as determined in the programme plan. Monitoring information enables management to identify the possible critical areas at their early stages when solving them usually is relative easy and inexpensive.

Computerised management information systems would be ideal for recording and analysing the collected information. Computerised systems are able to provide printouts according to the needs of analyser. From one computerised system management is able to select specific information for different purposes (Hanbery et. al., 1981). For instance, to fulfil the reporting requirements to the government and donors or to do monthly check-ups on how the services are performing.

The data collection for MIS purposes must be regular, collected information must be relevant for the organisation and information must be processed and analysed regularly. In principle MIS is a process of collecting information regularly about all aspects of the service programme and taking corrective action when necessary. Analysing the MIS information is similar to the evaluation. In addition the evaluation process determines if the programme achieved what it set out to do.

2.5.1.8 Evaluation

The Policy on Financial Awards (RSA, 2004a:31) states that monitoring is the responsibility of organisations that receive financial awards from the government. In terms of evaluation the Department of Social Development will utilise the information collected by organisations to evaluate their compliance with the agreed contract between government and organisations. Evaluation assesses the effectiveness of

social service programmes in achieving programme objectives and outcomes (McKendrick, 1985).

In 1985 McKendrick (1985) stated that welfare organisations in South Africa are struggling to evaluate the outcome of welfare service programmes. Evaluation usually assesses what has gone into the programme, including how many clients were assisted, how many interviews were conducted and how financial resources were consumed. "Measurements of outcome and the relationship between the process and outcome, are inevitably ignored." (McKendrick, 1985:167)

According to McKendrick (1985) organisations tend to justify the quality of services by stating that more clients are seeking services provided by the organisation. In principle an increased number of clients does not mean that the services are achieving what they are supposed to achieve. One can even argue that problems within communities are increasing and for that reason more clients are seeking help.

Ultimately, evaluation seeks to measure the change achieved in communities. In order for organisations to evaluate the outcome of provided services, service programmes must have built in monitoring and evaluation systems. The planning for evaluation of service programmes is interlinked with the programme planning, costing of services, performance indicators and designing management information systems as discussed in paragraphs 2.5.1.4 – 2.5.1.7. For that reason the following summarises the programme planning issues linked to evaluation of the outcome of service programmes. In order to evaluate the outcome of service programmes organisations have to have:

1. Information about the situation before the programme implementation;
2. Clearly stated measurable objectives with regards to how existing conditions in the community are to be changed;
3. Clearly stated measurable indicators that can be used to measure how the programme achieved its stated objectives;
4. A clear statement on how and where the information to measure the change in agreed indicators is to be collected;
5. Collected information as defined by measurable indicators; and
6. Analysed the meaning of the collected information.

2.5.1.9 Financial accountability

The Policy on Financial Awards (RSA, 2004a) emphasises the welfare organisations' financial accountability and financial sustainability. In terms of financial accountability it is required that the organisation "Is able to account for the utilisation of financial awards made by the department in an acceptable manner and in terms of the prescripts of the Public Finance Management Act, 1999 (Act 1 of 1999)." (RSA, 2004a:27) Section 38(1)(j) of the Public Finance Management Act, 1999 (Act 1 of 1999) requires that the organisation for public purpose implements effective, efficient and transparent financial management and internal control systems. According to the Service Plan Framework (RSA, 2004e) if the organisation is not able to declare that they have implemented or are able to implement effective, efficient and transparent financial management and internal control systems, the management committee must participate in training in financial control systems and business management and must submit themselves to monitoring and inspection by Department officials.

The Policy on Financial Awards (RSA, 2004a) itself does not provide clear guidelines on how subsidised organisations should prove that they have implemented effective and efficient financial management systems. Financial accountability also means that organisations keep accounting records, according to the generally accepted accounting practice, of their income, expenditure, assets and liabilities. In addition, within six months after the end of the organisation's financial year they have to draw up financial statements which at least include statement of income and expenditure and a balance sheet [Nonprofit Organisations Act, 1997 (Act 71 of 1997) section 17 (1)]. Organisations have to state in their constitution that funds are not transferable to organisation office bearers or members.

2.6. Financial sustainability

The Policy on Financial Awards (RSA, 2004a:21) requires that the subsidised organisations become: "...less dependent on government funding and more financially sustainable." The concept 'financial sustainability' implies that welfare organisations should be able to generate their own income. According to Smith (2005) non-profit organisations are expected to achieve their financial sustainability through self-generating income projects and not through donor funding.

Welfare organisations are required to provide services to the poorest of the poor, the most vulnerable population groups and rural areas (RSA, 2004a:20), and one cannot

realistically expect that clients from these population groups are able to pay high fees for services. Service fees are not likely to be major income sources for welfare organisations. In terms of income generation projects welfare organisations could sell products produced by themselves or charge fees for training provided to government and other organisations. Although Smith (2005) argues that organisations should not achieve their financial sustainability through donor funding, donor funding can aid organisations to become financially sustainable.

2.6.1 Fundraising in South Africa

Since the 1950's South African legislation has restricted the fundraising activities of welfare organisations. In the 1950's the Du Plessis committee (RSA, 1953:19) recommended that welfare organisations should not develop new fundraising methods but rather utilise the existing ones more effectively. The existing and acceptable fundraising methods at that time were (RSA, 1953:19):

- Membership/affiliation fees;
- Regular donors/honorary members;
- Street and church collections;
- Sales;
- Functions; and
- Donations in general (i.e. collection list, collection boxes, personal visits, appeals by letters, Christmas collections, winter collections, annual appeals, miscellaneous gifts, disaster funds and bequests.)

The Du Plessis committee (RSA, 1953:23) recommended that fundraising and publicity activities should be the responsibility of volunteers and untrained personnel. In 1978 the Fundraising Act, 1978 (Act 107 of 1978) provided for the employment of fundraisers. The Fundraising Act, 1978 (Act 107 of 1978) outlines the conditions that welfare organisations must fulfil before they are legally permitted to raise funds from the public [Section 4 (1-6)]. The Fundraising Act, 1978 (Act 107 of 1978) also outlines the procedures that welfare organisations must accomplish in terms of its financial management [Section 12(1-4)].

The Nonprofit Organisations Act, 1997 (Act 71 of 1997) repealed some sections of the National Welfare Act, 1978 (Act 100 of 1978) and of the Fundraising Act, 1978 (Act 107 of 1978). Registration in terms of the Nonprofit Organisations Act, 1997 (Act

71 of 1997) is now the only legal requirement for welfare organisations to raise funds from the public.

2.6.2 Fundraising strategy

Many times the main income source of welfare organisations' is subsidies from the government, but these are usually not sufficient to cover all the expenses incurred by organisations in carrying out their operations. In order to secure income from other sources organisations need to have a fundraising strategy. In short, the aim of fundraising is to obtain resources to carry out the organisation mission (Cook, 2002). According to Cuthbert (1992) and Cook (2002) a fundraising strategy is a plan of how to obtain resources needed to execute the social welfare programmes that are part of the organisation's goals. It follows that fundraising should not be considered in isolation of social welfare programme planning, even though it is discussed separately in this report. In order to illustrate the link between organisations strategic planning, programme planning and fundraising, the following fundraising steps are adopted from Cuthbert (1992:26):

1. Prepare a case statement. This is essentially the organisation's mission goals and objectives and the reason for its existence;
2. List the needs that organisation aims to alleviate;
3. Analyse market requirements;
4. Conduct strategic planning;
5. Prepare action plans;
6. Prepare a fundraising strategy – long-term for the organisation and short-term for specific programmes;
7. Execute, control and evaluate the fundraising strategy; and
8. Formulate new fundraising strategies.

According to Cook (2002:296) a well planned fundraising strategy contains four elements:

1. **Diversification** means that organisations have several sources of income and that organisations utilise a variety of fundraising methods to secure income;
2. **Sustainability** in fundraising refers to an organisation's ability to create fundraising opportunities that will ensure long-term funding for its operations;
3. **Creativity** in terms of fundraising means "...utilising available resources and taking advantage of opportunities as they emerge." (Cook, 2002:299); and

- 4. Inclusiveness** means recognising all resources available for fundraising within organisations. People involved in organisations are usually the greatest resources available to organisations.

A fundraising strategy is a detailed plan of how to meet an organisation's current and future financial needs. Fundraising is an ongoing activity in which organisations build relationships with current donors and systematically seek out potential donors. Ideally, a fundraising strategy includes a donor database, a systematic way of researching potential donors, a diverse donor base and a diverse utilisation of fundraising methods.

Welfare organisations' fundraising efforts are dependent on the organisations' capacity to deliver welfare services. If an organisation does not have funds they are not able to implement effective and efficient services and if services are not effective and efficient organisations are not able to raise adequate income.

It is commonly stated that non-profit organisations and welfare organisations experience problems with fundraising. One contributing factor could be that since 1994 many international donors started to fund the South African government instead of giving directly to non-profit organisations (Fakir, 2004; Kraak, 2001). It follows that these organisations now have to access funds from government.

According to Fakir (2004) the ability to anticipate changes in funding trends is the key issue for an organisation's ability to raise funds. Basically organisations have two ways to respond to changes in funding patterns – "They can wait for manna to fall from heaven or change their strategy to meet the new priorities." (Fakir, 2004)

Based on his experience, Fakir (2004) outlines some successful strategies that organisations have adopted in order to secure funding in this changing environment: These organisations (Fakir, 2004):

- Made management changes by changing their strategy whilst at the same time holding onto their vision and values;
- Did not rely on one stream of funding but diversified their funding sources;
- Did not focus on a single issue, but were innovative, moulding the issues and focus of their work to meet the needs of different constituencies; and

- Established stronger partnerships and alliances with organisations that shared their ideals and goals.

If organisations are not successful in their transformation and fundraising efforts and they are likely to experience problems raising funds. According to Swilling and Russell (2002:88) four problems that NPO sector generally expresses in terms of fundraising are:

1. Lack of contributions from public;
2. Lack of contact with potential funding sources;
3. Lack of experience in fundraising; and
4. Lack of favourable tax treatment for contributors.

Currently in South Africa government priorities are job creation and poverty alleviation. Business organisations' Corporate Social Responsibility (CSR) strategies tend to follow national priorities in their selection of which welfare organisations to support financially (Fakir, 2004). If welfare organisations do not have job creation and poverty alleviation as their main objectives, their fundraising success from business sector can be negatively impacted on.

Other contributing factors to funding crises can found in the non-profit sector itself, with causes such as loss of leadership, poor management, lack of information, corruption and lack of accountability (Fakir, 2004; Watson, 2000). From the above factors it becomes evident that organisations' fundraising cannot be considered separately from the functioning of the organisation as a whole. From the 1980's welfare organisations have had to compete for limited funding from actual and potential donors due the economic regression. Since that time actual and potential donors have paid increased attention to the relevance and effectiveness of the funded services (McKendrick, 1985:157). As Fakir (2004: unpaginated) states: "Organisations that have adjusted to the changing funding environment have done well." Adjustment to the changing funding environment also implies that organisations have to change their internal processes.

Considering the brief history of providing financial awards to service providers, the legal framework and recent policy documents, welfare organisations have to operate in a rapidly changing environment. Many welfare organisations have survived and provide much needed social welfare services that the government is not able to deliver. There are 2617 registered non-profit organisations in Western Cape, 619 of

which state their objectives as social services (RSA, 2004f). The PAWC subsidises 184 organisations that are categorised as welfare organisations (RSA, 2005c). The following chapter presents the research design and methodology in order to explore to what extent welfare organisations are able to meet the transformation and funding challenges that they face.

Chapter 3: Research design and methodology

This chapter starts by defining the research problem, goals and objectives. The research design provides a framework as to how the research was carried out in order to collect the information needed to achieve the research goals and objectives. The research methodology explains the formulation of the data collection instruments. In order to ensure that the data collection instruments captured the intended data a pilot study was carried out and its results are described. The criteria for defining the population for the research are described in detail as well as the actual execution of the questionnaire, the main data collection instrument, within the selected twenty welfare organisations. The data recording and analysing processes are explained and the chapter concludes with a discussion of potential sources of errors in the data collection process.

3.1. Research goals and objectives

The research goal was to explore whether welfare organisations' in the Western Cape/Cape Town can meet the transformation criteria as stipulated in the Policy on Financial Awards for Service Providers (RSA, 2004a) and therefore obtain funding from the State.

3.1.1 The information required

In order to achieve the research goal four research objectives were formulated.

Research objective 1:

To establish the number of welfare organisations that meet the transformation criteria as outlined in the Policy on Financial Awards (RSA, 2004a) and to explore possible difficulties in meeting the transformation requirements by exploring:

1. The main service field and the type of services provided;
2. The number, race and gender of employed personnel and governing body of the organisation;
3. Services provided in specific rural and vulnerable areas;
4. The stakeholder involvement in service programme planning;
5. The compliance with the Public Finance Management Act, 1999 (Act 1 of 1999);
6. Financial sustainability; and
7. Main sources of income.

Research objective 2:

To establish any capacity related difficulties faced by the organisations which would impact on their inability to meet the transformation criteria by exploring:

1. The issues included in the strategic plans;
2. The issues included in the programme plans;
3. The issues included in the Management Information Systems; and
4. The utilisation of outside consultants in programme evaluation.

Research objective 3:

To establish whether the organisations will be able to raise the necessary income to continue their services if the subsidy from PAWC is discontinued by exploring:

1. Key concepts of the fundraising strategy;
2. Problems experienced with fundraising; and
3. Methods used in fundraising.

Research objective 4:

To explore whether the transformation criteria as stipulated in the Policy on Financial Awards (RSA, 2004a) are realistic in terms of redirecting the social welfare service delivery by investigating:

1. Opinions on why the organisation will not qualify for financial awards, if that is the case; and
2. Opinions on the implications for the organisation if the financial award from the PAWC is discontinued.

3.2. Research design

The research design is a broad framework on how to conduct research in order to achieve the research goals (Babbie and Mouton, 2001). This research is an empirical research aimed at exploring the possible difficulties welfare organisations face in terms of the transformation criteria as stipulated in the Policy on Financial Awards (RSA, 2004a). The exploratory research design was selected because there is no existing evidence of the welfare organisations' ability to meet the transformation criteria. In order to gather relevant and meaningful information about the research topic quantitative and qualitative research designs were combined.

Within the parameters of the quantitative research design the survey design was selected because it enables the researcher to reach a large population and to describe the characteristics of the population (Babbie and Mouton, 2001). From the

survey research design a personal questionnaire was selected as the main data collection method (Fouché, 1998). The personal questionnaire requires the respondent to complete the questionnaire while the researcher is present in case the respondent experiences problems in the completion of the questionnaire (Fouché, 1998). The difference between a questionnaire and a personal questionnaire is that the personal questionnaire is completed while the researcher is present whilst the questionnaire is completed by the respondent alone. However, in this discussion the terms personal questionnaire and questionnaire are used interchangeably.

From the researcher's point of view the personal questionnaire is a time-consuming data collection method as it requires the researcher to be present while the respondents complete the questionnaire. Since the population for the research numbered twenty welfare organisations and the director or Chief Executive Officer (CEO) from each organisation was asked to complete the questionnaire it was possible to arrange personal visits to each organisation. The personal questionnaire ensures a one hundred percent (100%) response rate if the respondents agree to participate in the research. The personal questionnaire also enables the researcher to clarify unclear aspects of the questionnaire, if there are any, as well as to gather additional information relating to the questionnaire if the respondents feel they can offer it. It follows that although the personal questionnaire falls under quantitative research design it has an aspect of the qualitative research design as well in terms of its informal interview. In this research the term informal interview is adopted to describe the conversation that was initiated by respondents in relation to the questionnaire.

From the respondents point of view the personal questionnaire is not as time consuming as an unstructured interview (Schurink, 1998). The personal questionnaire directs the respondents' attention to the most significant aspects of the information required. Therefore by utilising the personal questionnaire the respondents' valuable time was not wasted by exploring insignificant issues. By directing the respondents' attention to the most crucial issues, the respondents' additional comments, if any, were relevant in terms of the information requested in the questionnaire. Because the only difference between a questionnaire and a personal questionnaire is the manner in which the questionnaire is administered the personal questionnaire is referred to as the questionnaire in the following discussion.

In addition to the questionnaire, data was collected through a document analysis (Mouton, 2001). The analysed documents were the audited financial statements for the year 2003/2004 and the annual reports for the year 2003/2004. The financial statements provided documented information about the welfare organisations' financial sustainability and served as an indication of the organisations' financial accountability. The annual reports are an organisations' way of communicating their past operations to the public and as a result they provided general information about the organisations' operations.

3.3. Research methodology

Research methodology sets out the detailed procedures of how to carry out the research. Research methodology focuses on three aspects of the research process: the data collection method or instrument, the research population and sample, and the data analysis process (Babbie and Mouton, 2001).

3.3.1 Data collection methods

Next, the three data collection methods adopted in this research are described.

3.3.1.1 The questionnaire

There was no existing data collection instrument available that would collect the specific information required for this research. Therefore the researcher developed a questionnaire based on the Policy on Financial Awards (RSA, 2004a), the management theory and current literature. The Policy on Financial Awards (RSA, 2004a) provides broad national policy guidelines on how social welfare services should be financed and each province is expected to formulate its own responsive policies based on provincial priorities. For that reason some of the policy requirements were adopted to fit in with the Western Cape's social development priorities.

Since the population in this research was made up of well established welfare organisations, the Policy on Financial Awards (RSA, 2004a) transformation requirements were adopted so as to be as meaningful as possible to these organisations. For example, none of the selected welfare organisations were a residential care facility and as such the transformation requirements for residential facilities are not included into the questionnaire (Please refer to appendix I for the questionnaire).

The personal questionnaire was divided in to the four themes.

1. Organisation details:

The aim of the organisation details was to establish the identifying details of the organisation. The responses to the questions about the organisation details enabled the researcher to provide a description of the sample.

2. Governance:

The aim of exploring organisation governance was to examine the type of personnel and internal operational procedures the welfare organisations had.

3. Financial management:

The aim of exploring organisations financial management was to establish the reasons why the organisations are not able to provide financial assurance (if that is the case) as stipulated in the Public Finance Management Act, 1999 (Act 1 of 1999).

4. Fundraising:

The aim of exploring the organisations' fundraising efforts was to assess the organisations ability to raise funds if the financial awards from the PAWC are discontinued.

Each of the four themes explored issues that the welfare organisations currently have, in terms of the transformation requirements, by requiring yes or no responses. Based on the yes or no responses the questions explored each theme in more depth through predetermined choices. The predetermined choices were based on the management theory and current literature about the perceived capacity problems of service providers. If none of the predetermined choices were applicable to the organisation the respondent was asked to write down an applicable option/s. From indicated options the respondent was asked to write down the number of the option that is the most applicable to their organisation. In order to ensure that unforeseen responses were counted, questions included the 'other' option which allowed respondents to answer in their own words if the predetermined choices were not applicable to their organisation.

3.3.1.2 The informal interview

In this research the term informal interview is used to describe the conversation that was initiated by the respondent in relation to the questionnaire. The researcher did not prepare specific questions before the meeting with the respondents. As explained earlier the main purpose of the presence of the researcher while the respondent completes the questionnaire was to provide assistance, if needed. These informal interviews provided valuable information which aided in better understanding each organisation.

3.3.1.3 The document analysis

The researcher requested that organisations' provide audited financial statements and annual reports for the year 2003/2004. The financial statements provided documented information about the welfare organisations' financial sustainability and served as an indication of the organisations' financial accountability. The income statements and balance sheets were the special focus of the researcher's interest because these two documents illustrate the organisations' financial condition at a given point in time. The annual reports are the organisations' way of communicating their past operations to the public so they provided general information about organisations' operations. The annual reports were used as background information of the organisations in order to gain a broad picture of their operations.

3.3.2 Research population and sample

In order to explore the research topic, whether welfare organisations' in the Western Cape/Cape Town can meet the transformation criteria as stipulated in the Policy on Financial Awards (RSA, 2004a) in a meaningful manner, the purposive sampling technique was utilised (Strydom and De Vos, 1998). The purposive sampling technique requires the researcher's judgement of the significant characteristics of the population in order to select respondents that would provide the most meaningful information for the research purposes. Based on the Policy on Financial Awards (RSA, 2004a) the researcher came to the conclusion that large, well established and urban based welfare organisations would be the most affected by the Policy on Financial Awards (RSA, 2004a). Therefore the following criteria were established in order to select large, well established urban based welfare organisations.

1. Subsidies from PAWC:

The transformation criteria as stipulated in the Policy on Financial Awards (RSA, 2004a) are specifically directed to those organisations that receive subsidies in order to provide social welfare services. Therefore the organisations selected for this research must have received subsidies, either for providing social welfare services or special projects (conditional grants), from PAWC in 2004. If the organisations have not transformed as stipulated in the Policy on Financial Awards (RSA, 2004a) their financial resources are likely to be affected if the subsidy is terminated.

2. Employ at least four (4) social workers:

The number of social workers directly influences the amount of the subsidy, especially if the subsidy is for the provision of social welfare services. Therefore the more social workers the organisation employs the larger the subsidy the organisation is likely to receive and the greater the impact of the termination of the subsidy is likely to be. The number of employed social workers was also used as an indication of the size of the organisation.

3. Geographical location of the head office:

One transformation criterion as stipulated in the Policy on Financial Awards (RSA, 2004a) is that organisations provide services in rural areas. According to the Draft Transformation Plan (RSA, 2005b) urban based organisations experience difficulties in providing services to rural areas. It follows that urban based organisations are likely to suffer from resource related difficulties in providing services in rural areas. The following Magisterial Districts were considered to be inclusive for urban based organisations: Bellville, Cape Town, Goodwood, Wynberg, Athlone, Mitchell's Plain, Kuilsriver and Simon's Town. The directors or the CEOs are based at the organisations' head offices and therefore a further requirement was that the head office must be based in one of the above Magisterial Districts.

After a thorough analysis of the PAWC database2004welfareorgs (RSA, 2005c) and once several telephone calls were made, the researcher was able to identify twenty welfare organisations that fulfilled the above criteria. Since there were only twenty organisations that met the criteria the research population was regarded as the sample for the research.

3.3.3 Execution of the data collection methods

In terms of executing the data collection methods it is crucial to ensure that the selected methods capture the information required in order to achieve the research goal. The questionnaire in this research was not a standardised measurement therefore the pilot study was conducted prior to the actual execution of the data collection methods.

3.3.3.1 Pilot study

The main purpose of the pilot study in this research process was to ensure that the questions in the questionnaire were understood by the respondents in the manner in which the researcher wanted the questions to be understood. The pilot study provided an estimation of the time it took to complete the questionnaire. The pilot study also double checked that all significant aspects of the technical transformation from the organisations' point of view were included. The documents, audited financial statements and annual report for the year 2003/2004, requested from the organisation were analysed in order to ensure that they will provide the required additional information.

The pilot study was conducted in a welfare organisation that met the set criteria for the actual research population with the exception of the fact that the organisation employed only two social workers. The director of the organisation completed the questionnaire and provided general comments about the research topic. In terms of the general comments it was recommended that the organisations' relationship with the Department of Social Services and Poverty Alleviation could be included in the research since it is an important aspect of the transformation of the welfare service delivery sector. The other general comment was around the issue of the organisations' internal transformation process, which is necessary for the organisations to meet the stipulated transformation criteria. These two topics were discussed in depth with the respondent and their importance in the process of transformation was acknowledged by the researcher. In order to design a manageable research project these two significant aspects of the transformation were not included in the scope of this research.

The director also provided specific comments and recommendations for the wording of the questions. Based on the director's comments and recommendations two questions were removed and the wording of two further questions (questions 13 and

16) was changed in order for them to be more specific. The director expressed that the questions regarding the organisation's formalised fundraising strategies (questions 22 and 22.1) were confusing. These questions were designed to explore the two issues without influencing the respondents thinking by providing a guiding explanation; firstly to explore how familiar the respondents are with the term 'fundraising strategy' and, secondly, to explore the content of the organisation's strategy. For that reason the wording of questions 22 and 22.1 were not changed.

Overall the pilot study confirmed that the personal questionnaire is a suitable data collection method for the purposes of this research as the questionnaire directs the respondents' attention to the specific aspects of the transformation requirements and enables the respondents to provide additional information if they desire to do so.

3.3.3.2. Actual data collection process

After making the necessary changes to the questionnaire based on the pilot study the population of the research was contacted. In terms of the actual research process the first contact with the selected twenty organisations was made at the beginning of May 2005 by means of a facsimile (fax). The fax was selected as the medium of initial communication with the organisations because it provided a written document about the purpose of the research, the intended utilisation of the findings, issues of the confidentiality of the provided information, a request to include the organisation into the research, and the researcher's expectations of the participating respondents and organisations. The fax also included a signed certification that the researcher is a registered Masters student at the University of Cape Town.

In the middle of May 2005 the researcher telephoned all twenty respondents in order to arrange a meeting with them. The meeting had three purposes: to explain the purpose of the research in detail; to be present while the respondent completes the questionnaire in case there are problem with the questionnaire; and to ensure that the respondent completes the questionnaire.

In order to accommodate the respondents' time schedules, respondents were given the choice of completing the questionnaire in their own time if they were absolutely too busy to meet with the researcher. Only four respondents chose to complete the questionnaire in their own time and all of these four wrote down comments about the issues they felt needed more explanation.

The data was collected by means of the personal meetings with the respondents from middle of May 2005 to beginning of August 2005. While meeting with the respondents the audited financial statements and annual reports for the year 2003/2004 were collected from the organisations.

3.3.4 Data recording and analysis

The data collected through the questionnaire and through an informal interview was recorded immediately since the respondents completed the questionnaires and wrote down the additional comments they wished to make. After the meeting with the respondents the questionnaires and the requested documents were marked with a number, ranging from one to twenty, one number indicating the specific organisation and relevant documents. From that point onwards the organisations were considered as numbers in order to ensure objective handling of the information and to simplify the data recording process.

From the questionnaire the yes or no responses and predetermined options marked by the respondents were recorded in Microsoft Excel spreadsheets, according to the questions. Since the predetermined choices can be considered as yes or no responses, when feeding the response to Microsoft Excel spreadsheets the 'yes' response was replaced by number one (1) and the 'no' response was replaced by number zero (0). Microsoft Excel spreadsheet software was used in analysing the research findings in terms of the predetermined choices. The questionnaire data was mainly nominal in which numbers do not have value, but the numerical responses can be counted and a description made about how frequently they occur. The nominal responses were analysed using descriptive statistics (Fink, 1995) i.e. frequency, proportion and percentage of the responses.

The written responses to the 'other' options as well as the respondents' additional comments were analysed using the qualitative data analysis method. Written responses were short, such as the possible reason/s for not having something, a short comment about a certain issue or a short list describing the relevant topic. The responses were fed into the same Microsoft Excel spreadsheets as the yes or no responses, under the relevant questions. The analysis of the 'other' options and the additional comments included the establishment of common themes and analysing the meaning of the findings.

Since the audited financial statements and annual reports for the financial year 2003/2004 were given to the researcher there was no need to separately record them. The analysis of audited financial statements for the year 2003/2004 was based on the Financial and Information Management Systems (FIMS), focusing on the contents of the income statements and balance sheets. From the audited financial statements for the year 2003/2004 the relevant information was recorded on Microsoft Excel spreadsheets. Microsoft Excel spreadsheet software was utilised in the financial statement analysis.

Overall research findings were compared to the transformation requirements, management theory and literature in order to determine whether welfare organisations' in the Western Cape/Cape Town can meet the transformation criteria as stipulated in the Policy on Financial Awards (RSA, 2004a) and therefore obtain funding from the State or other funding sources.

3.4. Shortcomings, validity and reliability

The main data collection method, the personal questionnaire, was not a standardised data collection instrument. Therefore there was no existing information demonstrating the questionnaire's validity or reliability. Considering the term validity as an answer to the question: "Is the instrument an appropriate one for what needs to be measured?" (Henerson, Morris and Fitz-Gibbon, 1978:132) the personal questionnaire appeared to be a valid measurement by which to explore the research goal and objectives. However, the appropriateness of the instrument does not necessarily ensure that the personal questionnaire will uncover the truth of the matter. To some extent the researcher was able to verify some of the questionnaire responses by analysing the contents of the audited financial statements for the year 2003/2004. Since the questionnaire was formulated for these specific kinds of welfare organisations it is unlikely that it will provide a valid result if administered with another research population before some degree of modification.

Considering reliability as an answer to the question: "Does the instrument yield consistent results?" (Henerson et al., 1978:132), one cannot determine the reliability of the personal questionnaire as it was only administered during this research process. Also, because of the nature of the topics explored, the questionnaire should produce different answers when administered for the second time if the organisations are transforming. Based on the execution of the questionnaire it was reliable in a sense that it produced consistent responses from the twenty respondents.

In order to limit the amount of collected data a conscious decision was made not to explore the effectiveness of the organisations' capacity related documents such as strategic plans, programme plans, Management Information Systems and internal evaluation. Therefore the researcher had no means by which to confirm that the responses given are a true reflection of the organisations' capacity to transform.

In terms of analysing the annual report for the year 2003/2004, the content and quality varied so greatly between the organisations that the annual report analysis was not a significant data collection method. The annual reports that the organisations submit to the Directorate of Non-Profit Organisations' could have been a more relevant data collection method.

Although care was taken to select as homogenous a population for the research as possible all twenty organisations were different in terms of their structure, size and operations. The great variety of the organisations itself is not a shortcoming as it provided a source of fascinating information. In terms of data analysis it is necessary to point out that some respondents were able to provide information regarding the whole organisation and some were not. Therefore the information from some organisations does not include all employees or all financial activities and it follows that these twenty organisations do employ more people than the next chapter indicates.

The following chapter provides a description of the research population, which was also a sample in this research. The main results are presented in the form of Figures and Tables as far as possible. In addition to the Figures and Tables the findings are related to the relevant policy and legal requirements.

Chapter 4: Research results and analysis

The data for this research was collected through personal questionnaires and by analysing financial statements and annual reports for the year 2003/2004 in order to establish whether welfare organisations' in the Western Cape can meet the transformation criteria as stipulated in the Policy on Financial Awards for Service Providers (RSA, 2004a) and therefore obtain funding from the state or from other funding sources.

Since the criteria for defining the welfare organisations for this research limited the research population to twenty welfare organisations whose head offices were based in defined urban areas, non-probability sampling procedure was employed. This chapter starts by describing the research population and then progresses to the presentation of the main findings of the research. The main findings are presented in the form of Figures and Tables. The structure of the chapter follows the structure of the questionnaire (please refer to appendix I for the questionnaire). The document analysis findings (financial statements and annual reports) are linked to the relevant questionnaire findings. The percentages are rounded off and therefore they do not always add up to one hundred percent.

4.1. Population profile

The respondents were asked to complete the questionnaire while the researcher was present or the questionnaire was collected by the researcher on the agreed date. All twenty organisations participated in the research and it follows that the response rate in this research was one hundred percent (100%). The responses to questionnaire questions one to nine (1-9) are utilised in the description of the research population.

The twenty welfare organisations discussed play a significant role in social welfare service delivery in the Western Cape. There are great differences in the structures, annual revenues and the number of employees of the various organisations but Table 4.1 presents selected factors that highlight the size of the research population.

Table 4.1 Size of the organisations in terms of annual revenue and the number of people involved

Factor/indicator	Sample organisations
Social service organisations	20
Annual revenue in 2003/2004	R286 477 665*
Subsidy from PAWC	R32 302 588*
Employed social workers & auxiliary social workers	301
Paid employees (excluding social workers & auxiliary social workers)	1 327 persons
Volunteers (including Governing Bodies)	2 018 persons

*Audited financial statements were available only for 18 organisations

There are 2617 registered non-profit organisations in Western Cape, 619 of which state their objectives as social services (RSA, 2004f). The PAWC subsidises 184 organisations that are categorised as welfare organisations (RSA, 2005c). It follows that only twenty-nine percent (29%) of the welfare organisations were subsidised by PAWC in 2004. The selected twenty welfare organisations made up eleven percent (11%) of the organisations subsidised by PAWC in the financial year 2003/2004.

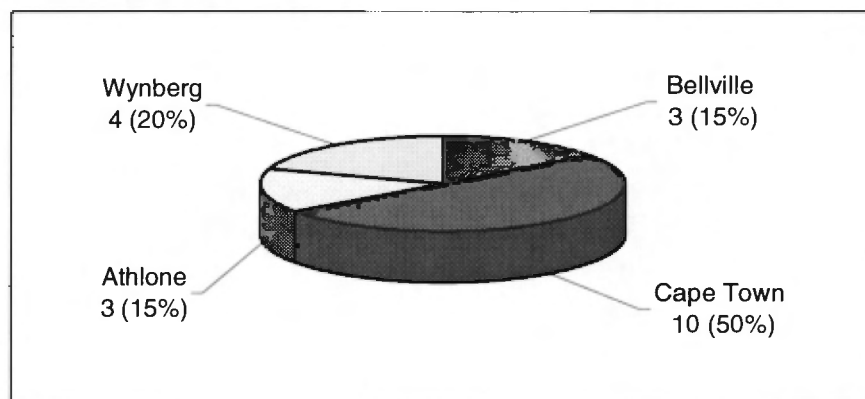
In 2003/2004 the PAWC's actual expenditure for the social welfare service delivery was R271 041 000 (RSA, 2004b) and it follows that these selected twenty welfare organisations received twelve percent (12%) of the PAWC's actual expenditure for social welfare services in 2003/2004. It is important to bear in mind that the actual expenditure for social welfare, programme 3, includes organisations other than just welfare organisations, such as old age homes, homes for the disabled, shelters, treatment centres, crèches and Early Childhood Development Centres (ECDC's), which were excluded from this research.

The Draft Transformation Plan (RSA, 2005b) offers some indication of the number of employed social workers in the Western Cape (eight hundred and forty eight), although the definition of social workers included into the calculations is not exact. To quote the Draft Transformation Plan: "Total number of social workers includes community-based service providers, funded posts, Departmental posts, unfunded posts and excludes social workers at facilities and within private practice." (RSA, 2005b:6) If the definition of included social workers is interpreted as the social workers employed by the government, non-profit organisations (other than residential facilities) and social workers and auxiliary social workers whose salaries are

subsidised by PAWC, it follows that the selected twenty organisations employ 35% of the above mentioned social workers and auxiliary social workers.

This research intentionally focused on urban based organisations and Figure 4.1 illustrates the geographical location of the twenty organisations' provincial head offices.

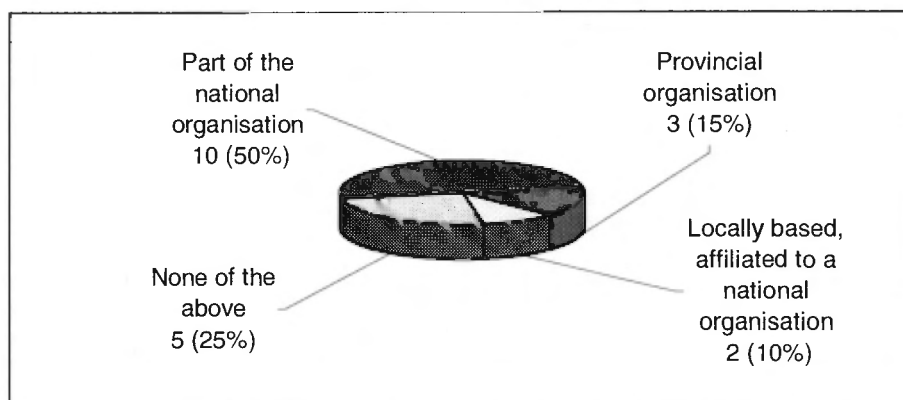
Figure 4.1 The magisterial districts where the welfare organisations' head offices are situated



Although the Magisterial District, Mitchell's Plain (Khayelitsha was considered to be apart of the Mitchell's Plain Magisterial District) was included in the criteria for defining the research population boundaries, none of the organisations' head office was based in Mitchell's Plain Magisterial District. This is significant in terms of the subsidy allocation criteria for the financial year 2005/2006 and onwards, in which twenty-five percent (25%) of the total allocation for social service delivery is reserved for organisations that are "...both based and operate in marginalised communities and have been inadequately funded." (RSA, 2005b:24)

All twenty organisations were registered in terms of the Nonprofit Organisations Act, 1997 (Act 71 of 1997) and in addition, two organisations were registered in terms of Section 21 of the Companies Act, 1973 (Act 61 of 1973).

In terms of the structure, these twenty organisations' structures ranged from locally based independent organisations to national organisations. Figure 4.2 illustrates the broad structure of these twenty organisations.

Figure 4.2 Broad structures of the organisations

As Figure 4.2 illustrates half of the organisations are part of the national structure. Five (or 25%) organisations were independent organisations focusing on social issues specific to the Western Cape. In terms of the provided services these twenty organisations operated in predetermined service fields, with none of the organisations operating solely in the social security field. Table 4.2 shows the division of the service fields in which these twenty organisations operated.

Table 4.2 Classification of service fields

Service field	Number	Percent
Family care	7	35%
Child care	3	15%
Substance dependency	2	10%
Care of aged	2	10%
Care of offender	1	5%
Care of physically disabled	1	5%
Care of mentally disabled	1	5%
Other	3	15%
Total	20	100%

Three (or 15%) respondents marked the 'other' option as their main service field. Of these organisations two were offering services to people affected by a specific long-term illness and one provided temporary residence. Half of the organisations operated either in the family or child care field, which have been recognised as the main social welfare service fields in South Africa since 1938 (RSA, 1953). The other half of the organisations operated in several specialised social service fields although the respondents acknowledged that they do assist families where necessary.

In terms of the provided services Figure 4.3 illustrates the types of services these twenty organisations provide. Two (or 10%) organisations focused on level two services (RSA, 2001), which are enabling services rather than direct welfare services.

Figure 4.3 Service programme types

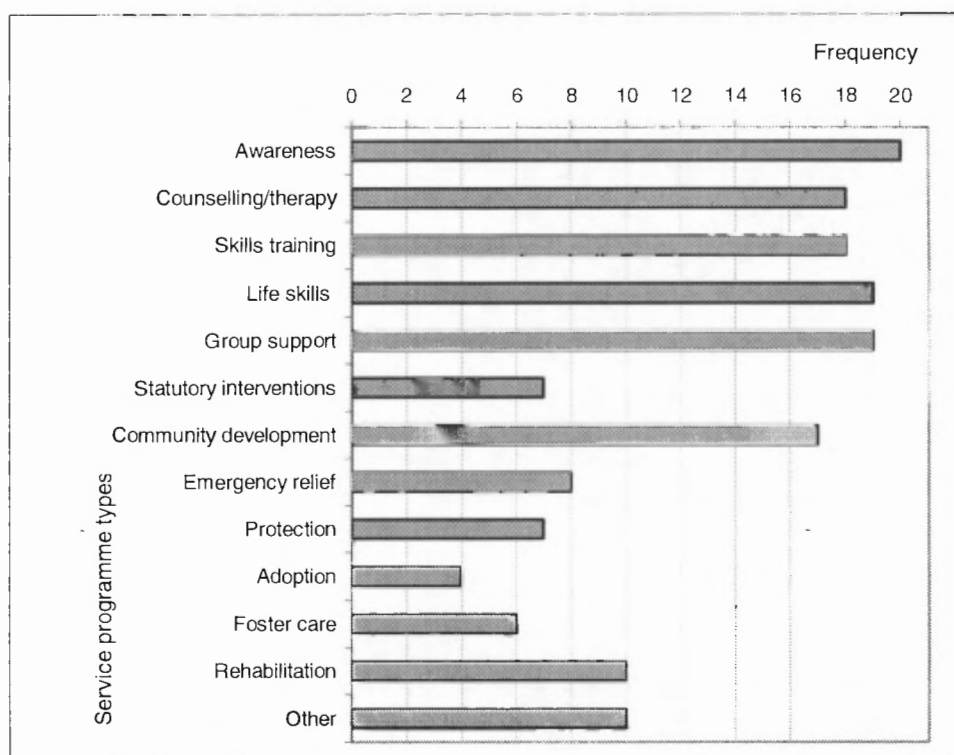


Figure 4.3 illustrates that all twenty (or 100%) organisations provided awareness programmes and seventeen (or 85%) organisations provided community development services. The level two service organisations were the two organisations that did not provide counselling and therapeutic services (RSA, 2001). Ten (or 50%) respondents also listed other provided services. The most commonly stated other services were training, economic empowerment and job creation.

4.2. Representative Governing Body and employed personnel

The Policy on Financial Awards (RSA, 2004a) requires that organisations have a representative Governing Body in respect of the communities they provide services for. The questionnaire asked respondents to write down the number of Governing Body members, number of paid personnel and number of volunteers in terms of racial and gender classification. The provided employment numbers were compared with the Western Cape population figures. These are: twenty-seven percent (27%) of

the population is African, fifty-four percent (54%) is Coloured, one percent (1%) is Indian/Asian and eighteen percent (18%) of the population is white (South African Statistics Council on Census, 2001). Tables 4.3 to 4.9 present the number and percentages of each employment category according to race and gender classification.

Table 4.3 Composition of Governing Body

	African		Coloured		Indian/Asian		White		Total
Total No.	26		115		6		114		261
%of the total	10%		44%		2%		44%		100%
Gender	M	F	M	F	M	F	M	F	
Total No.	18	8	60	55	5	1	63	51	261
%of the total	7%	3%	23%	21%	1.9%	0.1%	24%	20%	100%

The percentages in Table 4.3 show that the Governing Body members are dominantly male. Generally there are too many White and too few African governing body members. This finding confirms that the Governing Bodies of these twenty organisations are not reflective of the demographics of the communities they provide services for. Both the Draft Transformation Plan (RSA, 2005b) and the Policy on Financial Awards (RSA, 2004a) acknowledge that currently the composition of the Governing Bodies does not reflect the demographics of the communities to whom their services are aimed at.

Table 4.4 Composition of management staff

	African		Coloured		Indian/Asian		White		Total
Total No.	25		85		3		80		193
%of the total	13%		44%		2%		41%		100%
Gender	M	F	M	F	M	F	M	F	
Total No.	5	20	31	54	2	1	17	63	193
%of the total	3%	10%	16%	28%	1%	1%	9%	32%	100%

The composition of the management staff as illustrated in Table 4.4 shows that management positions in these twenty organisations are dominated by Coloured and White employees. Table 4.4 also shows that within each racial group there are more female employees than male employees. This finding is in line with the Swilling and Russell (2002) finding that the non-profit sector provides management opportunities for female managers. However, the Swilling and Russell (2002) research also suggests that in the non-profit sector managerial positions are commonly held by

African women. Table 4.4 shows that this is not the situation within these twenty welfare organisations with African females occupying only twenty (or 10%) of the 193 management positions.

Table 4.5 Composition of administrative staff

	African		Coloured		Indian/Asian		White		Total
Total No.	37		125		5		28		195
%of the total	19%		64%		3%		14%		100%
Gender	M	F	M	F	M	F	M	F	
Total No.	11	26	8	117	1	4	3	25	195
%of the total	6%	13%	4%	60%	1%	2%	1%	13%	100%

Table 4.5 illustrates that the composition of the administration staff is female dominated within these twenty welfare organisations. Within the number of females it becomes clear that most of the administration staff is Coloured women. In terms of the racial composition of the Western Cape there are too few African and White staff members in administration positions.

Table 4.6 Composition of social workers

	African		Coloured		Indian/Asian		White		Total
Total No.	62		121		3		44		230
%of the total	27%		53%		1%		19%		100%
Gender	M	F	M	F	M	F	M	F	
Total No.	14	48	5	116	0	3	3	41	230
%of the total	6%	21%	2%	51%	0%	1%	1%	18%	100%

Table 4.6 shows that the composition of social workers in terms of racial classification is the closest to the population profile of the Western Cape. In other words, twenty-seven percent (27%) of social workers are African, fifty-three percent (53%) are Coloured, one percent (1%) are Indian/Asian and nineteen percent (19%) are White. In terms of gender division, 208 (or 91%) social workers are female and twenty-two (or 9%) are male. This finding confirms that the social work profession is traditionally female dominant. Although Table 4.6 suggests that employed social workers are representative of the Western Cape community, none of organisations had an exactly representative social workers composition.

Table 4.7 Composition of auxiliary social workers

	African		Coloured		Indian/Asian		White		Total
Total No.	35		32		0		4		71
%of the total	49%		45%		0%		6%		100%
Gender	M	F	M	F	M	F	M	F	
Total No.	5	30	10	22	0	0	3	1	71
%of the total	7%	42%	14%	31%	0%	0%	4%	2%	100%

Table 4.7 shows that the majority of employed auxiliary social workers are African and Coloured females. Interestingly there are more White males than White females, although the total number of White auxiliary social workers is not significant. There are more Coloured males employed as auxiliary social workers than social workers.

Table 4.8 Composition of other staff members

	African		Coloured		Indian/Asian		White		Total
Total No.	311		570		0		58		939
%of the total	33%		61%		0%		6%		100%
Gender	M	F	M	F	M	F	M	F	
Total No.	54	257	88	482	0	0	11	47	939
%of the total	6%	27%	10%	51%	0%	0%	1%	5%	100%

Table 4.8 combines all the 'other' employment categories. In total the 'other' personnel category was the single largest employment category with fifty-seven percent (57%) of the total employed personnel. This category mainly included HIV/AIDS counsellors, community health workers, cooks, drivers and cleaners. As Table 4.8 illustrates the 'other' category is dominated by Coloured and African females. Overall sixteen (or 80%) organisations' employment categories were typical of organisations operating in the social welfare field, i.e. social workers, administration and management personnel. In terms of employment categories four (or 20%) organisations employed 863 (or 92%) of the 'other' personnel, which is further illustration of the diversity within the twenty selected organisations.

Table 4.9 Composition of all paid employees

	African		Coloured		Indian/Asian		White		Total
Total No.	470		933		11		214		1628
%of the total	29%		57%		1%		13%		100%
Gender	M	F	M	F	M	F	M	F	
Total No.	89	381	142	791	3	8	37	177	1628
%of the total	6%	23%	9%	48%	0.3%	0.7%	2%	11%	100%

Considering racial categorisation, the overall personnel numbers as illustrated in Table 4.9 for these twenty organisations is relatively close to the Western Cape's population figures, although generally these organisations employ too few White personnel and too many Coloured personnel (according to the population make-up). In addition to the employment numbers, respondents' were also asked for their opinion on whether or not they consider the personnel representative of the community to whom they provide services for. Seventeen (or 85%) respondents stated that they consider their personnel and management board to be a reflection of the demographics of the communities they provide services for. Three (or 15%) respondents stated that their personnel are not a true reflection of the demographics of the communities they serve.

Generally the ability of a welfare organisation to have a representative Governing Bodies is greatly dependent on people's willingness to participate in these bodies. Some of the main functions of the Governing Bodies are to provide direction for the organisations and assist in management and financial management (Camay and Gordon, 2002). Therefore Governing Body members should have the skills necessary to perform these functions. The main difficulties the respondents listed in terms of recruiting African Governing Body members was that they are not interested, they might not be able to afford to attend to the meetings, and they often lack the necessary skills. In terms of the major difficulties the organisations faced in recruiting African managers, the respondents stated that their organisations are not able to pay competitive salaries. Even if organisations successfully employ African managers, they soon resign in favour of government employment.

Two (or 10%) respondents stated that it is generally difficult to employ African females because the government wants to employ them and is able to pay better salaries. The other issue was the language difficulties, especially amongst social

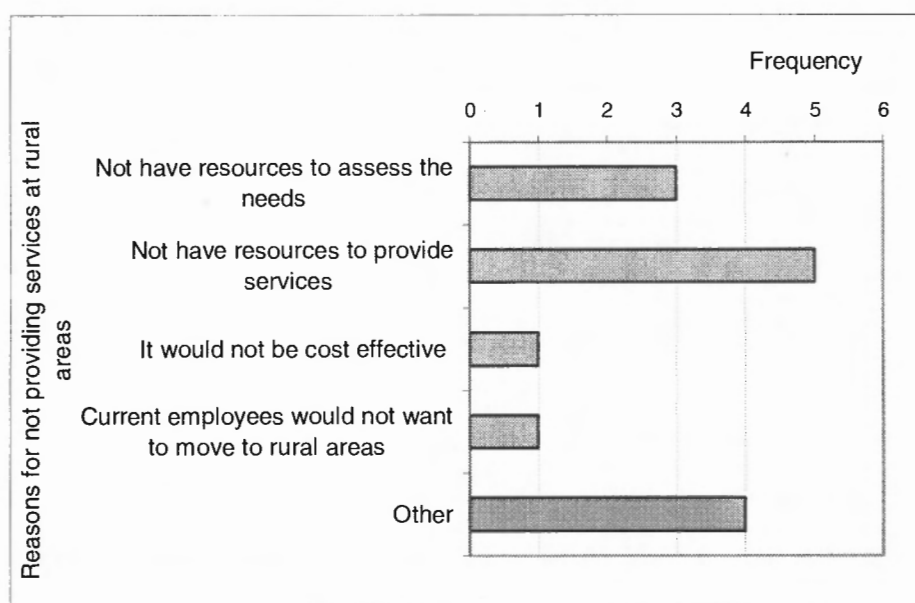
workers. Many African social workers cannot not speak Afrikaans, which is one of the dominant languages in the Western Cape. The other issue was that where the nature of the job demanded travelling by the organisations' car, many job applicants do not have driving licences and were thus unable to fulfil the job requirements.

The finding that welfare organisations are having difficulties recruiting African employees is a reflection of the broader employment equity issues that South African society is facing. The main difficulty these welfare organisations have in recruiting African employees (especially males) is that these organisations are not able to pay salaries competitive with those offered by the government. Recruiting African employees is likely to be more difficult in the future because the Department of Social Services and Poverty Alleviation is launching an aggressive campaign to attain employment figures that are representative of the Western Cape population (RSA, 2005b).

4.3. Services in rural areas

The Department of Social Services and Poverty Alleviation Annual Performance Plan (RSA, 2004c:11) identifies the following areas as the areas of greatest need for social services: Central Karoo, Theewaterskloof, Matsikama, Witzenberg, Cedarburg, Worcester, and Oudtshoorn. The respondents were asked whether their organisations provide services in these above rural areas. Eight (or 40%) respondents stated that they do not provide services in these rural areas. Figure 4.4 illustrates the reasons the respondents stated for not providing services in these areas. The respondents were asked to state all applicable difficulties and therefore the number of total responses is greater than eight.

Figure 4.4 Reasons for not providing services in rural areas



As Figure 4.4 indicates the most common reason for not providing services in rural areas was that these organisations do not have the resources to provide services there. This was also stated as the most difficult obstacle by five respondents. Three other organisations did not provide services at rural areas because of the way the organisation was structured, i.e. they provided services only for specific geographic communities in Western Cape.

Three main issues emerged from the comments written by the respondents in the 'other' option. First was that the specific social issue that the organisation deals with is not a problem in rural areas. Second was that the populations in these specific rural areas are not large enough to provide services for. Linked to population numbers, the third issue was that there is still a great influx of people to Cape Town, resulting in a greater need for services in Cape Town than in rural areas. Considering the organisations' limited resources, the population in Cape Town would suffer from the lack of much needed services if the organisation moved to service provision in rural areas.

Twelve (or 60%) respondents stated that they do provide services in these rural areas. Interestingly, seven (or 58%) out of these twelve respondents expressed that they do not have permanent offices in these rural areas but they still offer their services. These respondents defined accessibility of their services as either via

telephone or through sending employees to these areas. Alternatively, respondents stated that they provide services for only one of the specified areas, which does not mean that their services are accessible to all above rural areas. It follows that only five (or 25%) organisations operate in all the above rural areas.

According to the Draft Transformation Plan (RSA, 2005b) the trend in the Western Cape is that most of the service providers are located in urban areas, which slows down the equal distribution of resources and services between urban and rural areas. The finding that only five (or 25%) organisations provide services at all the above rural areas suggests that the organisations based in urban areas have difficulties in providing services in rural areas.

4.3.1 Services in previously marginalised urban areas

In terms of the previously marginalised urban areas the Draft Transformation Plan (RSA, 2005b) points out Khayelitsha and Mitchell's Plain as areas of greatest need and most lacking of resources. The respondents were asked to list all branches and offices that employ social workers in Western Cape. Only one (or 5%) respondent indicated that the organisation has an office in both Khayelitsha and Mitchell's Plain where social workers are employed. Three (or 15%) other organisations have offices in Khayelitsha and one (or 5%) other organisation has an office in Mitchell's Plain. In other words, only five (or 25%) organisations are physically based in previously marginalised communities within urban areas, which would qualify them for the future financial awards from the PAWC. This finding is significant in terms of the PAWC's subsidy allocation criteria for the financial year 2005/2006 and onwards, in which twenty-five percent (25%) of the total allocation for social service delivery is reserved for organisations that are: "...both based and operate in marginalised communities and have been inadequately funded." (RSA, 2005b:24)

4.4. Stakeholder involvement

Stakeholder involvement in the organisations' service programme planning and internal policy development is one of the transformation criteria stipulated in the Policy on Financial Awards (RSA, 2004a). Stakeholders are defined as beneficiaries and community members. The respondents were asked whether or not their stakeholders are involved in their service programme planning. Eighteen (or 90%) organisations indicated that their stakeholders are involved and two (or 10%) stated that their stakeholders are not involved. These two organisations listed a lack of resources and lack of training on how to involve stakeholders as the main reasons for

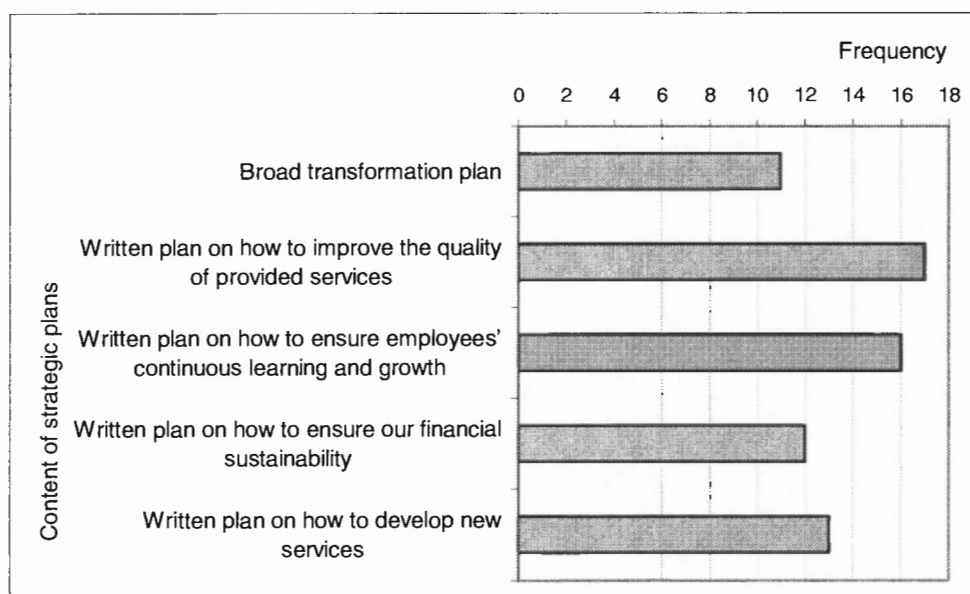
not involving stakeholders. One respondent also stated that it would be too time consuming to involve stakeholders.

Two out of the eighteen organisations indicated that although stakeholders are involved in programme planning they are currently developing a better system through which to involve more community members. Only one organisation's annual report described how their stakeholders are involved in service programme planning and the functioning of the organisation.

4.5. Strategic plan

The Policy on Financial Awards (RSA, 2004a:26) requires that organisations are able to demonstrate their ability to provide effective and efficient services but does not specify what is meant by effective and efficient services. From the management theory's point of view strategic planning is a crucial document in defining the organisations' long term strategies and goals. For that reason the respondents were asked if they have written strategic plans or not. Three (or 15%) organisations did not have a current strategic planning document but indicated that they are in the process of developing one. Seventeen (or 85%) organisations indicated that they have a written strategic planning document. Figure 4.5 illustrates the content of these seventeen organisations' strategic planning documents.

Figure 4.5 Content of strategic plans

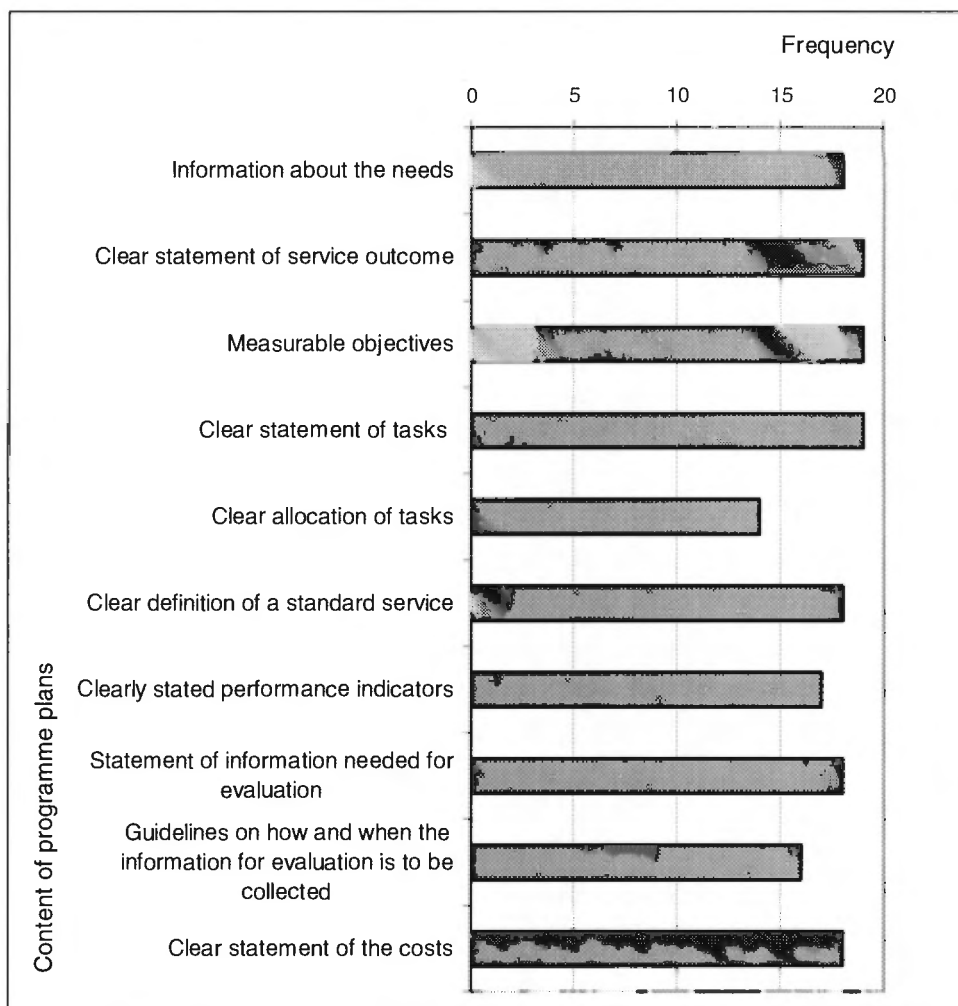


In the following discussion the three organisations that do not have a written strategic plan are included with the assumption that they do not have any of the discussed documents. In terms of meeting the transformation requirements only eleven (or 55%) organisations have a broad transformation strategy for their organisations. Seventeen (or 85%) organisations have a written plan on how to improve the existing services but only thirteen (or 65%) organisations have a written plan on how to develop these new services. In terms of employees' development and growth sixteen (or 80%) organisations have a written plan for that purpose and only twelve (or 60%) organisations have a written plan on how to ensure their financial sustainability. Only seven (or 35%) organisations had a strategic plan which included all asked for written documents.

4.6. Programme planning

Service programme plans should ensure that organisations meet their strategic goals as stipulated in their strategic planning. Programme plans also should ensure that the provided services are effective and efficient and that service programmes meet the needs of the beneficiaries. The respondents were asked if they have written programme plans and for the content of their programme plans. Only one (or 5%) organisation did not have a written programme plan for its services. Figure 4.6 illustrates the content of the nineteen organisations service programme plans.

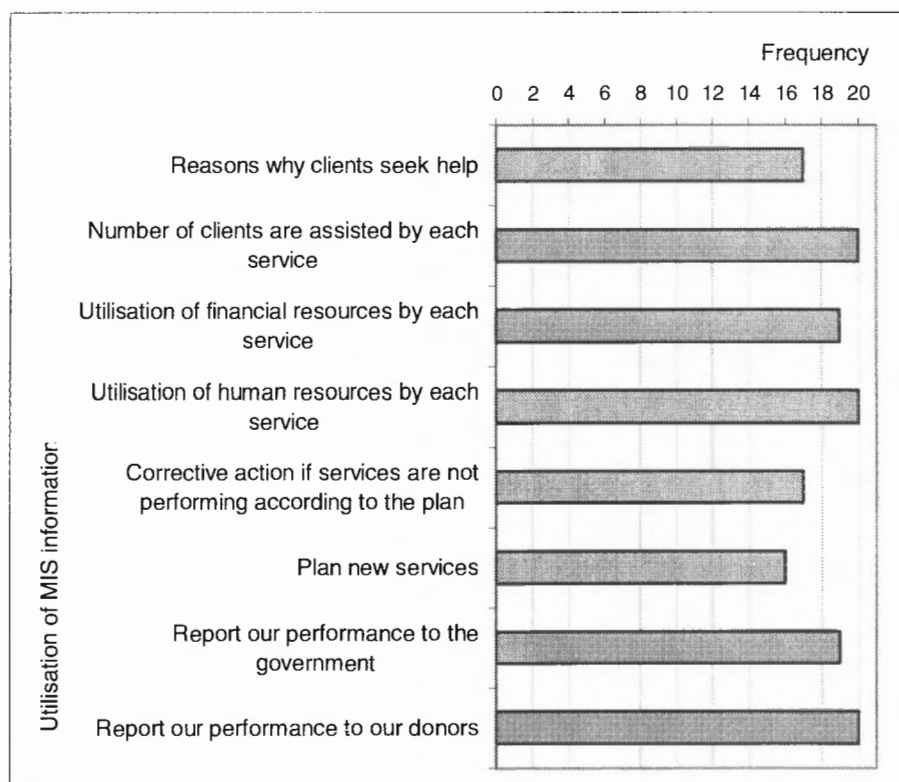
Figure 4.6 Content of programme plans



A commonly stated difficulty in the welfare sector is that welfare organisations do not have programme plans for provided services. The responses to the question regarding the content of organisations' programme plans suggest that all nineteen (or 100%) organisations' have adequate programme plans, as illustrated in Figure 4.6. The areas of minor concern are the allocation of tasks to employees and guidelines on how and when the information for programme evaluation is to be collected.

4.7. Management Information Systems

The Policy on Financial Awards (RSA, 2004a) requires that organisations monitor their performance in order to ensure that they are delivering quality services, although 'quality of service' is not defined in the policy. Respondents were asked whether or not their organisations have a Management Information System (MIS), which collects data about all aspects of the provided service programmes and their utilisation. All twenty (or 100%) organisations have a MIS and Figure 4.7 illustrates the purposes for which this MIS information is utilised.

Figure 4.7 Utilisation of the MIS

Overall the information produced through MIS is adequately utilised by these twenty organisations as illustrated in Figure 4.7. From the findings there seems to be three minor areas for concern. Firstly, three (or 15%) organisations do not analyse reasons why clients seek help, which can indicate that these organisations might not be aware of the changing needs of their clients. Secondly, three (or 15%) do not use the MIS information for its main purpose, which is to take corrective action if the services are not performing according to the plan. And thirdly, four (or 20%) organisations do not use the MIS information to plan new services. This finding is in the line with the organisations' strategic plans where seven (or 35%) organisations do not have a written plan on how to develop new services.

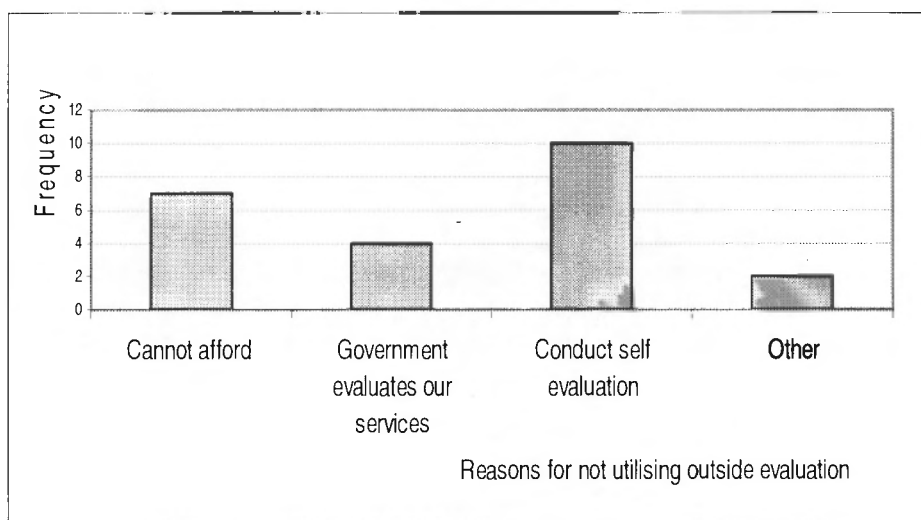
4.8. Evaluation

The Policy on Financial Awards (RSA, 2004a) states that the government will evaluate funded service programmes based on the monitoring information the organisation produces. The government programme evaluation will be stipulated in service contracts between the organisation and the government. The respondents were asked if their organisations utilise outside consultants to evaluate their service programme outcomes. Nine (or 45%) respondents indicated that their organisations

use outside consultants to evaluate their service programmes. Although the questionnaire did not further explore how and when these nine organisations utilise outside consultants to evaluate their services, this finding indicates that these organisations have properly documented programme plans, goals and objectives, which are necessary for the success of the outside evaluation.

Eleven (or 55%) respondents indicated that they do not utilise outside consultants to evaluate their services. Figure 4.8 illustrates the reasons why these eleven organisations do not use outside evaluations. Respondents were asked to indicate all applicable reasons and therefore the responses do not add up to eleven.

Figure 4.8 Reasons for not using outside evaluations



Ten (or 90%) out of eleven organisations conduct self-evaluation of their service programme outcomes and seven (or 63%) organisations cannot afford to hire outside consultants. Interestingly, although all twenty organisations received subsidies from PAWC, only four (or 20%) out of twenty organisations stated that the government evaluates their service programmes and even then only those services which are funded by the government. Two (or 18%) out of eleven organisations utilises the peer evaluation system within their respective organisations' departments and branches.

4.9. Effective and efficient financial management systems

The respondents were asked whether or not their organisations can declare that they implement effective, efficient and transparent financial management and internal control systems, as stipulated in the Public Finance Management Act, 1999 (Act 1 of

1999). All twenty organisations responded that they do. This finding is likely to be a result of the requirements that PAWC has been implementing since 2001. Organisations applying for subsidies from PAWC have to complete a declaration of their ability to implement effective, efficient and transparent financial management and internal control systems. If the organisation is not able to declare the above, Governing Body members have to participate in training in financial management and the organisation has to submit itself to inspection from the Department (RSA, 2004e). In addition, the audited financial statements for the year 2003/2004 were required in order to further explore these organisations' financial management systems and financial sustainability. The audited financial statements for the year 2003/2004 were available for the research purposes from eighteen (or 90%) organisations. Table 4.10 summarises the statements included in the eighteen organisations' audited financial statements.

Table 4.10 Statements included into the audited financial statements for the year 2003/2004

Financial statements	Number	Percentage
Audited	18	100%
Balance sheet	18	100%
Income statement	17	94%
Cash flow statement	10	56%
Changes in equity	12	67%
All four statements	7	39%

As Table 4.10 illustrates, all eighteen organisations who provided their financial statements had a balance sheet, which is required in terms of the Nonprofit Organisations Act, 1997 (Act 71 of 1997). The other legally required document is the income statement and only one organisation did not have it. The inclusion of the cash flow statement and statement of changes in equity is not a legal requirement in terms of non-profit organisations' financial reporting but respectively ten (or 56%) and twelve (or 67%) of the audited financial statements had these two statements.

Overall the reporting style in the audited financial statements differed from one organisation to another. Some financial statements summed up all subsidies, donations and grants under one heading – donations – whilst other financial statements separated and described in detail the sources and amounts of all received donations. Frustratingly, only seven (or 39%) financial statements included fundraising as an expenditure item. For two organisations fundraising expenditure

was almost ten percent (10%) of their total expenditure but for the others it was less than one percent (1%) of their annual expenditure. Thirteen (or 72%) organisations included marketing and advertising as a separate expenditure item. For one organisation marketing and advertisement was five percent (5%) of the total expenditure but for the other organisations', it was less than one percent (1%) of their annual expenditure.

4.10. Financial sustainability

Financial sustainability is a complicated issue for welfare organisations. On one hand welfare organisations are expected to provide social services on behalf of the government therefore they should get adequate funding from the government. But on the other hand through Policy on Financial Awards (RSA, 2004a:21) the government is forcing these organisations to become "...less dependent on government funding and more financially sustainable." (RSA, 2004a:21) The following analysis of these organisations' financial sustainability is based on the audited financial statements for the year 2003/2004. Generally the financial statements describe an organisation's financial activities for the past financial year and the financial situation on a given day (the last day of the organisation's financial year). For seventeen (or 85%) organisations the end of the financial year was 31 March 2004, for one (or 5%) it was 30 June 2004 and two (or 10%) organisations' financial statements were not available for research purposes (one out of these two organisations' non-audited income and expenditure statement was available from its annual report).

Table 4.11 presents the summary of the financial information gathered from audited financial statements for the year 2003/2004. The organisations are arranged in the order of their annual revenue. In addition, Table 4.11 indicates whether or not these organisations have fundraising strategies or fundraising problems, as the lack of a fundraising strategy can affect the organisations financial sustainability.

Table 4.11 Summary of audited financial statements for the year 2003/2004 and fundraising strategy

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Org.	No E	Annual Revenue	S %	D %	I %	L %	CC %	O %	Annual Expenditure	Sa %	Ot %	Reserves	Cur. R(x/1)	Debt R(%)	Def. R(d)	FRS	FRP
1	7	657 362	62	0	0	0	0	38	724 906	60	40	-330 709	0.06	279	17	NO	YES
2	14	1 414 083	18	22	2	28	3	27	1 428 967	81	19	1 449 037	0.29	17	23	NO	YES
3	17	1 526 857	51	4	0	6	0	40	1 443 971	71	29	na	na	na	Na	YES	YES
4	8	1 659 603	8	82	10	0	0	0	1 130 072	36	64	377 200	0	0	553	YES	YES
5	21	1 909 440	12	7	0	16	16	49	1 732 409	38	62	59 874	0.04	94	7	NO	YES
6	39	2 087 351	27	13	2	10	3	46	1 570 711	32	54	515 060	5.54	16	128	YES	YES
7	27	2 792 167	60	2	1	21	4	12	2 255 317	66	33	0	4.24	10	121	NO	YES
8	85	3 140 237	34	22	0	0	6	38	3 195 454	72	28	1 654 187	0.95	35	96	YES	NO
9	15	3 253 943	18	26	1	22	5	28	3 253 943	38	62	1 952 276	2.96	12	56	YES	YES
10	13	3 548 590	44	4	8	28	0	15	2 637 125	71	29	30 172 951	1.65	18	324	YES	YES
11	34	4 177 507	45	14	0	30	7	3	3 433 823	70	29	687 636	6.12	1	5	YES	YES
12	102	5 726 877	8	32	2	2	0	55	5 469 414	19	71	1 609 660	2.99	30	152	YES	NO
13	55	6 776 238	26	3	2	30	4	36	6 157 764	60	40	3 380 644	1.18	49	122	YES	NO
14	56	6 871 058	39	51	0	0	3	6	5 575 215	68	32	4 494 557	6.16	15	220	YES	YES
15	78	6 933 292	0	64	6	0	0	30	6 905 491	50	50	10 071 305	14.76	3	279	YES	NO
16	120	8 775 909	46	12	2	7	10	24	9 116 511	75	24	1 929 253	1.31	32	35	YES	YES
17	124	9 219 214	59	11	6	0	4	20	9 143 158	75	25	11 619 014	1.18	11	70	YES	YES
18	744	83 474 000	9	1	15	0	0	75	73 317 000	47	53	148 514 000	0.44	7	21	YES	YES
19	49	132 533 937	1	0	63	0	0	36	62 901 679	0	0	430 457 391	5.05	22	502	NO	NO
20	20	na	Na	na	na	na	na	na	na	na	na	na	na	na	na	YES	YES

No E- Number of paid employees, S-Subsidy, D-Donations, I-Investment, L-National Lottery, CC-Community Chest, O-Other income, Sa-Salaries, Ot.-Other expenditure, FRS- Fundraising strategy, FRP.- Fundraising problems

The first column in Table 4.11 is a random number for each organisation. The second column shows the number of paid employees and the third shows the rand amount of the organisations' annual revenue. Columns four to nine illustrate main sources of income in terms of percentage of total revenue. Column ten shows the rand values of the organisations' annual expenditure and columns eleven and twelve illustrate the main expenditure items in terms of percentage of total expenditure. Column thirteen illustrates the rand value of the organisations' reserves. Columns fourteen to sixteen illustrate the ratios utilised in estimating the organisations financial sustainability. The last two columns, seventeen and eighteen, indicate whether or not the organisations have fundraising strategies or fundraising problems.

4.10.1 Annual revenues and operating expenses

As Table 4.11 illustrates these twenty organisations differ greatly in size based on their annual revenues and operating expenses. Eleven (or 55%) organisations' annual revenue is less than R5 million and six (or 30%) organisations' annual revenue is between R5 to R10 million. One of these organisations (Organisation ten) has significantly large reserves compared to its annual revenue. Therefore it is essential to point out that this organisation's financial statements reflect all the property the organisation and its branches own. For one (or 5%) organisation the annual revenue is unknown and two (or 10%) organisations' annual revenue is above R10 million. It is necessary to point out that these two organisations (organisations eighteen and nineteen) are Section 21 companies engaging to activities other than just providing social welfare services. These organisations' audited financial statements for the year 2003/2004 were consolidated financial statements, which did not provide separate financial information regarding social welfare services. Therefore the figures presented in Table 4.11 are not real reflection of these two organisations' financial information regarding the social welfare services they provide. In terms of the PAWC subsidies twelve (or 60%) organisations received subsidies for both providing social services and for special projects (conditional grant), and eight (or 40%) organisations received subsidies only for providing social services.

When analysing these organisations' audited financial statements for the year 2003/2004 it is important to take into account the difference in the organisations' reporting style in terms of income sources. For instance, not all organisations provided information about different sources of donations and therefore the

percentages in Table 4.11 might not be a true reflection of the organisations' income sources.

In this research the income source was considered to be significant if it was thirty percent (30%) or more of the total income. For nine (or 45%) organisations the subsidy from PACW was above thirty percent (30%) of their annual revenue and for seven (or 35%) organisations the PAWC subsidy was the largest income source. The donation income is above thirty percent (30%) of the annual revenue for four (or 20%) organisations. The investment income is significant only for one organisation, which was a Section 21 company. Some respondents commented that the National Lottery is an unreliable income source. For example, an organisation may receive a substantial amount of funds from the Lottery one year and then receive nothing the next year. As Table 4.11 shows for six (or 30%) organisations the National Lottery income was more than twenty percent (20%) of their annual revenue. The Community Chest income was not significant for any of the organisations but many respondents commented that at least it is an income source on which their organisations can rely.

Only four (or 20%) organisations had diverse income sources when diversity is defined as an organisation having three or more income sources that are all twenty percent (20%) or above of their annual revenue.

In terms of the organisations' operating costs, for seventeen (or 85%) organisations salaries are over thirty percent (30%) of the organisations annual expenditure. Most of the annual statements did not separate service programme costs therefore those costs are not included in Table 4.11.

4.10.2 Ratios

The ratio analysis is one way to analyse the financial information of the organisations. The ratio analysis is more commonly utilised in assessing business organisations' financial viability when considering investing. The following three ratios were adopted in order to analyse these welfare organisations' financial sustainability: current ratio, debt ratio and defensive ratio.

4.10.2.1 Current ratio

Current ratio illustrates the relationship between current assets and current liabilities (current ratio=current assets/current liabilities). The acceptable current ratio for

business organisations is 1.5: 1 which suggests that at a given point in time the organisation's current assets are 1.5 times more than its current liabilities (Smith, 2004). For welfare organisations the acceptable current ratio could be 1:1 which indicates that the organisation has enough current assets that can be converted into cash in order to settle current liabilities.

Column fourteen in Table 4.11 illustrates the current ratios for these welfare organisations. Five (or 25%) organisations' current ratio is less than 1:1 indicating that these organisations have more current liabilities than current assets. Eight (or 40%) organisations' current ratio is more than 2:1 meaning that their current assets are twice (or more) as much as their current liabilities and therefore suggesting that these organisations are comfortably able to settle their current liabilities.

4.10.2.2. Debt ratio

The debt ratio indicates the percent of the organisations' assets that is financed by loans ($\text{Debt ratio} = \frac{\text{total debt} \times 100}{\text{total assets}}$). For instance, if most of the organisations' assets are financed by interest bearing loans, the interest payment can form a significant amount of the organisations' expenditure. Therefore the smaller the debt ratio the better it is for the organisation (Smith, 2004). For the purposes of this research a debt ratio less than thirty percent (30%) is considered to be adequate for these welfare organisations.

Column fifteen in Table 4.11 illustrates the debt ratios, calculated from the Balance Sheets, of these welfare organisations. Twelve (or 60%) organisations' debt ratio was less than thirty percent (30%), suggesting that these organisations own two thirds or more of their assets. Two (or 10%) organisations' debt ratio is significant – ninety-four percent (94%) of one organisation's assets are financed by debt and the other organisation has more debts than assets that it owns as its debt ratio is 279%.

4.10.2.3 Defensive ratio

The defensive ratio indicates how many days an organisation could operate without using cash generated by its operations. It follows that the more days the organisation can operate on this basis the better it is. The normal way to calculate defensive ratio for business organisations is as follows: $\text{Defensive ratio} = \frac{\text{Defensive assets} \times 365}{\text{project expenditures}}$, in which the defensive assets are cash+marketable securities+accounts receivable and project expenditure is cost of goods sold+expenses (Smith, 2004). For these welfare organisations, instead of using defensive

assets, the current assets were used to calculate defensive ratio because current assets can be considered to be equivalent to cash (Defensive ratio= current assets*365/operating costs). In terms of welfare organisations it is considered to be satisfactory if they can operate for three months (90 days) without income.

Column sixteen in Table 4.11 shows the welfare organisations' defensive ratios in terms of how many days these organisations would be able to operate without income. Ten (or 50%) organisations' defensive ratios suggest that they would be able to operate for more than three months (90 days) without income. Two (or 10%) organisations would be able to operate for only about a week without income.

In summary, the ratio analysis suggest that that seven (or 35%) welfare organisations are financially sustainable, assuming that current ratio, more than 1:1 is adequate, debt ratio 30% or less is adequate and defensive ratio above 90 days is adequate. In other words organisations six, seven, ten, twelve, fourteen, fifteen and nineteen can be considered to be financially sustainable.

4.10.3 Fundraising strategy in relation to financial sustainability

The respondents were asked if their organisations have a formalised fundraising strategy and whether they face fundraising problems. In terms of the organisations' financial sustainability it is useful to explore the absence or presence of a fundraising strategy and fundraising problems in relation to the organisations' overall financial position.

Columns seventeen and eighteen in Table 4.11 illustrate whether the organisations had a fundraising strategy and/or fundraising problems. Four (or 20%) respondents indicated that they have a fundraising strategy and they do not have fundraising problems (organisations eight, twelve, thirteen and fifteen). These four organisations' ratio analysis suggests that three (or 75%) organisations are financially sustainable. Even one of these organisation's debt ratio is above 30% this organisation has diverse sources of income and adequate reserves. The concerns in terms of the other organisation are that its expenditure is more than its revenue; the amount of its reserves is not sufficient to keep the organisation going for a long time; and its current ratio is less than 1:1. Basically, this organisation's current liabilities are greater than its current assets. In terms of these four organisations' income sources two (or 50%) organisations have significantly diverse sources of income.

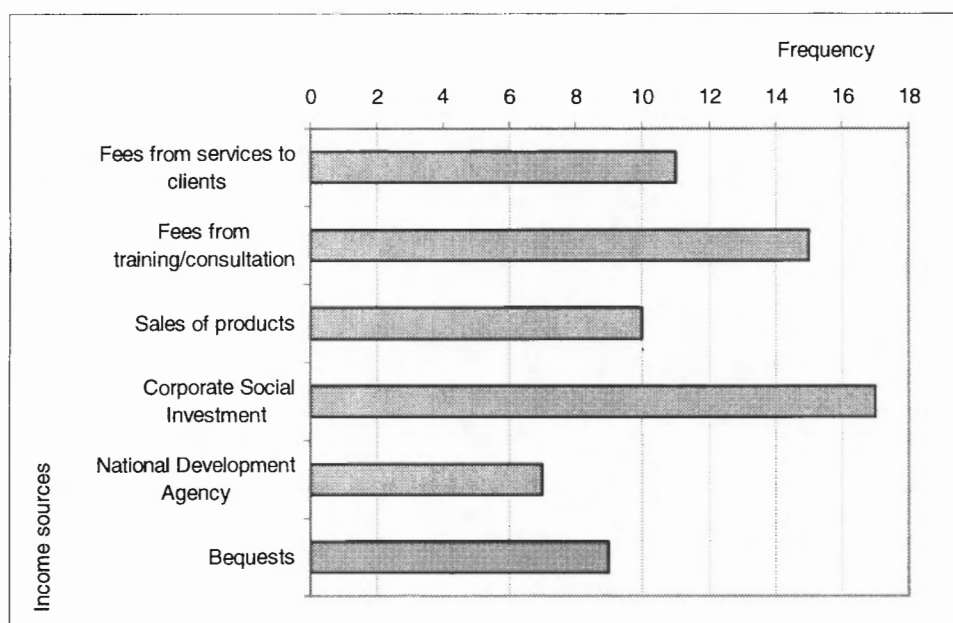
Four (or 20%) respondents indicated that their organisations' do not have fundraising strategies and that they have fundraising problems (organisations one, two, five and seven). The ratio analysis suggests that one (or 25%) of these four organisations is financially sustainable but the concern with this organisation is that it does not have any reserves, which would improve its financial sustainability. Only one (or 25%) of these four organisations has diverse income sources, but its expenditure exceeds its revenue and its reserves are not sufficient to ensure its financial sustainability. The overall financial position of these four organisations suggests that they could benefit from well formulated fundraising strategies.

Only one (or 5%) respondent indicated their organisation does not have a fundraising strategy or fundraising problems (organisation nineteen). The financial position of this organisation suggests that the organisation is able to sustain its operations by utilising its current practises.

Eleven (or 55%) respondents indicated that their organisations have both fundraising strategies and fundraising problems. The ratio analysis suggests that three (or 27%) of these eleven organisations are financially sustainable and only one (or 9%) of these eleven organisations has significantly diverse income sources.

4.10.4 Less significant sources of income

The respondents were asked to indicate all sources of income that their organisations had in the financial year 2003/2004. Figure 4.9 presents income sources that were not significant in terms of the organisations' audited financial statements.

Figure 4.9 Selected sources of income

Although the income sources presented in Figure 4.9 are not significant in terms of the monetary value, the variety of sources of income that these twenty organisations have suggest that these organisations are engaging in a range of activities from which they could increase their income. For instance, fifteen (or 75%) and ten (or 50%) organisations respectively received income from training and/or consultation services provided by the organisations or by the sale of products.

Seventeen (or 85%) organisations received income from Corporate Social Investment (CSI) programmes, which suggests that these organisations have existing relationships with business sector. It follows that these organisations have the base from which to work in order to increase their CSI income.

Only seven (or 35%) organisations received income from the National Development Authority (NDA), which could be due to the NDA's internal issues relating to the management of funds under its control. Only nine (or 45%) of the respondents indicated that their organisations get income through bequest programmes that essentially aims to ensure income for the organisation in the future.

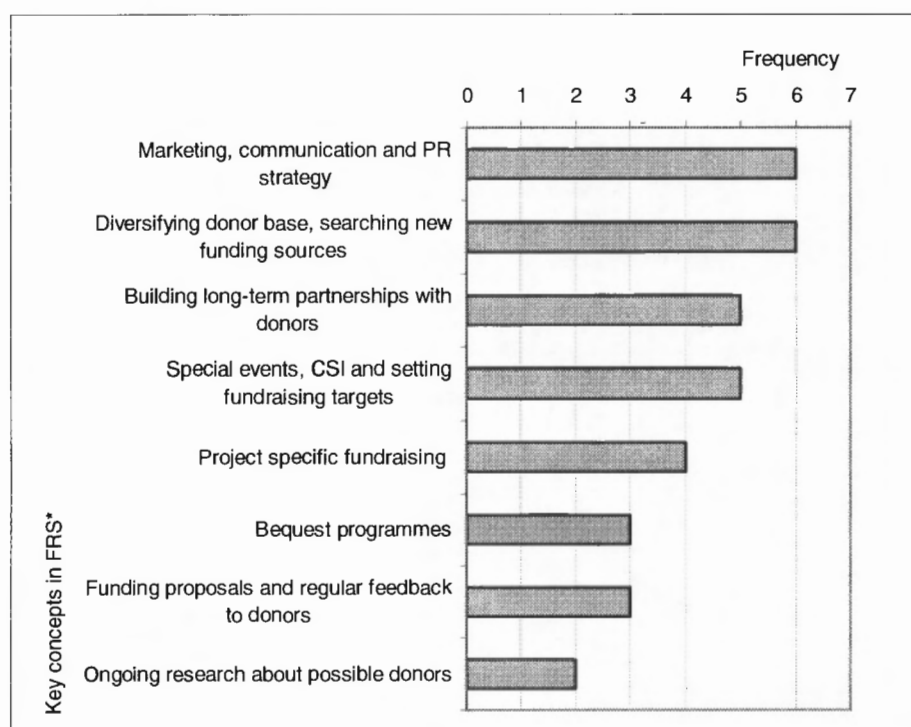
The issue of charging client fees is a complicated one for welfare organisations. In principle the services should accessible to all and no clients should be denied access to services based on their inability to pay for them. Therefore the client fees are not

likely to become a significant source of income. Out of these twenty welfare organisations eleven (or 55%) organisations charged client fees according to the clients' ability to pay.

4.11. Fundraising

The respondents were asked whether their organisations had formalised fundraising strategies. The question regarding fundraising strategy did not provide a definition of 'fundraising strategy' but the respondents were expected to respond in terms of how they understood the term. Fifteen (or 75%) respondents indicated that their organisations have a formalised fundraising strategy. They were also asked to write down the key concepts of their fundraising strategies. Figure 4.10 illustrates the most frequently stated key concepts in the fifteen organisations' fundraising strategies.

Figure 4.10 Key concepts listed in fundraising strategies



*FRS- fundraising strategy

The responses illustrated in Figure 4.10 are collected from fifteen organisations' fundraising strategies. The significance of this finding is that in relation to all twenty organisations only six (or 30%) organisations indicated diversifying and searching for new donors as key concepts in their fundraising strategies. Two other points of concern are that only five (or 25%) respondents indicated that they set fundraising targets and only four (or 20%) respondents indicated that they conduct project

specific fundraising. Three (or 15%) respondents indicated that funding proposals and regular feedback to donors are part of their fundraising strategies.

Six (or 30%) respondents considered a general marketing and advertising strategy as one key concept in their fundraising strategies and three (or 15%) respondents listed the bequest programmes as key concepts.

In terms of the fifteen organisations' individual fundraising strategies, nine (or 60%) respondents listed the key concepts of their fundraising strategy as either programme specific or part of the organisation's fundraising strategy. Four (or 27%) respondents listed different sources of income and two (or 13%) respondents stated one method their organisations utilise in fundraising. Based on the key issues of the organisations' fundraising strategies this finding suggests that only nine (or 45%) out of the twenty organisations have adequate fundraising strategies.

4.11.1 Problems in fundraising

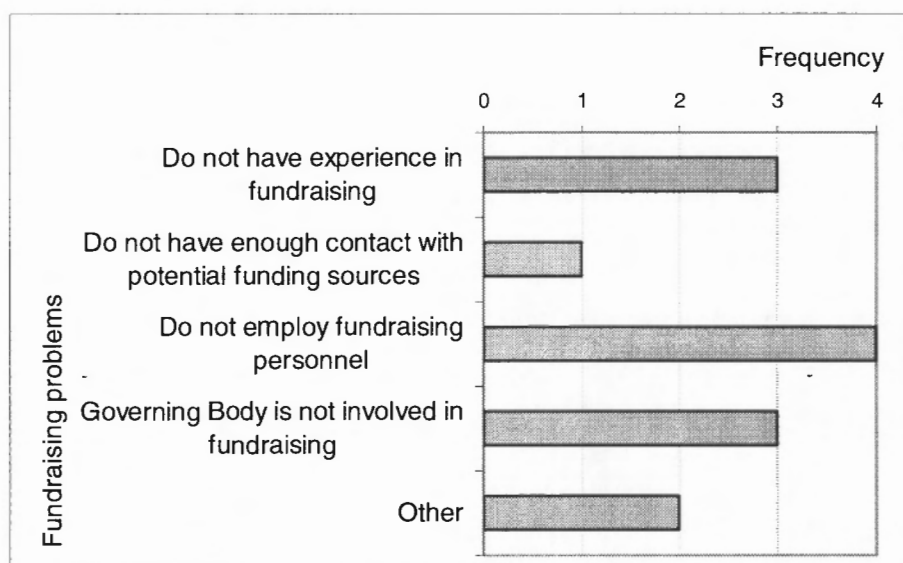
The respondents were asked whether their organisations had experienced any problems in fundraising. Fifteen (or 75%) respondents indicated that their organisations have experienced fundraising problems and five (or 25%) respondents indicated that that their organisations have not experienced fundraising problems. One (or 20%) respondent out of these five indicated that their organisation has not experienced fundraising problems even though the organisation does not have a fundraising strategy. Four (or 80%) other respondents stated that they have not had fundraising problems. The key concepts of these four organisations' fundraising strategies suggested that these organisations have well thought-out and organised fundraising activities, their planned fundraising campaigns focused on different funding sources (diversity), they set fundraising targets based on the organisations' financial needs, they regularly informed donors how their funds were utilised and they employed fundraising personnel.

In the following the fundraising problems are presented in terms of whether or not organisations had fundraising strategies.

4.11.1.1 Organisations without fundraising strategies

Four (or 20%) respondents indicated that they have experienced fundraising problems. None of these organisations had a fundraising strategy. The main fundraising problems that these four organisations experienced are illustrated in Figure 4.11. The respondents were asked to indicate all applicable problems therefore the number of total responses does not add up to four.

Figure 4.11 Fundraising problems: four organisations which do not have a fundraising strategy



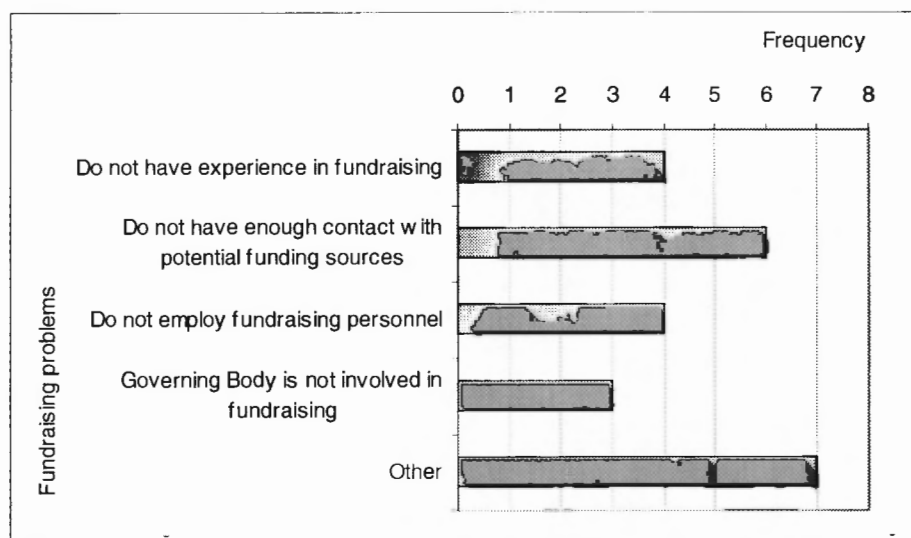
As Figure 4.11 illustrates all four (or 100%) respondents indicated that their organisation does not employ fundraising personnel and all four respondents stated that it was the most difficult problem for them to deal with. The lack of experience in fundraising and the lack of Governing Body involvement was a difficulty for three (or 75%) of the organisations. Two (or 50%) organisations included other difficulties. One was linked to the organisation's service field, which was not considered to be the government or donor's priority. The other was related to the organisations' national structure which restricts this organisation's contact with local funding sources.

4.11.1.2 Organisations with fundraising strategies

Eleven (or 55%) respondents who indicated that their organisations have experienced fundraising problems also had a fundraising strategy. This finding suggests that these organisation's fundraising strategies are not adequately meeting these organisations financial needs. Figure 4.12 illustrates fundraising problems

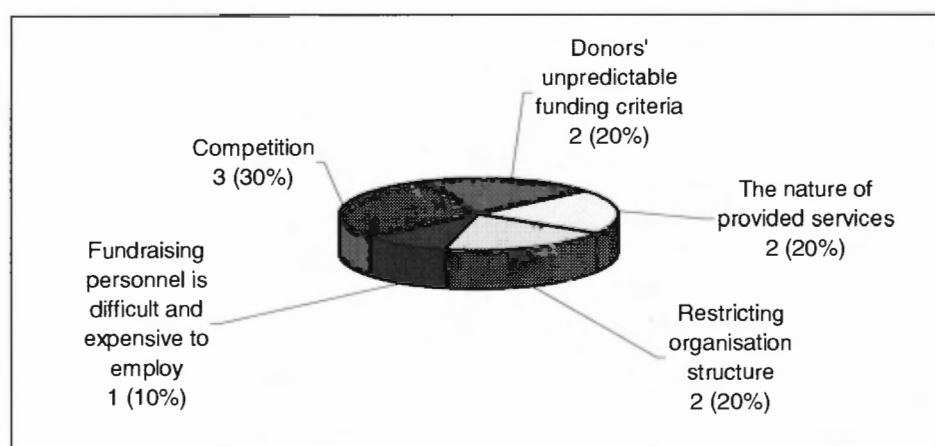
these organisations have experienced. The respondents were asked to indicate all applicable problems therefore the number of total responses does not add up to eleven.

Figure 4.12 Fundraising problems: eleven organisations which have a fundraising strategy



Although these eleven (or 100%) organisations had a fundraising strategy, lack of contact with potential donors was a problem for six (or 55%) organisations. Four (or 36%) respondents indicated that their organisations do not employ fundraising personnel or that they do not have fundraising experience. The lack of Governing Body involvement was a problem for three (or 27%) organisations. Seven (or 64%) respondents listed other problems in their fundraising efforts. These are illustrated in Figure 4.13.

Figure 4.13 Other fundraising problems indicated by seven respondents



In terms of the other fundraising problems these seven respondents listed, two of the problems are same as within those organisations that do not have fundraising strategies. These are the nature of provided services and a restricting organisation structure. In addition, the other fundraising problems these seven organisations expressed were focused on the competition, unpredictable funding criteria from donors and the lack of fundraising personnel as Figure 4.13 illustrates.

4.11.2 Utilised fundraising methods

The respondents were asked to list all the methods their organisations utilise in fundraising. Although only fifteen (or 75%) respondents stated that their organisations have a fundraising strategy all twenty respondents provided information regarding their fundraising methods. All twenty (or 100%) respondents stated that their organisations use funding proposal writing as one of their fundraising methods. Table 4.12 presents the fundraising methods that nineteen (or 95%) organisations utilised in relation to their fundraising strategies and fundraising problems. One organisation is not included in Table 4.12 because the organisation did not have a fundraising strategy or fundraising problems.

Table 4.12 Methods utilised in fundraising

	n=4 (no FRS and FR problems)	n=11 (FRS and FR problems)	n=4 (FRS and no FR problems)
Direct mail campaigns	100%	54%	50%
Street collections	25%	18%	0%
Special, once off events	50%	63%	75%
Games of chance/raffles	0%	9%	25%
Bequest soliciting/planned giving	25%	36%	75%
Writing fundraising proposals	100%	100%	100%
Other	25%	18%	50%

FRS = Fundraising Strategy

FR = Fundraising

Table 4.12 illustrates some significant differences in the fundraising methods of these three groups of organisations. None of the organisations that do not have fundraising problems utilise street collections, which is not considered to be a cost effective fundraising method. Organisations that have a fundraising strategy and no

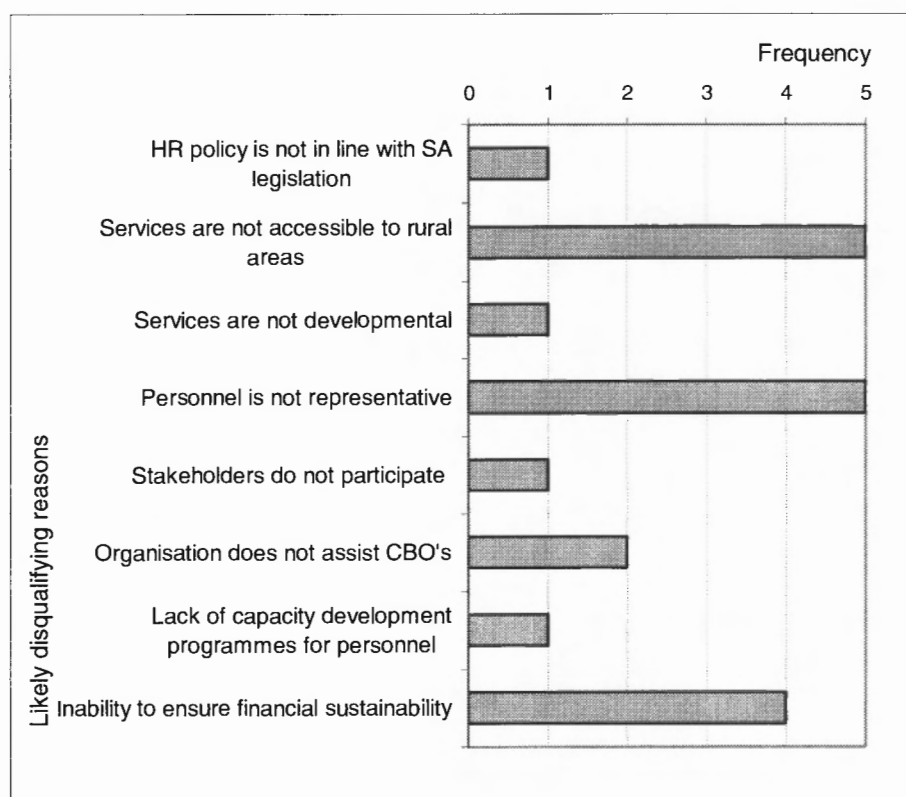
fundraising problems direct their fundraising efforts on special events and bequest soliciting. Also direct mail campaigns do not form a major part of their fundraising efforts.

4.12. Likely disqualifying reasons for future financial awards

The respondents were asked to speculate likely reasons why their organisation would not qualify for financial awards from the PAWC. Eight (or 40%) respondents indicated that their organisations would qualify so none of the possible reasons was applicable to them. The four (or 20%) organisations that had a fundraising strategy and did not experience fundraising problems were part of the eight organisations that indicated that they would qualify for the financial awards.

Figure 4.14 presents the twelve (or 60%) respondents likely reasons for not qualifying for financial awards from PAWC if that should ever happen. The respondents were asked to indicate all applicable reasons therefore the number of total responses does not add up to twelve.

Figure 4.14 Likely disqualifying reasons as indicated by respondents

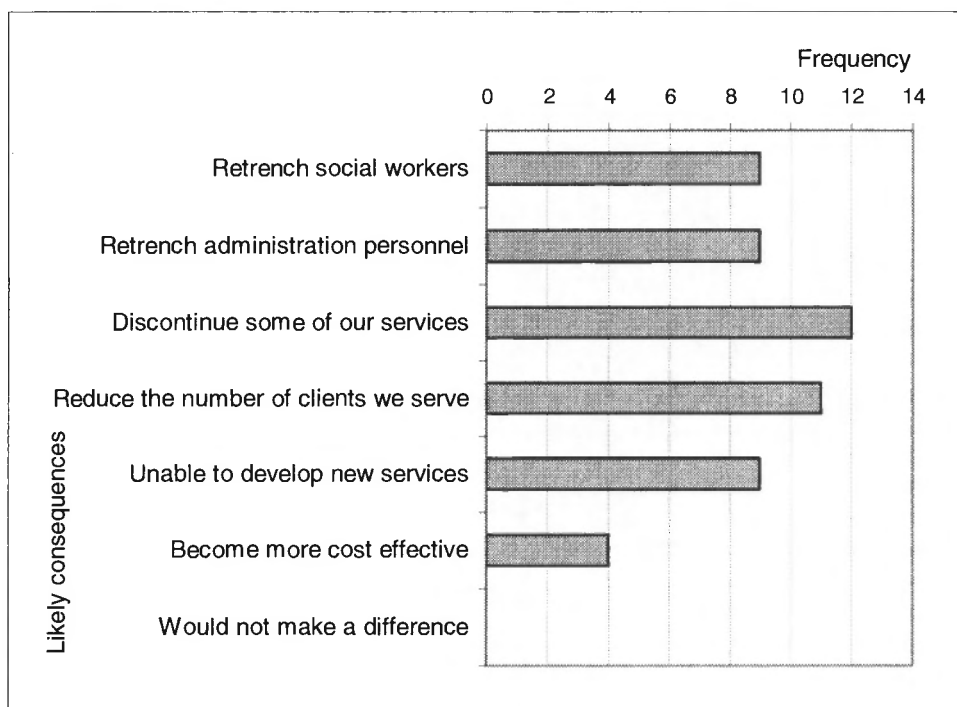


A lack of accessible service in rural areas and not employing representative personnel was a possible reason for five (or 42%) organisations. For four (or 33%) organisations the inability to ensure financial sustainability was the possible reason for not qualifying for the financial awards from PAWC.

4.13. Likely consequences if the PAWC subsidy is discontinued

In order to explore the possible implications of the implementation of the Policy on Financial Awards (RSA, 2004a) the respondents were asked to speculate what their organisation would have to do if they did not receive subsidies from PAWC. Six (or 30%) respondents indicated that their organisations are likely to be forced to close down and therefore these respondents' other responses are not included in Figure 4.15, which illustrates the fourteen respondents' speculations of the consequences of not receiving PAWC subsidies. The respondents were asked to indicate all applicable consequences therefore the number of total responses does not add up to fourteen.

Figure 4.15 Likely consequences of the discontinuity of the PAWC subsidy



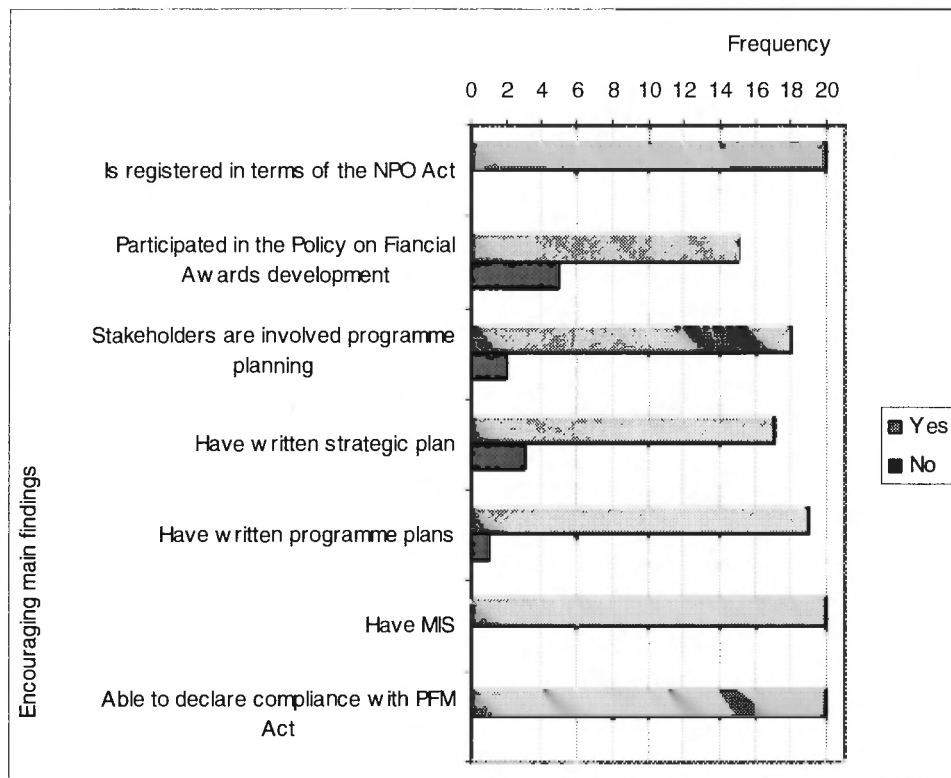
The most significant in this finding is that none of the twenty respondents indicated that the discontinuation the PAWC subsidy would not make a difference for the organisation. Considering that six (or 30%) organisations are likely to close down if they do not receive a PAWC subsidy, the consequences for the clients of these organisations is likely to be devastating.

The fourteen (or 70%) respondents who indicated that their organisations would not have to close down suggest a nonetheless devastating effect if they did not receive a PAWC subsidy. Nine (or 64%) out of fourteen respondents indicated that their organisations would have to retrench social workers. Twelve (or 86%) out of the fourteen organisations would have to discontinue some of their services and eleven (or 79%) organisations would have to reduce the number of clients they serve. In terms of becoming more cost effective, only four (or 29%) respondents speculated that their organisations might be able to reduce costs.

4.14. Summary of the main research findings

The data for this research was mainly collected through a personal questionnaire. In addition the informal interviews with the respondents and audited financial statement for the year 2003/2004 provided invaluable insights to these welfare organisations' current situation. Eight (or 40%) respondents were positive that their organisations would qualify for a financial award. Overall, the findings of this research study suggests that these twenty welfare organisations have characteristics that are likely to assist them in meeting the Policy on Financial Awards (RSA, 2004a) transformation requirements. Figure 4.16 summarises the encouraging findings from these welfare organisations perspective.

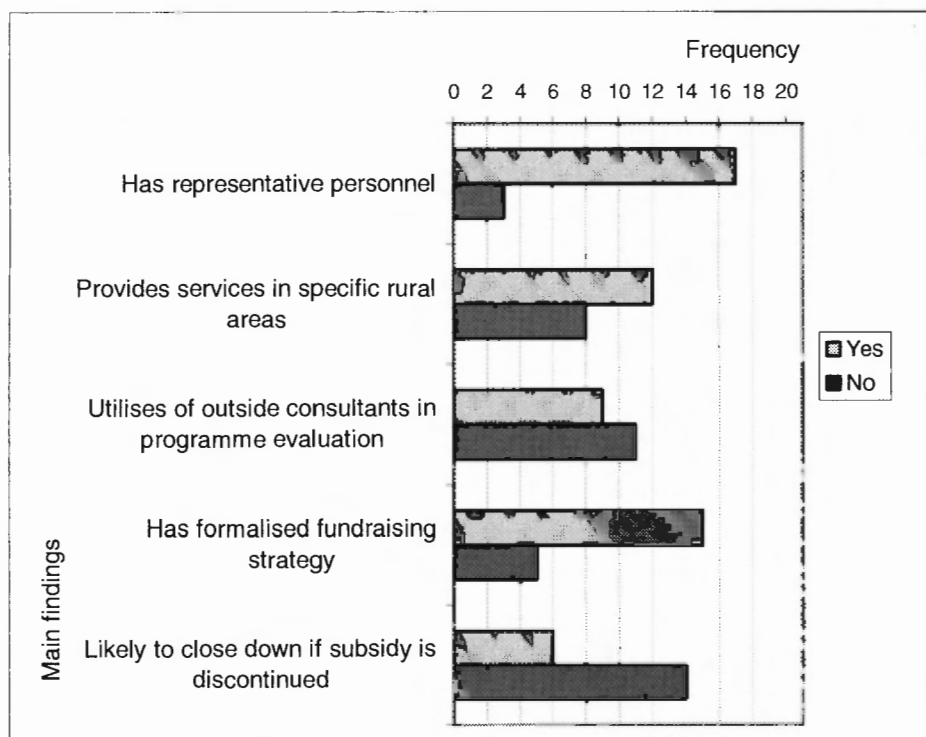
Figure 4.16 Summary of encouraging findings



Even though this research study did not explore the effectiveness and efficiency of the organisations' management systems, the findings presented in Figure 4.16 suggest that these twenty welfare organisations have adequate management systems in place, such as written strategic plans, programme plans and Management Information systems. All twenty organisations are also registered in terms of the Nonprofit Organisations Act, 1997 (Act 71 of 1997) and all of them are able to declare that they can implement effective and efficient financial management and internal control systems as stipulated in the Public Finance Management Act, 1999 (Act 1 of 1999). In addition fifteen (or 75%) respondents stated that their organisations participated in the development of the Policy on Financial Awards (RSA, 2004a), which is likely to make these organisations sensitive to the transformation requirements.

At the same time, the findings of this research suggest that these twenty welfare organisations have some areas of concern that they should focus on in order to meet the transformation criteria as stipulated in the Policy on Financial Awards (RSA, 2004a). Figure 4.17 summarises the findings that suggest matters of concern.

Figure 4.17 Summary of concerning findings



The responses presented in Figure 4.17 suggest that seventeen (or 85%) organisations' employees are reflective of the demographics of the communities they provide services for. Further exploration revealed that none of these twenty organisations actually have representative personnel. The same applies to these organisations' Governing Bodies even though the respondents were more aware of the fact that their Governing Bodies were not representative.

The responses regarding service provision in specific rural areas suggest that twelve (or 60%) organisations' services are accessible to these areas. But seven (or 58%) out of these twelve respondents expressed that they do not have permanent offices in these rural areas or that their services are accessible only for one of the specified areas. Therefore only five (or 25%) organisations operate in all specific rural areas.

Although all respondents indicated that their services are evaluated in some way, only nine (or 45%) organisations utilised outside evaluations that provide objective analysis of the outcomes of the services.

In terms of ensuring financial sustainability, fifteen (or 75%) respondents indicated that their organisations have formalised fundraising strategies. The exploration of these organisations' fundraising strategies suggested that only nine (or 45%) organisations had adequate fundraising strategies to meet their current and future financial needs.

Finally, six (or 30%) respondents indicated that their organisations are likely to be closed down if the subsidy from the PAWC is discontinued. This is likely to have a significant effect on the overall social welfare service delivery in Western Cape.

In the next chapter the conclusions of this research are presented through a discussion on how well this research was able to meet the research goal and objectives. The chapter also presents recommendations regarding the Policy on Financial Awards (RSA, 2004a) as well as recommendations for welfare organisations on how to better meet the needs of the people and communities.

Chapter 5: Conclusions and recommendations

The goal of this research was to explore whether welfare organisations' in the Western Cape can meet the transformation criteria as stipulated in the Policy on Financial Awards for Service Providers (RSA, 2004a) and therefore to obtain funding from the state or from other funding sources as well as to explore possible difficulties welfare organisations experienced in relation to the above. In order to accomplish the research goal four objectives were established for the research. This chapter presents conclusions on how the research goal and objectives of this research were achieved. This chapter ends with recommendations based on the research findings.

I. Conclusions

5.1. Organisations meeting the transformation criteria

5.1.1 The main service fields and the types of provided services

Since the Policy on Financial Awards (RSA, 2004a) does not offer precise definition of the social service fields, the social welfare service fields for the questionnaire were adopted from the National Welfare Act, 1978 (Act 100 of 1978) and Proclamation R7 of 1996 (RSA, 1996), which are current legal classifications in terms of welfare service fields. The question relating to the relevance of the current service field classification emerged several times during the research process. The question exploring the main service field forced the respondents to select only one, the main service field. While completing the questionnaire several respondents from service fields other than family care expressed that although they mark themselves as being in a specific service field they do provide services to whole family when necessary. This was especially true with the organisations focusing on a specific long term illness or disability. All organisations were operating in social welfare service fields as defined in the National Welfare Act, 1978 (Act 100 of 1978) and Proclamation R7 of 1996 (RSA, 1996). However, the Policy on Financial Awards (RSA, 2004a:4) promotes "...developmental service to poor and vulnerable groups and those with special needs such as children, youth, older persons, persons with disabilities, women, victims of violence and abuse, persons affected by substance abuse, and those infected with, and affected by, HIV and AIDS".

The list of possible social welfare programmes was adopted from the Draft Policy Framework for Developmental Social Welfare (RSA, 2001). All organisations providing direct welfare services had a mixture of direct and community development services as well as training programmes. Therefore these services can be considered to be developmental. Those organisations' who offered support service programmes such as training and capacity building also were in line with the Draft Policy Framework (RSA, 2001).

Based on research findings these twenty organisations' service fields and provided service programmes are according to South African legislation and therefore likely to meet this transformation criterion.

5.1.2 Representative Governing Body and personnel

In post-apartheid South Africa it should not be necessary to categorise people according to race. However, one of the transformation criteria in the Policy on Financial Awards (RSA, 2004a) is that the Governing Body, management and other personnel must be representative of the community for which the organisation provides services. Respondents understood the necessity of the question although a number of respondents expressed that they do not regard their employees in terms of their skin colour. Three respondents were aware that their personnel make-up is not representative of the communities their organisations provide services for. While assessing the representativeness of the employees of these twenty organisations one needs to bear in mind the manner in which these organisations are structured. Some organisations were providing services only for specific geographic communities in the Western Cape, so it follows that this organisations' employees do not have to be a reflection of the wider Western Cape population profile. For the purposes of this research the employment figures provided by the respondents were compared to the Western Cape population demographics. Therefore the conclusion based on the findings of this research is that these organisations' employment figures are not reflective of the Western Cape population figures (South African Statistics Council on Census, 2001).

Several respondents assumed that about ten percent (10%) of the employees should be African, ten percent (10%) White and rest the Coloured. A likely reason for this misconception is that the respondents were not aware of the latest population figures in the Western Cape. In other words, twenty-seven percent (27%) African, fifty-four percent (54%) Coloured, one percent (1%) Indian and eighteen percent (18%) White.

Generally the findings suggest that these organisations employ too few African employees and too many Coloured employees. Governing Bodies were generally White male dominated. Management was also predominately White dominated, although there were more females than males. Generally social workers were the only employment category in which employees were representative of the Western Cape population.

The main difficulty that these welfare organisations have in recruiting African employees (especially males) is that these organisations are not able to pay salaries competitive to those offered by the government. Recruiting African employees is likely to be more difficult in the future because the Department of Social Services and Poverty Alleviation is launching an aggressive campaign to get their employment figures representative of the Western Cape population (RSA, 2005b).

Based on the employment figures provided by the respondents, all organisations are likely to have a difficult and slow process ahead in transforming their employee profiles' in order to meet this transformation criterion.

5.1.3 Services provided in rural and vulnerable urban areas

In the Western Cape the following rural areas are classified as the high priority areas for resource distribution: Central Karoo, Theewaterskloof, Matsikama, Witzenberg, Cedarburg, Worcester, and Oudtshoorn (RSA, 2004c:11). The Policy on Financial Awards (RSA, 2004a) requires that services are accessible to rural communities, although the policy does not state that organisations have to have permanent offices in rural communities. In terms of true accessibility of services, an organisation has to have a permanent office in a certain area in order for beneficiaries to be able to utilise that service when the need arises. If there is no office, beneficiaries might not be aware that the service is available and services may not be easily accessible to beneficiaries.

The question regarding service provision in rural areas asked if the organisations provide services in these rural areas (the above list of areas was provided.) Forty percent (40%) of the respondents directly stated that their organisations do not provide services in these rural areas. The question regarding services in rural areas could have been worded differently, for example - does your organisation have an office in these rural areas? Based on the comments made by the twelve (or 60%)

respondents who indicated that their organisations provide services in these rural areas, seven (or 58%) of these organisations do not have offices in these rural areas.

If accessibility of services in rural areas is defined as having an office there, fifteen (or 75%) organisations are likely to have difficulties in meeting this transformation criterion.

In the Draft Transformation Plan (RSA, 2005b) Mitchell's Plain and Khayelitsha are identified as the most vulnerable urban geographical areas in Cape Peninsula (RSA, 2005b:6) and accordingly the intention is to improve the current ratio of social workers to population in these two areas. This implies that organisations have to have an office in Khayelitsha and/or Mitchell's Plain in which social workers are employed in order to qualify for future financial awards. Although the questionnaire did not directly ask if these organisations have an office in Mitchell's Plain and/or Khayelitsha the research findings suggest that only five (or 25%) organisations have an office that employs social workers in these two areas.

It follows that if accessibility of services is defined as having an office in a specific geographical area (Khayelitsha and/or Mitchell's Plain) fifteen (or 75%) organisations are likely to have difficulties in meeting this transformation criterion. On the other hand, all twenty welfare organisations' services are accessible to all communities within the Western Cape if the beneficiaries are able to travel to currently existing offices.

5.1.4 Stakeholder involvement in service programme planning

In order to provide developmental social service programmes that utilise participatory planning principles, stakeholders should be involved in all phases of the service programme cycle. The Policy on Financial Awards (RSA, 2004a) requires that stakeholders must be involved only in service programme planning and in organisations' internal policy planning. The policy defines stakeholders as beneficiaries and community members.

Based on this research finding eighteen (or 90%) organisations involve their stakeholders in service programme planning. Thus, lack of stakeholder involvement is not likely to be a reason for not meeting the transformation criteria.

5.1.5 Compliance with the Public Finance Management Act, 1999

The Policy on Financial Awards (RSA, 2004:27) requires that an organisation "...is able to account for the utilisation of the financial awards from the department in an acceptable manner." Compliance with the Public Finance Management Act, 1999 (Act 1 of 1999) as well as in terms of the Nonprofit Organisations Act, 1997 (Act 71 of 1997) financial reporting requirements is considered to be sufficient proof of the above (RSA, 2004a). In terms of financial reporting, audited financial statements for they year 2003/2004 were available for research purposes from eighteen (or 90%) organisations. Based on the research findings all twenty organisations are likely to be able to meet this transformation criterion.

5.1.6 Organisations' financial sustainability

Financial sustainability is a complicated issue for welfare organisations. On one hand welfare organisations are expected to provide social services on behalf of the government and should therefore get adequate funding from the government. At the same time, through the Policy on Financial Awards (RSA, 2004a:21), the government is forcing these organisations to become "...less dependent on government funding and more financially sustainable." The assessment of these welfare organisations' financial sustainability was based on the audited financial statements for the year 2003/2004, which described organisations financial activities over the past financial year and their financial position on a given day. Although these twenty welfare organisations varied greatly in terms of their finances, all financial statements were treated in the same manner by conducting ratio analysis. Therefore these findings can be considered to be reflective of these organisations' financial sustainability

Based on the defensive ratio analysis ten (or 50%) organisations would be able to operate for more than three months without income. Current ratio analysis indicated that twelve (or 60%) organisations are able to settle their current liabilities since their current ratio was more than 1:1. And only two (or 10%) organisations debt ratios suggested that their assets are mainly financed by debt. Considering the combined analysis of the three above ratios for each organisation, seven (or 35%) organisations' financial situation can be considered to be sustainable.

5.1.7 Main sources of income

The analysis of these welfare organisations' income sources was through audited financial statements for the year 2003/2004 and through the questionnaire. The financial statements provided more reliable information in terms of the organisations' main income sources than the questionnaire. However, the questionnaire responses indicated income sources that were not necessarily separately reported in the financial statements due to the insignificance (in terms of the rand value) of these income sources.

The income source analysis confirmed that PAWC subsidies were a significant income source for nine (or 45%) organisations as it was more than thirty percent (30%) of their total income. For seven (or 35%) organisations the PAWC subsidy was the largest income source. Investment income was significant source of income only for one organisation. In terms of the diversity of income sources this research was able to establish that all organisations had several income sources but only four (or 20%) organisations had three or more income sources that provided twenty percent (20%) or more of their total income.

In terms of being less dependent on government funding and becoming financially sustainable, those organisations whose main income source was the PAWC subsidies are likely to have challenging times ahead in securing other funding sources in order to ensure their organisations' financial sustainability.

5.2. Organisations' capacity related difficulties

Several authors (Fakir, 2004; Watson, 2000) argue that overall the non profit sector suffers from a lack of management capacity. Although this research did not explore the effectiveness and efficiency of these organisations' management capacity the research findings suggest that these twenty welfare organisations have adequate management capacity. It follows that these twenty organisations are likely to be able to meet the reporting and documenting requirements of the transformation criteria.

Currently the Policy on Financial Awards (RSA, 2004a) recommends that organisations should utilise the balanced scorecard technique in their monitoring and evaluation processes. The findings of this research suggest that twelve (or 60%) organisations are likely to be prepared to use the balanced scorecard if that becomes a requirement for future funding.

Regarding the current issue of social welfare programme-based funding instead of subsidising social workers' posts, the research findings suggest that nineteen (or 95%) organisations would be ready to adapt to programme-based funding because these organisations have adequate programme plans for their services. However, the findings also suggest that most of the organisations would not be ready for programme-based funding because most of the audited financial statements did not separate service programme incomes and/or costs.

The evaluation of the effectiveness of service programmes has been a difficult issue for welfare organisations and unfortunately this research did not explore the quality of the programme evaluations but rather whether the organisations utilised outside consultants in their service programme evaluation. According to McKendrick (1985), typical welfare programme evaluation is quantitative, measuring the number of assisted clients and the number of employees' working hours and organisations have a tendency to assume that if more clients are seeking assistance the better the service programme is. It was hoped that the organisations' annual reports for the year 2003/2004 would have provided adequate information regarding these organisations' evaluation activities but they did not. Therefore in terms of programme evaluation it can be concluded that all organisations' evaluated their service programmes and nine (or 45%) organisations utilised outside consultants in evaluation. It can only be assumed that these nine organisations have adequate internal documentation that enables the utilisation of outside consultants in programme evaluations.

5.3. Fundraising

The Policy on Financial Awards (RSA, 2004a) requires that organisations should become less dependent on government funding and more financially sustainable, which indicates that welfare organisations have to have adequate fundraising strategies in order to meet this transformation criterion.

5.3.1 Fundraising strategies

The question regarding organisations' fundraising strategies was intentionally open in order to explore how the respondents understood the term 'formalised fundraising strategy', and for that reason it left space for different interpretations from the respondents' perspective. It follows that the conclusions about the organisations' fundraising strategies are tentative.

Based on research findings nine (or 45%) organisations have adequate fundraising strategies, either programme specific or organisational. These fundraising strategies included diversifying of income sources, sustaining existing donors and searching for new possible avenues for funding. In terms of the effectiveness of these organisations' fundraising strategies the research findings suggests that four (or 44%) organisations' fundraising strategies are likely to be effective since these organisations did not report any fundraising problems

5.3.2 Fundraising problems

Since the 1950's welfare organisations' fundraising efforts have been restricted and the voluntary fundraising has been encouraged. Only in 1978 did the Fundraising Act, 1978 (Act 107 of 1978) allow welfare organisations to employ people in fundraising positions and it follows that professional and organised fundraising is a relatively new concept in South Africa.

In terms of fundraising problems the research findings that fifteen (or 75%) organisations have experienced fundraising problems and eight (or 53%) of them reported a lack of fundraising personnel as a major contributing factor for their fundraising problems. This supports the assumption that organised and professional fundraising is not widely adopted by these welfare organisations.

5.3.3 Fundraising methods

The finding relating to utilised fundraising methods proved that the fundraising proposal is the most common method used by twenty organisations. This finding is likely to be a reflection of the South African literature around fundraising for two reasons. Firstly, there are not many literature sources available on fundraising and, secondly, most of the fundraising literature focuses on fundraising proposal writing or criticism around organisations' lack of fundraising capacity.

The research findings suggest that four (or 20%) organisations have fundraising strategy and do not have fundraising problems are likely to focus their efforts on profitable fundraising methods such as special events, bequest programmes and/or special donor awards functions. This finding supports the tentative conclusion that organised activities are likely to be more successful in generating income than unorganised fundraising activities.

However, these organisations' financial statements did not separate fundraising income and expenses therefore no conclusions can be made on the effectiveness of these organisations' fundraising strategies.

5.4. Implications of the Policy on Financial Awards

The main aim of the Policy on Financial Awards (RSA, 2004a) is to redirect the social welfare service delivery through strict control of the funds that are given to social service organisations. If the organisations do not meet the transformation criteria they will not get subsidies or financial awards from government funding.

5.4.1 Likely disqualifying reasons for future financial awards

These research findings regarding the likely reasons why organisation would not qualify for financial awards confirms the previous conclusions that non-representative Governing Bodies and personnel and lack of service provision in rural areas would be the most likely reasons. In addition, organisations' inability to ensure their financial sustainability was indicated as a possible reason for disqualification. For the eleven (or 55%) organisations that do not have adequate fundraising strategies, the process of ensuring financial sustainability is likely to be an issue.

5.4.2 Likely consequences if the PAWC subsidy is discontinued

Since the Policy on Financial Awards (RSA, 2004a) is not yet fully implemented the likely consequences of discontinuing financial awards was explored from the welfare organisations point of view. Based on research findings fourteen (or 70%) organisations would be able to survive without PAWC subsidy but all organisations would be affected in some way. Overall the research findings regarding the likely consequences of the discontinuation of the PAWC subsidy confirmed the assumption that the service beneficiaries would be mostly affected.

Since the current subsidies for welfare organisations are primarily based on the number of employed social workers and auxiliary social workers, the finding that nine out of fifteen organisations (who would not have to close down) would retrench employed social workers is likely to be a reflection of the broader debate of the role that the social work profession plays in the developmental approach to welfare. One argument regarding the social work profession is that current social work education and training is not adequate to respond to the socio-economic needs of the South African society. On the other hand the Department of Social Development is likely to increase salary-based subsidies in this financial year (2004/2005) in order to level the

differences between government and non profit organisations social workers' salaries.

The research goal was to explore whether the selected welfare organisations are able to meet the transformation criteria as outlined in the Policy on Financial Awards for Service Providers (RSA, 2004a). Based on the research findings and a strict interpretation of the Policy on Financial Awards (RSA, 2004a) none of the selected organisations would meet the transformation criteria and all organisations would be affected in some way if the subsidy from PAWC is discontinued.

II. Recommendations

These twenty well established social welfare organisations have the knowledge and capacity to deliver much needed welfare services to the Western Cape population. If they do not qualify for future financial awards, who is going to provide the services these organisations currently render? For that reason it is recommended that the manner in which the Policy on Financial Awards (RSA, 2004a) is applied to welfare organisations should not be strict but should rather take into account organisations' specific structures and strategies.

1. Recommendations for welfare organisations

1.1 Personnel

In order to ensure representative employment figures in future, especially in management positions, welfare organisations could focus on succession planning, suggesting that within the organisations mentors are appointed to employees from designated population groups in order to develop their management skills.

Succession planning could also assist welfare organisations in transforming their Governing Bodies. Most of the organisations have volunteers from designated population groups and, by enhancing the skills they already have, volunteers could be mentored to become skilled Governing Body members for these organisations.

1.2 Programme based budgeting

Welfare organisations could use programme-based budgets. Utilisation of programme-based budgets would have at least three effects. Firstly, if the government would subsidise, for example, sixty percent (60%) of service programme costs, welfare organisations would be able to receive more funding from the

government as their programme based budget would include all programme related costs. Secondly, programme-based budgets would enable welfare organisations to raise funds for some capital costs since running the service programmes causes wear-and-tear of buildings, vehicles and office equipments. These costs would be included as part of the programme costs. And thirdly, a programme-based budgeting process is likely to ensure that the programme is effective and efficient and that programme costs are adequately estimated.

1.3 Fundraising

Generally welfare organisations could focus more on organised and professional fundraising. In order to raise funds organisations should be willing to invest more on fundraising itself as well as on general marketing and advertising. It is acknowledged that training in fundraising can be expensive but by actively seeking and involving board members' and volunteers' participation in fundraising is not necessarily expensive. And if the organisation does not have well established fundraising strategies or experience in fundraising, everyone has had to take the first step to starting to raise funds. This can demand some risk taking and creativity.

2. Department of Social Development and PAWC

Although the National Department of Social Development has the main responsibility of policy formulation the following recommendations are also directed to the Western Cape Department of Social Services and Poverty Alleviation and Provincial Administration Western Cape since they are responsible for implementing the Policy on Financial Awards (RSA, 2004a) according to the provincial social development priorities.

2.1 Legitimacy of the Policy on Financial Awards

The Policy on Financial Awards (RSA, 2004a) requires that welfare organisations have representative employment figures in order to qualify for financial awards. However, in terms of South African labour legislation it is illegal to dismiss employees based on their race therefore this transformation requirement is illegal. In terms of demanding representative employment figures from welfare organisations, the Department of Social Services and Poverty Alleviation should consider the fact that the Department itself aims to get its employment figures representative, which positions the Department in direct competition with welfare organisations in terms of recruiting people from designated population groups.

If the Policy on Financial Awards (RSA, 2004a) is to be used as the new criteria for financial awards for social service organisations, more clear definitions are needed. For instance, the definition of services or target populations is in conflict with current legal definitions of funded social services programmes. According to the legal definition of social welfare services the programmes should focus on: family and marital life, aged, physically and mentally disabled, children, alcoholism and substance dependency, housing, corrective services and social relief [The National Welfare Act, 1978 (Act 100 of 1978)]. However, the Policy on Financial Awards (RSA, 2004a:4) promotes "...developmental service to poor and vulnerable groups and those with special needs such as children, youth, older persons, persons with disabilities, women, victims of violence and abuse, persons affected by substance abuse, and those infected with, and affected by, HIV and AIDS".

2.2 Communication

The information the Department of Social Development and the Department of Social Services and Poverty Alleviation makes available to the public should be exact and accurate. For instance, both the above Departments provided a different date for when the Policy on Financial Awards (RSA, 2004a) was approved as the final policy document. [National Department of Social development' date: October 2004 (RSA, 2005a:29) and the Department of Social Services and Poverty Alleviation's date: February 2004 (RSA, 2004b:55)].

The Policy on Financial Awards (RSA, 2004a) should be made a public document since essentially it determines how the tax payers' monies are utilised in social welfare service delivery. In terms of transparency regarding both the Departments' policy formulation processes, the Policy on Financial Awards (RSA, 2004a) is not available from both Departments' web pages.

2.3 Policy implementation process

In order to ensure a more likely successful implementation of the Policy on Financial Awards (RSA, 2004a), the Department of Social Development should have had the following documents and guidelines prepared before the Policy on Financial Awards (RSA, 2004a) was implemented:

- The implementation plan;
- Norms and service standards for services which would guide the development of the costing of services;
- Procedure manuals for relevant role players;

- Identification of key performance indicators;
- Communication structure; and
- Development of data collection systems.

2.4 Policy on Financial Awards definitions

The Policy on Financial Awards could clearly define what is meant by accessibility of services. Does it mean having an office in specific geographical area? Are organisations penalised if their structure defines specific geographical areas for each of their branches and if some of the branches are not operating in rural areas or vulnerable communities in urban areas? Are services considered to be accessible if the organisation gives transportation money to beneficiaries?

In terms of stakeholder involvement the Policy on Financial Awards (RSA, 2004a) only requires that stakeholders (clients, beneficiaries and community members) are involved in the planning of programmes and internal policies. The policy could include donors into the definition of stakeholders. The question remains – is it enough that Governing Body members, since essentially they are volunteers, and stakeholders are involved in the planning processes?

2.5 Partnerships with welfare organisations

The Department of Social Services and Poverty Alleviation could encourage and enable more social welfare organisations to participate in the policy planning and implementing process. In the Draft Policy Framework (RSA, 2001) the Department emphasises the partnerships between service providers and the government. The development of the Policy on Financial Awards (RSA, 2004a) indicates that the policy was formulated without broad participation. In terms of having mutually beneficial partnerships the Department could utilise the knowledge service providers have in a more efficient manner. For instance, some of the organisations have existing systems on how to really involve stakeholders in the functioning of the organisation and these could be incorporated into the procedure manual regarding the implementation of the Policy on Financial Awards (RSA, 2004a).

3. General recommendations

This research illustrates that the Policy on Financial Awards (RSA, 2004a) is not a single solution to the subject of welfare service financing but it is definitely a step towards a right direction. The research also illustrates that providing financial awards for service providers is a complex and thought provoking matter. The Department of Social Development communicates its determination to transform the social welfare service delivery through the implementation of the Policy on Financial Awards (RSA, 2004a), yet the Policy has some shortcomings such as vague definitions, contradictions with South African legislation and the inadequately planned implementation process.

It is also confirmed that all the twenty organisations that participated in the research are aware of the transformation requirements as stipulated in the Policy on Financial Awards (RSA, 2004a) and these organisations are also able to meet the most of the transformation requirements. However, if the requirements are strictly applied, none of these organisations would qualify for the financial awards from the PAWC. This in turn would decline these organisations' ability to provide welfare services and some would have to close down.

Furthermore it is established that these twenty welfare organisations are committed to the welfare service delivery transformation in spite of the challenges facing them. The main transformation challenges for these organisations are related to service provision in rural areas, obtaining representative Governing Bodies and personnel, and formulation of adequate fundraising strategies in order to ensure their financial sustainability.

In order to transform the social welfare service delivery it is recommended that the dialogue between the Department of Social Development and service providers is maintained and extended. The Department and service providers should learn from each other and utilise their strengths collectively. Ultimately both the Department and service providers are needed in order to ensure the transformation of the social welfare service delivery in South Africa.

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Appendix I, personal questionnaire

Questionnaire

An exploration
of the possible difficulties that welfare organisations might face in
meeting the transformation criteria as outlined in
the Policy on Financial Awards for Service Providers
(Circular No. 17/2004)

By

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A partial fulfilment for the requirements of
the
Masters Degree in Social Policy and Management
at the
University of Cape Town
May - August 2005

Instructions to the questionnaire

The questionnaire is based on the transformation criteria as outlined in the Policy on Financial Awards for Service Providers (Circular No. 17/2004). The Policy on Financial Awards (Circular No. 17/2004) emphasises the organisation's ability to provide effective and efficient services and for that reason the service programme planning principles are explored in detail.

The questionnaire is divided into a four themes, which are:

- I. Organisation details
- II. Governance
- III. Financial management
- IV. Fundraising

Please take your time to read the questions carefully and answer as frankly as possible. The questionnaire includes twenty six (26) basic questions. Most of them require a YES or NO response where you are asked to tick (X) the option that is the most applicable to your organisation. Depending on your response, there are follow up questions that explore the topic in more detail. The questions exploring the topics are lists of choices where you are asked to mark with an X all the applicable choices for your organisation. From the options you indicated with an X, you are asked to write down the number of the option that is the most applicable to your organisation.

I. Organisation details

The purpose of the following questions is to establish the basic information about your organisation and its services.

Question 1.

The name of the respondent (optional):

Question 2.

The name of your organisation:

Question 3.

What is your job title in the organisation?

Question 4.

How long you have been employed in your current position in the organisation?

Question 5.

Is your organisation part of any of the following? Please indicate with an X only **ONE** option

1	Part of a national organisation structure	
2	Part of a provincial organisation structure	
3	Affiliated to any other organisation	
4	None of the above	

5.1 If your organisation has one or more branches or offices in the Western Cape Province, **where social workers are employed**, please list **ALL** branches and/or offices that you in your position are able to provide information for this questionnaire:

Question 7.

The Department of Social Services and Poverty Alleviation (PAWC) provided workshops regarding the Policy on Financial Awards for Service Providers (Circular No. 17/2004) in 2004. **Did your organisation participate in the development of the Policy on Financial Awards?**

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

Question 8.

Which one of the following is your organisation's **main** service field? Please indicate with an X **only ONE** service field. [Adopted from the National Welfare Act, 1978 (Act 100 of 1978) and the Proclamation R7 of 1996 (Government Gazette No. 16992, on 23 February 1996)]

1	Family care	
2	Care of the aged	
3	Social security	
4	Care of the mentally disabled	
5	Care of physically disabled	
6	Care of the children	
7	Prevention and treatment of alcohol and drug dependency	
8	Care of the offender	
9	Other, please specify	

Question 9.

The following is a list of the types of the services that welfare organisations provide. Please indicate with an X **ALL** applicable service types that your organisation provides. (Selected from the Draft Policy Framework for Developmental Social Welfare, PAWC on 30 November 2001)

1	Awareness programmes	
2	Counselling/therapy programmes	
3	Skills training programmes	
4	Life skills programmes	
5	Group support programmes	
6	Statutory intervention programmes	
7	Community development services	
8	Emergency relief (grants) services	
9	Protection services (e.g. child protection)	
10	Adoption services	
11	Foster care services	
12	Rehabilitation services	
13	Other, please specify	

Question 11.

Do you consider that the personnel employed by your organisation is representative of the community to whom your organisation provides services?

Yes

No

If NO to question 11

11.1 If your organisation were forced to change currently employed personnel to become representative of the community to whom you provide services, which of the following difficulties would your organisation face? Please indicate with an X **ALL** applicable difficulties

1	There would not be qualified employees from the designated population groups available	
2	We would not be able to pay competitive salaries	
3	There would not be skilled governing body members available from the designated population groups	
4	People from designated population groups would not be able to speak the required languages needed to provide services to clients	
5	The Employment Equity Act, 1998 (Act 55 of 1998) would make it illegal to retrench our current personnel because of their race, gender or disability	
6	Management would not have time to develop employment equity plans as recommended in the Employment Equity Act, 1998 (Act 55 of 1998)	
7	Other, please specify	

11.2 Which of the above options that you marked with an X, would be the most difficult problem for your organisation to deal with? Please write down the number of the relevant option in the box

Question 12.

The Policy on Financial Awards (Circular No. 17/2004) requires that an organisation provides services in rural areas. In the Western Cape the Department of Social Services and Poverty Alleviation (Annual Performance Plan 2005-2006:11) has identified the following rural areas as high priority areas for resource distribution: Central Karoo, Theewaterskloof, Matsikama, Witzenberg, Cedarburg, Worcester, and Oudtshoorn. **Does your organisation provide services in these rural areas?**

Yes
No

If NO to question 12

12.1. If your organisation were forced to provide services in the above rural areas, which of the following difficulties would your organisation face? Please indicate with an X **ALL** applicable difficulties

1	We would not have resources (financial, human, information and physical) to assess the needs of these rural communities	
2	We would not have resources (financial, human, information and physical) to provide services in rural areas	
3	It would not be cost effective to provide services in rural areas	
4	Current employees would not want to move to rural areas	
5	There would not be qualified employees available in rural areas	
6	Other, please specify	

12.2 Which of the above options that you marked with an X, would be the most difficult problem for your organisation to deal with? Please write down the number of the relevant option in the box

Question 13.

The Policy on Financial Awards (Circular No. 17/2004) defines stakeholders as clients, beneficiaries and community members. The Policy requires that stakeholders are involved in the organisation's service programme development. **Are your stakeholders involved in the development of the provided services?**

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

If NO to question 13

13.1. If your organisation were forced to include stakeholders in the service development, which of the following difficulties would your organisation face? Please indicate with an X **ALL** applicable difficulties

1	We would not have resources (financial, human, information and physical) to involve stakeholders	
2	It would be too time consuming to involve stakeholders	
3	Stakeholders would not be able to participate because of the social problems they experience (e.g. mental disability)	
4	Only a few stakeholders would be interested	
5	Management has not received any training on how to involve stakeholders	
6	Other, please specify	

13.2 Which of the above options that you marked with an X, would be the most difficult problem for your organisation to deal with? Please write down the number of the relevant option in the box

Question 14.

The broad aim of the Policy on Financial Awards (Circular No. 17/2004) is to facilitate the achievement of strategic priorities of the Department of Social Development through social services that are integrated and developmental in nature. The Policy aims to achieve the transformation by developing transformation criteria that service providers have to meet in order to secure financial awards from the government. Strategic planning, which is a process of determining the long term strategies to meet an organisation's goals is one way for an organisation to prepare for future challenges. **Does your organisation have a written strategic plan?**

Yes
No

If YES to question 14

14.1 As an end result of your strategic planning, which of the following statements are applicable to your organisation? Please indicate with an X **ALL** applicable statements

1	We have a broad transformation plan on how to respond to the new financial awards requirements	
2	We have a written plan on how to improve the quality of provided services	
3	We have a written plan on how to ensure employees' continuous learning and growth	
4	We have a written plan on how to ensure our financial sustainability	
5	We have a written plan on how to develop new services	
6	Other, please specify	

Question 15.

The Policy on Financial Awards (Circular No. 17/2004) requires that an organisation provides effective and efficient services. In order to provide effective and efficient services, the organisation has to have a programme plan for each service. **Does your organisation have a written programme plan for each of its services?**

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

If NO to question 15

15.1 If your organisation were forced to formulate written programme plans for each service, which of the following difficulties would your organisation face? Please indicate with an X **ALL** applicable difficulties

1	Lack of accurate information about the needs/social problems that our potential clients experience	
2	Lack of clearly defined services goals	
3	Lack of measurable service objectives	
4	Lack of indicators that are needed to measure the performance of the service	
5	Difficulty in allocating resources (financial, human, information and physical) for each of our services	
6	Difficulty in evaluating the impact/outcome of our services	
7	Management has not received training on how to do programme planning for services	
8	Other, please specify	

15.2 Which of the above options that you marked with an X, would be the most difficult problem for your organisation to deal with? Please write down the number of the relevant option in the box

If YES to question 15

15.3 The following is a list of issues that programme planning for services usually includes. Which of the following issues are included in your programme plan for services? Please indicate with an X **ALL** applicable issues

1	Accurate information about the social problems or needs the service aims to address	
2	Clear statement what the intended service outcome is	
3	Measurable objectives on how the service outcome is to be achieved (what, to whom & by when)	
4	Clear statement of tasks that have to be done to achieve the service outcome (e.g. intake interview, counselling, referrals...)	
5	Clear allocation of tasks to employees	
6	Clear definition of a standard service how clients should be assisted (e.g. average duration of the sessions, number of sessions with a client system, how to behave towards clients etc.)	
7	Clearly stated performance indicators, which are to be used to measure if the service is performing according to the plan	
8	Clear statement of what information is needed to evaluate the service	
9	Clear guidelines on how and when the information about the impact of the service is to be collected	
10	Clear statement of the costs of providing the service	
11	Other, please specify	

Question 16.

The Policy on Financial Awards (Circular No. 17/2004) requires that a subsidised organisation monitors its service performance. Management Information System (MIS) is a system that collects data about the provided services for management decision making purposes. **Does your organisation have a Management Information System that regularly collects and records data about all aspects of the provided services?**

Yes
No

If NO to question 16

16.1 If your organisation were forced to regularly collect data about all aspects of the provided services, which of the following difficulties would your organisation face?

Please indicate with an X **ALL** applicable difficulties

1	Management would not have time to design data collection systems	
2	Management has not received training on how to develop data collection systems	
3	We could not afford to hire outside consultants to help us in developing data collection systems	
4	We would not know what information to collect	
5	Management would not have time to analyse the collected data regularly	
6	We could not afford to purchase a computerised system to collect and organise information	
7	Other, please specify	

16.2 Which of the above options that you marked with an X, would be the most difficult problem for your organisation to deal with? Please write down the number of the relevant option in the box

If YES to the question 16

16.3 The following is a list of possible uses of the information collected through a Management Information System, which of the following options are applicable to your organisation. Please indicate with an X **ALL** applicable options

1	We analyse the reasons why clients seek help	
2	We analyse how many clients are assisted by each service	
3	We analyse how much financial resources each service consumes	
4	We analyse how much human resources each service utilises	
5	We use the analysed information to take corrective action if services are not performing according to the plan	
6	We use the analysed information to plan new services	
7	We use the analysed information to report our performance to the government	
8	We use the analysed information to report our performance to our donors	
9	Other, please specify	

Question 17.

Evaluation determines whether the services achieved what they set out to achieve.

Does your organisation use outside consultants to evaluate the outcome of the services?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

If NO to question 17

17.1 The following is a list of possible reasons why welfare organisations do not use outside consultants to evaluate the outcome of services. Which of the following reasons are applicable to your organisation? Please indicate with an X **ALL** applicable reasons

1	We cannot afford to hire outside consultants	
2	Government evaluates our services	
3	We do self evaluation for our services	
4	Other, please specify	

III. Financial management

The purpose of the following questions is to establish if an organisation's financial management system is in line with the Policy on Financial Awards to Service Providers (Circular No. 17/2004)

Question 18.

The Policy on Financial Awards (Circular No. 17/2004) requires that an organisation has to be able to provide a financial assurance declaration as stipulated in the Public Finance Management Act, 1999 (Act 1 of 1999). **Is your organisation able to declare that your organisation implements effective, efficient and transparent financial management and internal control systems?**

Yes

No

If NO to question 18

18.1. The following is a list of possible reasons why welfare organisations are not able to declare that they implement effective, efficient and transparent financial management and internal control systems, which of the following reasons are applicable to your organisation? Please indicate with an X **ALL** applicable reasons

1	We do not have a computerised financial management system	
2	Management has not received training on financial management	
3	We do not have separate budgets for each of our services	
4	We do not have a system to compare the costs of our services	
5	We do not have a system to accurately allocate overheads (indirect costs) for our services	
6	We do not have a system to regularly check if actual costs are in line with estimated costs	
7	We do not have a system to eliminate unnecessary costs	
8	Our current financial management system does not provide accurate information for financial decision making	
9	We do not have a policy on how to deal with fraud and financial mismanagement	
10	Other, please specify	

18.2 Which of the above options that you marked with an X, is the most difficult problem for your organisation to deal with? Please write down the number of the relevant option in the box

IV. Fundraising

The purpose of the following questions is to establish welfare organisations' sources of income, fundraising strategy, problems around fundraising and methods used to get income

Question 19.

The following is a list of welfare organisations' main sources of income. Please indicate with an X **ALL** the sources where your organisation received income during the last financial year (2003/2004)

1	Membership fees	
2	Interest from investments	
3	Fees from services to clients	
4	Fees from training/consultation provided	
5	Sales of products	
6	Corporate Social Investment (i.e. donations from business sector)	
7	National Development Agency (NDA)	
8	National lottery	
9	Community Chest	
10	Foreign governments	
11	Subsidies from the national government department/s	
12	Subsidies from the Provincial Administration Western Cape	
13	Fundraising	
14	Bequests	
15	Other, please specify	

Question 20.

If your organisation gets income from service fees from clients, please indicate with an X which **ONE** of the following ways of charging fees is applicable to your organisation:

1	We have fixed fees for all of our services	
2	We charge fees according to clients' ability to pay	
3	It is voluntary for clients to pay for services	
4	Other, please specify	

Question 21.

If your organisation receives subsidies from the Provincial Administration Western Cape (PAWC), is the subsidy aimed at: (please indicate with an X only **ONE** option)

1	Providing social services	
2	Special projects (conditional grants)	
3	Both, at providing social services and special projects	

Question 23.

Has your organisation ever had any problems in fundraising?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

If YES to question 23

23.1 The following is a list of difficulties that welfare organisations might have with fundraising, which of the following fundraising difficulties your organisation has experienced in the past two (2) years? Please indicate with an X **ALL** applicable difficulties

1	We do not have experience in fundraising	<input type="checkbox"/>
2	We do not have enough contact with potential funding sources	<input type="checkbox"/>
3	We do not employ fundraising personnel	<input type="checkbox"/>
4	Our Governing Body is not involved in fundraising	<input type="checkbox"/>
5	Other, please specify	<input type="checkbox"/>

23.2 Which of the above options that you marked with X, is the most difficult problem for your organisation to deal with?
Please write down the number of the relevant option in the box

Question 24.

The following is a list of some fundraising methods, which of the following methods your organisation used during the last financial year (2003/2004)? Please indicate with an X **ALL** applicable methods

1	Direct mail campaigns/letters of appeal	
2	Street collections	
3	Special, once off events	
4	Games of chance/raffles	
5	Bequest soliciting/planned giving	
6	Writing fundraising proposals to potential donors	
7	Other please specify	

Question 25.

In summary, IF your organisation does not qualify for financial awards when the Policy on Financial Awards (Circular No. 17/2004) is implemented, in your opinion which of the following issues would be the most likely cause/s for your organisation NOT to qualify for financial awards? Please indicate with an X **ALL** the applicable issues

1	Our Constitution/founding document is not in line with the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)	
2	Our human resource/personnel policy is not in line with the South African labour legislation	
3	Our services are not accessible to rural communities	
4	Our services are not considered to be sufficiently developmental	
5	Our personnel (management board, management, employees) is not representative of the community to whom we provide services	
6	Our stakeholders do not participate in our organisation policy and programme planning	
7	Our organisation does not assist recently established community based organisations to develop	
8	We do not have capacity development programmes for our management board, management and employees	
9	Our inability to ensure our organisation's financial sustainability	
10	Our inability to develop an accepted financial management system for our organisation	
11	Other, please specify	

Question 26.

IF the Provincial Administration Western Cape discontinues its financial awards for your organisation, which of the following scenarios is likely to happen to your organisation? Please indicate with an X **ALL** applicable scenarios

1	We would have to close down our organisation	
2	We would have to retrench social workers	
3	We would have to retrench administration personnel	
4	We would have to discontinue some of our services	
5	We would have to reduce the number of clients we serve	
6	We would not be able to develop new services	
7	We would have to become more cost effective	
8	It would not make a difference for our organisation	
9	Other, please specify	

I sincerely thank you for the time and effort that you spend on filling in this questionnaire. If you would like to have written feedback of the research findings could you please fill in your email address?

Email address:

