

Mini Dissertation
of
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**GOVERNANCE AND FUNDING ARRANGEMENTS
OF NGOs IN KWA-ZULU NATAL, SOUTH AFRICA**

By

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DECLARATION

I Miss Olgah Nobuhle Dlamini hereby declare that this dissertation submitted for Masters in Governance and Political Transformation, University of the Free State is my own work and have not been previously submitted for a qualification at any other University. The work of others has been duly acknowledged.

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ABSTRACT

This study focused on governance and funding arrangements of NGOs in Kwa-Zulu Natal, South Africa. The primary objective of the study was to evaluate existing governance and funding arrangements of NGOs with the view to developing alternative approaches to governance and funding arrangements with specific reference to lessons of experiences for Kwa-Zulu Natal NGOs. The study will develop a historical perspective of NGOs in South Africa, but it will be more focus at governance and funding arrangements for Kwa-Zulu Natal NGOs specifically NGOs under Sisonke (Harry Gwala) District.

The secondary objectives of the study were to firstly develop a historical perspective “develop a set of conclusions and recommendations for the improved of the funding NGOs in Kwa-Zulu Natal. All secondary objectives have been formulated in support of the primary objective and that these have been directly linked to the composition of the chapters in the study.

CONTENTS

STUDENT NAME	0
COVER PAGE.....	1
DECLARATION.....	2
ACKNOWLEDGEMENT.....	3
ABSTRACT.....	4
CONTENT.....	5-11

CHAPTER 1

GOVERNANCE AND FUNDING ARRANGEMENTS OF NGOs IN SISONKE DISTRICT, KWAZULU NATAL, SOUTH AFRICA

1.1. INTRODUCTION.....	12-13
1.2. INTERNATIONAL PERSPECTIVE OF NGOS.....	13
1.2.1. NGO-ISATION OF THE AID SYSTEM IN SOUTH AFRICA.....	13-14
1.2.2. CRITICISM OF NGOS.....	14-16
1.3. NGOS IN SOUTH AFRICA.....	16
1.3.1. THE HISTORICAL BACKGROUND OF NGOS IN SA.....	16-18
1.3.2. THE NON-PROFIT ORGANISATIONS ACT 71 OF 1997.....	18
1.3.3. BACKGROUND.....	18-19
1.3.4. CHALLENGES LEGITIMACY.....	19-20
1.4. FUNDING OF NGOS IN KZN.....	20
1.5. PROBLEM STATEMENT.....	20-22
1.6. AIMS AND OBJECTIVES.....	22
1.7. DATA COLLECTION.....	22-23
1.8. METHODOLOGY.....	23-24

1.9. VALIDITY.....	24
1.10. DATA ANALYSIS.....	24-25
1.11. RESEARCH DESIGN.....	25
1.12. LIMITATIONS OF THE STUDY.....	25-26
1.13. CHAPTER DIVISION.....	26
1.14. CONCLUSION.....	27

CHAPTER 2

GOVERNANCE AND FUNDING ARRANGEMENTS OF NGOs INTERNATIONAL

2.1 INTRODUCTION.....	28-30
2.2. AN OVERVIEW OF THE CONCEPT GOVERNANCE.....	30-31
2.2.1. GOVERNANCE.....	31
2.2.2. GOVERNANCE: THE RELATIONSHIP BETWEEN THE STATE AND CIVIL SOCIETY.....	32
2.2.3. GOVERNANCE AND NGOs.....	32-33
2.2.4. GOVERNANCE WITHIN NGOS.....	33
2.3. NGO FUNDING RESOURCES.....	33-34
2.3.1. STATE AND CIVIL SOCIETY (NGOs).....	34-35
2.3.2. OTHER RESOURCES ON NGO FUNDING.....	36-37
2.3.3. VARIATIONS ACROSS COUNTRIES IN DONOR NGO FUNDING ARRANGEMENT.....	37
2.4. CONCLUSSION.....	37-39

CHAPTER 3

GOVERNANCE AND FUNDING OF NGOs IN SOUTH AFRICA

3.1. INTRODUCTION.....	40-41
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3.2. TRENDS AND TENDENCIES IN THE GOVERNANCE ARRANGEMENT OF NGOs OVER THE LAST TEN YEARS.....	41-43
3.3. THE ROLE OF THE BOARD OF DIRECTORS IN NGO GOVERNANCE.....	43-45.
3.4. THE FINANCIAL ARRANGEMENTS OF SOUTH AFRICAN NGOs BETWEEN 1994 AND 1999.....	45-46
3.4.1. NGO FUNDING BEFORE 1999.....	47
3.4.2. NGO FUNDING AFTER 1999.....	47-48
3.4.3. TOWARDS THE NEW ROLE NGOs.....	48-49
3.4.4. THE NEW ROLE FOR GOVERNMENT.....	49-50
3.4.5. NGOs IN POST APARTHEID (1994+) SOUTH AFRICA.....	50-51
3.5. THE FUNDING ENVIRONMENT FOR SOUTH AFRICAN NGOs.....	51
3.5.1. INDIVIDUAL GIVING.....	52
3.5.2. GOVERNMENT FUNDING OF NGOs.....	52
3.5.3. CORPORATE SOCIAL RESPONSIBILITY.....	52-53
3.5.4. FOREIGN DONORS.....	53
3.5.5. FOUNDATIONS.....	54
3.5.6. NATIONAL FUNDING AGENCIES.....	54-55
3.5.7. INDEPENDENT DEV. TRUST (IDT).....	55
3.5.8. NATIONAL DEV. AGENCY (NDA).....	55-56
3.5.9. KAGISO TRUST.....	56-57
3.5.10. NATIONAL LOTTERIES.....	57
3.6. CONCLUSION.....	58

CHAPTER 4

CASE STUDY ASSESSMENT OF SELECTED NGOs IN KWAZULU NATAL SISONKE (HARRY GWALA) DISTRICT

4.1. INTRODUCTION.....	59
4.2. RESEARCH METHOD.....	60
4.3. LITERATURE REVIEW.....	60-61
4.4. INTERVIEWS.....	61
4.5. CASE STUDY.....	61-62

4.6. HLANGANANI NGOTHANDO NGO

4.6.1. BRIEF HISTORICAL BACKGROUND.....	62-63
4.6.2. THE NATURE OF NGOs ACTIVITIES.....	63-64
4.6.3. GOVERNANCE.....	64
4.6.4. EXECUTIVE MANAGEMENT STRUCTURE.....	65
4.6.5. GENERAL MEETINGS.....	65-66
4.6.6. MEMBERSHIP.....	66
4.6.7. TRUSTEES.....	66-67
4.6.8. THE DIRECTORS.....	67
4.6.9. FINANCIAL ARRANGEMENTS.....	67
4.6.10. SOURCES OF INCOME AND PROFIT SHARING.....	67-68
4.6.11. FUNDING.....	68

4.7. CLOUD OF HOPE NGO

4.7.1. BRIEF HISTORICAL OVERVIEW.....	68-69
4.7.2. NATURE OF NGO ACTIVITIES.....	69
4.7.3. GOVERNANCE.....	70
4.7.4. EXECUTIVE MANAGEMENT STRUCTURE.....	70
4.7.5. GENERAL MEETINGS	70

4.7.6. MEMBERSHIP	71
4.7.7. FINANCIAL ARRANGEMENTS.....	71
4.7.8. SOURCES OF FUNDING.....	71
4.7.9. FINANCIAL ARRANGEMENTS.....	71-72
4.8. RESEARCH FINDINGS.....	72
4.8.1. NGO LEADERSHIP.....	72
4.8.2. ORGANISATIONAL POLICIES.....	72
4.8.3. PROCEDURES FOR EVALUATING PROJECTS AND ACTIVITIES.....	73
4.8.4. ORGANISATIONS NATIONAL POLICIES.....	73
4.8.5. FINANCIAL SUSTAINABILITY.....	74
4.8.6. INTERNATIONAL DONOR FUNDING.....	74
4.8.7. FUNDING SOURCES.....	74-75
4.8.8. GOVERNMENT FUNDING.....	75
4.8.9. PRIVATE SECTOR FUNDING.....	75
4.8.10. EXPENDITURE.....	76
4.8.11. FUNDRAISING OF NGOs.....	76
4.8.12. SELF- FINANCING STRATEGIES.....	76-77
4.8.13. SELF ENTERPRENEURSHIP.....	77
4.8.14. GOOD PRACTICE OF FINANCIAL MANAGEMENT.....	77-78
4.8.15. FINANCIAL CONTROL.....	78
4.8.16. FUNDRAISING STRATEGIES.....	78-79
4.9. OVERALL CONCLUSION.....	79

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1. INTRODUCTION.....	80
5.2. THE ACCOMPLISHMENT OF THE STUDY.....	80-81
5.3. RESTATEMENT OF THE OBJECTIVES.....	81
5.4. DATA ANALYSIS.....	81-82
4.5. THE ACTUAL ANALYSIS OF THE COLLECTED DATE.....	82-86
5.6. TABLING OF RESEARCH FINDINGS.....	86
5.7. CONCLUSION REMARKS BASED ON THE ABOVE ANALYSIS	
5.7.1. HISTORICAL BACKGROUND OF GOVERNANCE AND FUNDING ARRANGEMENTS OF NGOs.....	86
5.7.2. GOVERNANCE.....	86-87
5.7.3. GOVERNANCE AND SUSTAINABILITY OF NGOs.....	87
5.8. CASE STUDIES.....	87-88
5.8.1. NGO LEADERSHIP.....	88
5.8.2. COMPOSITION OF TRUSTEES.....	89-90
5.8.3. NGO TRUSTEES.....	90
5.8.4. ORGANISATIONAL POLICIES.....	90
5.8.5. LACK OF CAPACITY BUILDING.....	91
5.8.6. STAFF REMUNERATIONS.....	91
5.8.7. RESOURCES.....	91-92
5.8.8. MONITORING AND EVALUATION.....	92
5.8.9. HUMAN RESOURCES.....	93
5.8.10. INFRASTRUCTURE.....	93

5.8.11. MARKETING.....	93
5.8.12. INTERGRATED SERVICE AND PROCESSES.....	93
5.8.13. LACK OF ADEQUATE MANAGEMENT SKILLS.....	93-94
5.8.14. LACK OF STAFF CAPACITY.....	94
5.8.15. LACK OF MEDIUM-TERM SUSTAINED FUNDING.....	94
5.8.16. DEFICIENCY BUDGETING.....	95
5.8.17. STAFF DEVELOPMENT.....	95
5.8.18. STRATEGIC DEVELOPMENT.....	95
5.8.19. ACCOUNTABILITY.....	95-96
5.8.20. INADEQUATE BOARD GOVERNANCE.....	96
5.8.21. FINANCIAL SUSTAINABILITY.....	96
5.8.22. FINANCIAL MANAGEMENT PRACTICE WITHIN NGOs.....	96
5.8.23. FUNDING.....	97
5.8.24. SOURCE OF NGO FUNDING.....	98
5.8.25. SELF-FINANCING STRATEGIES.....	98
5.8.26. FINANCIAL MANAGEMENT.....	98
5.8.27. FUNDRAISING STRATEGIES.....	99
5.9. THE RESEARCH CONCLUSION IN GENERAL.....	99-100
5.10. RECOMMENDATIONS.....	101-103
5.11. LIMITATIONS OS THE STUDY.....	103
5.12. FEASIBILITY FOR FUTURE STUDIES.....	103
5.13. CONCLUSION.....	103
5.14. BIBLIOGRAPHY.....	104-115

CHAPTER 1: GOVERNANCE AND FUNDING ARRANGEMENTS OF NGOs IN SISONKE DISTRICT, KWA-ZULU NATAL, SOUTH AFRICA

1.1 Introduction

Any non-profit, voluntary citizen's group which is organised in local, national or international level is known as a non- governmental organisation (NGO) (Martens 2002:10). This is the term that is commonly used for an organisation that is not a part of government conventional for profit business. Usually set up by ordinary citizens, NGOs may be funded by government, foundations, business or private person. Some avoid formal funding and are run primarily by volunteers, engaged in a wide range of activities, and take different forms of different parts of the world.

NGOs are highly diverse groups of organisations. Some may have charitable status, while others may be registered for tax exemption based on recognition of social purposes. Others may be fronts for political, religious or other interest groups. NGOs perform a variety of services and humanitarian functions, bring citizen concerns to governments, advocate and monitor policies and encourage political participation through provision of information, it is task-orientated and driven by people with a common interest. Some are organised around specific issues, such as human rights, environment or health (Karin and Lindblom 2005: 559).

In accordance with Article 71 of the UN Charter (1947) the term non-profit organisation was used for the first time in 1945 when the United Nations (UN) was established. The UN made it possible for certain approved specialised international non state agencies to be awarded observer status at its assemblies and some its meetings. Later the term became used more widely.

The UN today appropriates the term NGO to any kind of private organisation that is independent of government control, provided there is no profit, not criminal and not simply as opposition political party. This study traced governance and financial sustainability NGOs in KZN with the intention of developing improved options for the future regarding the sustainability of the NGO sector of NGOs in KZN, especially with regard to financial management and governance.

In the 1992 the first conference of its kind, the United Nations Conference held in Rio de Janeiro, the concept sustainable development defined as the ability to meet the needs of the present without compromising the ability of future generations to meet their own needs. World Commission on Environment Development ((WCED 1987) became intuitionalised into the working agenda of governments, non-governmental organisations and civil society (Summit of 1992).

The researcher consulted many sources in order to gain more information on the topic and found that the literature consisted of NGOs not receiving more support and recognition for the role they play in South Africa.

1.2. International Perspective of NGOs

The NGO sector in South Africa is not unique. It is well developed internationally with some of the most known NGOs being affiliated with the United Nations (Adair, 2013). The definition of an international NGO was first given in Resolution 228 (x) of the Economic and Social Council (ECOSOC) (UNECOSOC, 1950). It was defined as any international organisation that was not founded by an international treaty and their pivotal role in sustainable development was recognized in Chapter 27 of Agenda 21.

During late eighteenth century in 1994 estimations of non-governmental organisations (NGOs) were 1083 NGOs as they developed to emphasize humanitarian issues, sustainable development and developmental aid. There were opposing views about NGOs and their work. Some views encourage and promote the presence of NGOs while the others were less encouraging of NGOs and their work (USA, 2012). The NGO practice in South Africa mirrors that of the international arena (SANGOCO, 2013).

It is thus important for this study to look at how NGOs fare internationally. The next section discusses the NGO-isation of the aid system in South Africa.

1.2.1. NGO-isation of the aid system in Africa

Sheppard (2009: np) has used the term NGO-isation which refers to the capacity of so-called non-governmental organisations (NGOs) to depoliticise discourses and practices of social movements. This includes the Indian writer (Roy 2014: np.) who speaks about the NGO-isation of resistance, and more generally, about the NGO-isation of politics.

Hearn (1998: 98) has compared the “New Policy Agenda” applied in African countries to North. For this purpose, Hearn explored the consequences of the involvement of NGOs in the aid system in countries such as Kenya. First Hearn (1998) found that through (financially dependent) NGOs, Western States have expanded their influence in Africa from a few African states to the rest of the society. As a result, NGOs should be considered as political actors rather than mere “neutral humanitarians”.

Second, Hearn (1998) argues that in the process of NGO-isation the unit of development has shifted from society to local communities. Thus, while some communities may benefit from the services provided by NGOs, those left apart will

remain impoverished in a stagnant society. On this account Hearn (1998) claims that this leads to a fragmented process of development “with no provision of universal services and therefore no attempt at equity”.

In addition, this model of development is questioned for its capacity to overcome a peripheral state of dependency. For this purpose, Hearn (1998: 98) observes that if projects of major societal transformation do not complement food security and health care projects provided by NGOs, there will be two contrasting models of development in the world: “survival of sorts in Africa and progress for the rest of the world”.

In developed and developing countries there were positive recognition on NGOs as they saw it as potent force for social and economic development and valuable in forcing democracy. Edward and Hulme (1992) pointed out that expansions of NGOs are seen as complementing the counter revolution in development theory underpins the policies of liberation.

According to Moore (1993) NGOs are supposed to act as counter weight to state power protection of human rights, opening up channels for communication, participation, and promoting pluralism. NGO sector was assumed to act as an agent of both democracy and development (Bayat 1996:3). Hearn (1998:98) has compared the “New Policy Agenda” applied in African countries to North. For this purpose, Hearn explored the consequences of the involvement of the NGOs in the aid system in countries such as Kenya. First Hearn (1998) found that through (financially dependent) NGOs, Western States have expanded their influence in Africa from a few African states to the rest of the society. As a result, NGOs should be considered as political actors rather than mere “neutral humanitarians”.

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liberation. According to Moore (1993) NGOs are supposed to act as counter weight to state power protection of human rights, opening up channels for communication, participation and promoting pluralism. NGO sector was assumed to act as an agent of both democracy and development (Bayat, 1996:3). Not all NGO work is without criticism. The next section will outline the criticism leveled at NGOs.

1.2.2. Criticism of NGOs

Criticisms range from pointing out that only small percentages of NGOs actually go to people in need, that a lot goes to recover costs, and some have even been used to pay very high salaries of the people at the top of the organisations (USA, 2012). In other cases NGOs are expected to pay for expenses, for permanent staff and for various other costs incurred. Due to the pressure of obtaining and maintaining funding, much effort is spent on marketing, and the already constrained budgets require many NGOs to ensure optimal efficiency. Sometimes the actual activity can be affected due to the need to raised funding.

Shivji (2007: 21) is one of Africa's leading experts on law and development issues as an author and academic. His critique on NGOs is found in two essays: "Silences in NGO discourse: The role and future of NGOs in Africa" and "Reflections on NGOs in Tanzania.

Shivji (2007) argues that the sudden rise of NGOs is part of a neoliberal paradigm rather than pure altruistic motivation. Neoliberalism is a dominant ideology being pushed around the world today spearheaded by the United State and various other nations, and known as the Washington Consensus (Robbins 2002:129). He is critical of the current manifestations of NGOs wanting to change the world without understanding it, and that the imperial relationship continues today with the rise of NGOs.

Another criticism came mostly from Islamits, socialists and also from the Third World perspective. They described NGOs not for growth organisations or necessary to government organisations (Judge 1994). He indicated aspects of NGO activities which operate all over the world with huge budget. Islamits in Bangladesh saw the international NGOs as a tool to destroy the fabric of the Bangla society.

Furthermore, the case study of NGO involvement in Mozambique speaks to the negative effects that NGO's have had on areas of health within the country. Pfeiffer argues that over the last decade, NGO's in Mozambique have "fragmented the local health system, undermined local control of health programs, and contributed to growing local social inequality (Pfeiffer, 2003:725-734).

He mentioned that NGOs should be “formally held to standard and adherence within the host country”, for example reduce 'showcase' projects and parallel programs that prove to be unsustainable.

NGOs have also been accused of using white lies or misinformed advised to enact their campaigns, accusations that NGOs have been ignorant about critical issues because, as chief scientist at Greenpeace (Parr, 2014) said, these organisations appear to have lost their efforts in being truly scientific and now seem to be more self-interested. Rather than operating through science so as to be rationally and effectively practical, NGOs have been accused of abusing the utilisation of science to gain their own advantages.

In the beginning, as Parr indicated, there was a tendency among our critics to say that science is the only decision-making tool but political and commercial interests are using science as a cover for getting their way. At the same time, NGOs can appear to not be cooperative with other groups, according to the previous policy-maker for the German branch of Friends of the Earth, (Steffek 2010). If NGOs want the best for the environment, he says they have to learn to compromise.

Another issue is the increase in government criticism of NGOs and the work they perform, for example, South African Democratic Union (SADTU) accused education NGOs of pushing neoliberal agendas through their use of foreign funding, the Mail & Guardian newspaper. Many NGOs are independently funded through foreign and private sources. Increase co-operation and competition, reduced government funding, intangible government funding criteria, and a general lack of government support the NGOs in South Africa currently faces many challenges.

1.3. NGOs in South Africa

Non-governmental organisations in South Africa (like elsewhere in the world) exist for a variety of reasons. In some cases they exist to further the political or social goals of their members or founders. Example includes improving the state of the natural environment, encouraging the observance of human rights, improving the welfare of the disadvantaged, or representing a corporate agenda. However, there are a huge number of such organisations and their goals cover a broad range of political and philosophical positions. This can also easily be applied to private schools and athletic organisations.

1.3.1. The historical background of NGOs in South Africa

South Africa has the most highly developed non-governmental sector in the whole continent with apparently more than 50,000 NGOs. They are characterised by two types

of organisations, those service driven and those focusing on human rights, advocacy and monitoring. Organisationally they have strong partnerships with the public and corporate sectors, other have closer relations with corporations leading them to swing towards 'managerialism' within their organisations (Stuard 2013).

South Africa's non-profit sector has a long history. The beginnings of civil society arose during the colonial period with various religious, cultural and welfarist community based groups. In addition, the European colonial powers brought their own organisations with them from the seventeenth through the nineteenth centuries (Swilling and Russell 2002:67).

The non-profit sector developed further through a corporatist pact between the British elite and Afrikaner middle class (Swilling and Russell 2002: 68) during the twentieth century. Large, formalised non-governmental organisations (NGOs) dealing with health and social services emerged for the exclusive care of the white community, grassroots community based organisations arose in the black community in order to provide basic services at the same time. These groups were often survivalist and stood in opposition to segregation and later apartheid. The white- run government tolerated these organisations for the most part, except during periods of active political repression like the 1960s.

In 1980s or rather early 1980s, anti -apartheid civil society organisations grew as results of President P.W.Botha's liberalisation of the political system. Nonetheless, his reform movement retained repressive elements, Oppositional social movements spawned by community based organisations were integral in bringing about the end of apartheid in 1994 and the state civil –society relationship through 1980s remained adversarial, with a hostile legal and financial environment for NGOs (Habib 2008: 675).

In 1994 South Africans elected the Government of National Unity under the leadership of the South African National Congress (Dangor 1995). Reconstruction and Development Programs (RDP) in 1990s saw new priorities being placed on the state's development agenda. The government was required to take up the space that non-governmental organisations (NGO) occupied in communities previously denied resources by an oppressive government (Harding 1994).

The identity and role of NGOs became a critical issue beyond 1994 where required to position themselves at the cutting edge of developmental thinking and practice in their field if they were to stay active, (Hallowes 1999: n.d). Foreign government and international donors were increasingly channeling funding through the state, further weakening the position of South African NGOs (Hallowes, 1999). NGOs are understood to be formal, professional development organisations, legally constituted which are linked into the international aid system.

There are current issues facing South African NGOs in their effort to fulfill their role of promoting environmental and social goals. Those who are successfully professionalised stand a better chance of receiving funds from donors compared to those that follow a more classic donor-beneficiary model. NGOs are experiencing funding problems, as donations particularly from individual and private donors, has diminished substantially.

As a results of reduced private and corporate donors funding by Corporate Social Investment (CSI) many NGOs have sought more funding from government to keep afloat, ultimately creating increased competition among government funds. However, government has not even been able to keep up with increasing demands of the poor for basic social services and developmental social services. In order for NGOs to qualify for government and National Lottery fund, they were required to have a registration number (Headline News in South Africa, January 2013). Those who had not submitted annual and financial reports became deregistered.

1.3.2. The Non-profit Organisations Act 71 of 1997(Parliament of Republic of South Africa)

In South Africa, non-profit organisations issue a tax certificate when requested by donors which can be used as tax deduction by the donor. Non-Profit Organisations are registered under the Non-Profit Organisation Act.

1.3.3. Background

Non-profit Organisations Act 1997 (Act No 71 Of 1997) replaced the Fund- Raising Act of 1978 (Act No 107 of 1978), able to be misused by apartheid government to control the fundraising activities of civil society organisations and often to closed down. A lengthy policy and legal reform process in which civil society organisations had the state negotiated and made compromises as a result of the NPO Act. It came into operation 1 September 1998. The Act defines an NPO as: A trust company or other association of persons established for a public purpose, and the income and property of which are not distributable to its members or office bearers accept as reasonable compensation for services rendered (RSA, 1997).

The primary objectives are to: create an enabling environment for NPOs, set and maintain adequate standards of governance, accountability and transparency and aims to meet these objectives by creating a voluntary registration facility for NPOs.

The Acts mandatory requirements for the registration of an NPO are similar to the common law's requirements for the establishment of the VA, including clauses in the

constitution that record the non-profit purpose and character of NPOs (whether they set up as a VA, and distinguish them from profit organisations, to clarify the legal status of NPOs by recording that the NPO is a body corporate that has an independent legal personality and always appear in the founding documents of all NPOs anyway, because they are essential to the basis functioning of an organisation.

The Non- Profit Organisation's Act No 71 of 1997, which was drafted to clarify the NPO sectors role in the new democratic South Africa in practice prove to be that problematic. The Act maintains that government is obliged to create an enabling environment to the non-profit sector. Every organ of state must determine and co-ordinate the implementations of its policies and measures in a manner designed to promote support and enhance the capacity of NPO shave difficulty accessing government support, forming partnerships obtaining funding and building capacity that will allow them to fulfill their mandates (RSA, 1997).

1.3.4. Challenges to legitimacy

The issue of the legitimacy of NGOs raises a series of important questions. This is one of the most important assets possessed by any NGO; it is gained through a perception that they are an "independent voice" (Steffek 2010). Their representation also emerges as an important question. Who bestows responsibilities to NGOs or INGOs (International Non-governmental Organisations) and how do they gain the representation of citizens and civil society is still not scrutinised thoroughly.

For instance (Steffek, 2010:n.p) put it starkly: are the citizens of countries of the South and their needs represented in global civil society, or are citizens as well as their needs constructed by practices of representation? And when we realize that INGOs hardly ever come face to face with the people whose interests and problems they represent, or that they are not accountable to the people they represent, matters become even more troublesome" (Steffek 2010: np).

Moreover, the legitimacy and the accountability of NGOs on the point of their true nature are also emerging as important issues. Various perceptions and images on NGOs are provided, and usually implemented in an image as 'non-state actors' or 'influential representatives of civil society that advocate the citizen. As non-state actors with considerable influence over the governance in many areas, concerns have been expressed over the extent to which they represent the views of the public and the extent to which they allow the public to hold them to account (Steffek, 2010).

The origin of funding can have serious implications for the legitimacy of NGOs. In recent decades NGOs have increased their numbers and range of activities to a level

where they have become increasingly dependent on a limited number of donors. Consequently competition has increased for funding, as have the expectation of the donors themselves. One of the challenges experienced is funding in KZN as well.

1.4. Funding of NGOs in KZN

According to Ballard (2008) development aid was mainly channeled to the democratic government; meanwhile NGOs had to find funding resources. This situation resulted in uncertainties as NGOs had to reshape their activities in order to survive the turbulence. Many NGOs became donor-driven as they surrendered their autonomy, very few NGOs managed to adhere to their core business in order to serve their constituencies (Ballard 2008).

There are many NGOs in Kwa-Zulu Natal (KZN) who are struggling to perform their duties effectively due to the lack of funds (Stuard 2013). This problem has become a major challenge and most of them have been forced to close their doors. Few NGOs have strategic plans which would enable them to have ownership of their mission values and activities. This leaves them vulnerable to the whims of donors and makes it difficult to measure their impact over time.

Many NGOs large and small intervene at community level without any community mapping and implementing projects without due regard to ongoing community initiatives. Most NGOs usually serve sections of the community that could not afford to pay in full cost of the service they rely on grants and donations from fundraising. They choose target group according to who needs the service most.

The conditions of all the NGOs in KZN are not up to standard. Some are poorly fenced and facilities are in a bad state. Others have no doors, taps are leaking and seats are broken. The workshop area needed to be clean and roofing to be refurbished. There are no air conditioning facilities. Many organisations rely heavily on the involvement of voluntary staff. Since most organisations receive funding from a range of sources (Stuard 2013). Government funding has become increasingly important in this regard.

1.5. Problem Statement

Most NGOs have definite direction and purpose, and access to funds for carrying out their objectives. NGOs that conduct grassroots development projects in South Africa are severely flawed. Beyond 1994 there were dramatic changes for foreign aid policies (Rammutle 2003; Reitzes, 2003). International government donors held and (2001), accorded priority to the South African government and expected civil society

organisation to work in tandem with the state (Friedman, 2001). A survey appeared in the media by Independent Development and donor funding to CSOs throughout the country (Kihato & Rapoo, 1999). A major backlog in the disbursement of funds to NGOs was observed and these institutions proved to be ineffective (Rammute, 2003).

The Lottery Commission and the National Development Agency (NDA) were established with a mandate of funds to legitimate nonprofit activity (Habib, 2005). Gardner and Macanda (2003) contend that the NDA did not learn any lessons from its predecessor, the Transitional National Development Agency, as it too was struggling to conceptualise its functions.

Funding is a major obstacle that NGOs in KZN face. As results of a global economic Crisis, NGOs are experiencing funding problems, as donation particularly from individual and private donors have diminished substantially. This is the result of reduced private and corporate donors funding.

Many NGOs have sought more funding from government to keep afloat, ultimately creating increased competitions amongst NGOs for government funds. The danger in this is that it is questionable whether, under such monetary dependency, especially on government, they can continue to enjoy relative impartiality due to the expectations that NGOs should be accountable to, and should mirror funding agencies in their operations.

Kraak (2001) maintains that whilst NGOs sector has an important role to play in representing and servicing the poor and marginalised in shaping public policy and as a watchdog for democracy, negative trends in the sector persist years after the first democratic elections.

He attributes the problems to the difficult legislative in which the sector operates poor leadership and the lack of organisational capacity. In many organisations, the paucity of research on the NGO sector, which negatively impacts on effective policy formulation for the sector, an apparent deteriorating relationship with the government and the problem of the longer term sustainability of the sector (including the perennial issue of reduced donor funding and absence of effective strategies to counter this trend (Parr, 2014).

Poor leadership, which presented a challenge, as alluded to by Kraak (2001) in the above text, can be ascribed to the advent of democratic and legitimate state which freed those who were not willing to be associated with the apartheid state, to now work for the new state.

The central problem addressed in this research is the lack of adequate governance and funding arrangements to ensure the sustainability of NGOs in general and KZN NGOs specifically. In particular the lack of governance arrangement in KZN context include

inadequate policies, a lack of delivery by DNA and insufficient governance arrangements and financial planning by NGOs themselves as well as poor structured relationship between government and donors.

1.6. Aims and objectives

Given the above problem statement, the study aims to focus particular on option for funding and governance of NGOs in South Africa furthermore the research provides more insight that determines the organisational problems of NGOs in in South Africa, specifically in KZN and to evaluate existing governance and financial arrangements with the view of developing different approaches to governance and financial arrangements with specific reference to lessons of experience for KZN NGOs. NGOs in Sisonke District will be used as a case study to make claims to the rest of KZN and South Africa as a whole.

The objectives of the research study are:

- To provide theoretical overview of the governance and funding arrangement of NGOs internationally;
- To develop a historical view nationally on trend and tendencies of NGO governance and funding arrangements in South Africa;
- To examine governance arrangements of NGOs in KZN and
- To develop a set of conclusions and recommendations for the improvement of funding of NGOs in KZN (specifically Sisonke District).

1.7. Data Collection

The researcher will collect data by (i) consulting sources that feature information that is relevant to the research questions (MacMillan and Schumacher, 2006) and (ii) by interviewing individuals within the two NGOs of Sisonke District, Kwa-Zulu Natal. The reason the researcher has chosen the two NGOs is because of time and money contracts the research will have to research the District in which she reside

Some government officials from Department of Social Development will also be contacted; research participants will be the Senior Staff members (Directors, Project Managers and Co-ordinators). All the participants will be drawn from the governance aspect of DSD in Sisonke District in Kwa-Zulu Natal. The researcher will also use interview schedule with unstructured questions so that responded can answer freely.

Babbie and Mouton (2004:249) refers interviews as it can be done by the interviewer to the interviewee to collect data during the interview process and promotion process. Swanborn in Art (1998: 38) contends that the study of two instead of one would yield knowledge through comparison. According to (Mouton) interviews are part of qualitative research data collection.

Collected data will be analysed by comparing the effectiveness of two NGOs. Sampling will be the non-propability as the other NGOs were not selected. It is a kind of sampling often conducted in situation where you cannot select using large scale, the researcher uses subjects who may represent certain type of characteristics (MacMillan and Schumacher, 2006).

The researcher will also doing purposive sampling as the research participants were not created equal, two chosen NGOs will often advance the research far better than any randomly chosen sample of 50-and the researcher will take this into account in choosing a sample (Palys, 2008). The researcher will record other people's views on government funding for NGOs and their involvement in the improvement, if necessary.

1.8. Methodology

The systematic, theoretical analysis of the method applied to a field of study is called methodology. It consists of the theoretical analysis of the body of principles associated with a branch of knowledge and methods. It covers methods such as theoretical model, paradigm, phases and quantitative or qualitative techniques. It does not set out to provide solutions, instead offers the theoretical underpinning for set of methods, understanding which methods can be applied to specific case Herman (2009).

This study will largely employ qualitative research as the researcher will use narrative method to let participants tell about their own views about funding for NGOs in general. Qualitative research can be historical, political educational and much more providing an apt tool for a study of this nature (Leedy, 1997).

A qualitative method will provide a theoretical assessment of governance and financial arrangements of NGOs. The reason for choosing qualitative research is that it allows the researcher to increase range of specific information that is context specific (Babbie and Mouton, 2004: 227).

The researcher will also gain an in-depth understanding of the research topic (Babbie and Mouton, 2004). The researcher will be able to use her judgment and experience to select a preferred and financial framework for NGOs.

This study performs a function of basic research as it works to describe the researched phenomenon (MacMillan and Schumacher, 2006). The type of sampling that will be used is non-probability sample. In non-probability sample members of the population do not have an equal chance of being selected and it includes nomination, snowballs, volunteers, case studies and theoretical samples (Neuman, 2003).

The idea is to provide the description of KZN NGOs and their impact. The researcher will depend on the participation of two NGOs to conduct the research and seek of problem solving strategies. This therefore, will be an action research. The researcher has set aside first week of June for ethnographic observation in the two organisations. The researcher will immerse herself in the sites of the two NGOs spending one week in each.

1.9. Validity

According to Macmillan and Schumacher (2006) validity refers to the degree to which the explanation of phenomena matches the realities of the world. Participants observation and in –depth interviews for instance, are conducted in natural settings to reflect the reality of life experience more accurately than do contrived a laboratory settings MacMillan and Schumacher (2001:408).

Natural settings such as the participating NGOs will be used as places in which the study will be conducted, and to further enhance the validity, a combination of more than one data collection strategies will be used, namely; participants observation, questionnaires as well as unstructured interviews.

Validity refers to the research answering its questions and whether the research instrument (questionnaires and interview guides) used by the researcher perform the functions they are supposed to perform (Leedy and Ormrod, 2009). Do they collect the desired data? The researcher will ensure that documentary evidence is consulted to enable research instrument provide valid data. In order to enable data to be valid the researcher will ensure that she does not ask leading questions and that the questions are not ambiguous. The researcher will speak to NGOs and the government officials to be able to get both sides of the story.

1.10. Data Analysis

According to (Tukey,1961) data is the procedure to analyse data, techniques for interpreting the results of such procedures, ways of planning the gathering of data to

make its analysis easier, more accurate, and all the machinery and results of (mathematical) statistics which apply to analyse data.

Data analysis shall be characterised by objectivity so that the research results will be acceptable, and also make sure that data solicited shall be relevant and applicable to the research topic. The researcher will make sure that the data collection process is not biased. No leading questions will be asked. Ensure that statistics are utilised to give a reading of the state of the two NGOs in the effectiveness of their findings.

The researcher will collect data through interviews, document analysis, reading documentation, questionnaires and recording devices. An ethnomethodology and phenomenological approach will be used to better understand the research phenomenon.

1.11. Research Design

The research design indicate the general plan: how the research is set up, what happens to the subjects and what method of data collection are used. The researcher will utilise ethnography (the study of social interactions, behaviors, and perceptions that occur within groups, teams, organisations and communities) to collect data.

According to Hesse-bibber and Leavy (2011:193) ethnography refers to the research where wants to know about the individual culture and became part of the organisation to learn about its culture. The qualitative requirement of objectivity, conformability and dependability will be taken into considerations as the researcher will use interviews, observations and documents to collect data.

According to Mouton (2003) interviews are part of qualitative research data collection. Interviewing, when considered as a method of conducting qualitative research, is a technique used to understand the experiences of others. The researcher will be doing two case studies to be able to compare views and build a case on the District.

1.12. Limitations of the study

The study aims to explore the funding environment for NGOs in KZN. The study would be limited in terms of its generalisation as NGOs are not similar (Nandango 2004). It is restricted to one district only and only a snapshot of two NGOs. Nandango also highlights the fact that contexts are different and challenging too. The approach of Vithal and Jansen (2003: 35) will be used to acknowledge and appreciate the

constraints that will be imposed on the study and to understand the context in which the research claims are set.

The aim of the study is not to generalise about the topic but to focus on the funding problem in the development of KZN NGOs with specific reference to the two NGOs.

1.13. Chapter division

Chapter 1: Introduction

- Introduction.
- International Perspectives of NGOs
- NGOs in South Africa
- NGOs in KZN
- Problem Statement
- Aims and Objective
- Data collection
- Limitations of the study
- Chapter division
- conclusion
- Bibliography

Chapter 2: Governance and funding arrangements of NGOs internationally

- An overview of the concept governance
- NGO funding
- Conclusion

Chapter 3: Governance and funding arrangements of NGOs in South Africa

Chapter 4: Case study assessment of selected NGOs in KZN

Chapter 5

- Conclusion and recommendation
- Bibliography

1.14. Conclusion

Chapter one provided an introduction into the study. The chapter also outlined the international perspectives of non-governmental organisations as well as outlines of NGOs in South Africa and in KZN. Chapter one also tabled the problem statement. The aims and objectives of the study were also stated. Chapter one also features a discussion of the limitations of the study. Chapter two will discuss extensively the international perspectives of NGOs. It will also provide an overview of the concept governance and provide a clear picture of NGO funding.

CHAPTER 2: GOVERNANCE AND FUNDING ARRANGEMENTS OF NGOs INTERNATIONAL

In this chapter an overview of historical trends and tendencies of governance arrangement of NGOs over the last ten years will be provided. In particular attention to governance aspects of funding management and assistance received by NGOs International.

2.1. Introduction

NGOs play a pivotal role in advancing modern societies as they provide opportunities for the self organisation of society and enable citizen to work together voluntarily to promote social values and civic goals which are important to them, They promote local initiative and problem solving through (Steffek, 2010) their work in a broad array of fields. These include environment, poverty, alleviation health, culture and art, education and so forth.

NGOs reflect the diversity of society itself. They are established and sustained by individuals working collectively in their communities (Timmer, 2007). By empowering citizens and promoting change at the “grass roots”, NGOs both represent and advance the pluralism and diversity that are characteristic of vibrant and successful modern society.

NGOs are required to generate and fund-raise an income to become sustainable. They had commonly depended on funding from donor agencies, multilateral organisations such as the United Nations, the regional organisations such as the European Unions, the World Bank and the Common Wealth Secretariat as well as the African Union and South African Development Community to name but few examples for conducting programmes (Hyssen,2001; Lekorwe and Mpambananga, 2006). Very few NGOs are able to generate their own funding and others are unable to draft programmes independent of donors. Some CSOs complain that when they do receive funding from donors it usually has strings attached (Kihato and Rapoo, 1999; Overseas Development Institute, 1995) (Smith and Bornstein, 2001).

Many NGOs fail to appreciate the importance of being entrepreneurial in the sense of creating surpluses or profits for the organisations. Conversely some donors do not appreciate the creativity of NGOs in generating savings, and they require NGOs to spend the entire programmed, budget by the end of a particular fiscal or calendar year (Aldaba, 2002).

NGOs need to find different strategies for long term survival as donor resources available to NGOs continue to decrease; donor agencies worldwide have shifted and narrowed funding into specific highly political or public popular regions of the world, for example Afghanistan, Iraq and Sudan (Tukey, 1961) and into specific markets that do generally fund traditional NGO development.

The growth in terms of number of NGOs worldwide tightened competition between NGOs for increasingly limited funding and donors worldwide have become less willing to fund traditional overhead expenses, such as salaries, rent and equipment. Forcing NGOs to chase more and more donor funds rather than develop long term programme strategies that support their own mission (Alymkulova and Seipulnik, 2005; Layton, 2006; Viravaidya and Hayssen 2001).

In this chapter various concepts of funding arrangements from International donors and independent scholars will be addressed. It will also explore various concepts of financial arrangements from independent scholars and International donors. Conclusions will be drawn on the values of the following frameworks:

Accountability: Is the moral or legal duty placed on an individual, group or organisations to explain how funds, equipment or authority given by third party has been used. Those who have invested not just money but also time, effort and trust in the organisation are interested to see that the resources of the NGO are used effectively and for the purpose for which they were intended. It also means establishing criteria to measure the performance of public official. Accountability on the part of NGOs implies the demonstration of the effective and efficient of resources. An accountable NGO is transparent, readily opening its accounts to donors and beneficiaries for scrutiny (Van der Walt, 2004).

Accountability is the key requirement of good governance. Not only the governmental institutions, but also the private sector and civil society organisations must be accountable of the public and to their institutional stake stakeholders law (Van der Walt, 2004). Accountability cannot be enforced without transparency and the rule of the law.

The Department of Social Development (2001) suggested that it is in the best interest of the organisation, its governance and leadership to enhance standards of accountability and transparency by having:

- A clear mission to drive the organisation and its programme;
- Carefully selected governance, staff leadership and competent staff and volunteers in office, people who can be trusted;
- Policies and systems in place to ensure that resources are optimally used;

- Accounting systems and controls in place that ensure the transparent and effective handling of money and resources;
- An effective strategic plan of action , with controls in place to monitor and evaluate progress; and
- Transparency is fostered by providing timely, accessible and accurate information on the organisation and its activities to donors and others, for an organisation that is willing and open to public and questioning.

A system must be established where by all financial information is recorded accurately and presented clearly for easy disclosure to those who have a right to request it, if this is not achieved, it can give the impression that there is something to hide.

Participation: People are at the heart of development. They act through group associations such as trade unions, chambers of commerce, NGOs, political parties and as individuals through writing news letters to newspapers, voting in an election and so on. Accordingly they must have access to preventatives democracies, which promote development (The World Bank, 2000; Van der Walt, 2004; UNDP, 1997).

Predictability: According to World Bank (2000), predictability refers to existence of laws, regulations and policies to regulate society and their fair and consistent applications. The rule of law encompasses well-defined rights and duties, as well as mechanism for enforcing these and for the impartial settling of disputes. It requires the state and its subsidiary agencies to be as much as bound by the answerable to the legal system as are private individual and enterprises (Van der Walt, 2004).Without predictability, the orderly existence of citizens and institutions would be compromised. The explanation above laid the foundation of international NGOs.

The explanation above laid the foundation for exploration NGOs. The next section will provide an overview of the theoretical framework which regulates the governance of the international institutions and NGOs.

2.2. An overview of the concept governance

This section explores how the concept of “governance” is conceptualized and defined. This task requires recognition, first, that “governance” has gained popularity at both practical and theoretical levels, and that different meanings have been attributed to the concept by different people (Hyden and Court, 2002).

These different interpretations according to Hyden and Court (2002) have developed along two separate lines: governance is viewed as being concerned with the rules of

conducting public affairs: Furthermore, governance is viewed as a mechanism which steers or controls public affairs.

In the context of the above deliberations, the next section will provide a broader overview of the concept of governance where literature pertains to constructs such as cooperative governance and corporate governance will be explored.

2.2.1 Governance

Governance is a widely used term which ranges in definition from electoral arrangements to institutional structures (Narayan, Godden, Reid and Ortega, 2000). Management control, financial reporting, accounting and budget are the most essential tools for responsible accountability planning, governance and management in non-profit organisations (Ott, 2001).

Alin (2006) denotes that good financial practice will: help NGOs prepare themselves for long term financial sustainability, gain the respect and confidence of funding agencies partners and those who served, help managers to make effective and efficient use of resources to achieve objectives and fulfill comments to stake holders and give NGOs the advantage in competition for increasingly scarce resources.

The International Monitoring fund suggested that “governance “is general used term encompasses all aspects of the way a country, corporation, or other entity is governed (International Monitory Fund, 2003). Governance by the State for example is defined, according to Camay and Gordon (2004:13), as the manner method or system of governing in a society.

It refers to structures and assignment of offices and their respective areas of responsibility and authority, and how ever they relate to each other and to the governed. It also relate to the accountability that needs to be exercised, especially of the state or government to the governed. In a similar vein the UNDP (1997) defines governance broadly as “exercise of political, economic and administrative authority to manage a nation’s affairs.

Another definition of governance put forward by Du Toit, Knipe Van der Walt, and Doyle, (2002:64) implies that governance pertains the actions undertaken to improve the general welfare of society by means of the services. It can further be defined as the connections and interactions between national, provincial and local authorities and the public they serve.

2.2.2 Governance: The relationship between the state and civil society (NGOs)

Governance include the state, but transcends it by taking cognizance of the private sector and civil society, Good governance entails constructive interactions among all three sectors (UNDP, 1997).

Civil society may provide checks on government's power. In doing so, they may contribute to better governance by enhancing the accountability and transparency of the political system. The CSOs may also contribute to policy formulations, rights, safeguard, articulate interests, and deliver social services. Such actions may enhance efficiency and participation in public affairs and strengthen the rule of the law, all tenets of good governance (UNDP, 2003). Conversely, governance can impact NGOs by creating an enabling environment in which they can function (Clark, 1993).

Such enabling environment, suggests Clark (1993), would include the following best practice lesson: The legal framework (registration, reporting requirements, sound management discipline, eliminative restrictive laws and procedures, and so on), nature and quality of governance (Good governance includes social policies which encourage a healthy civil society and public accountability of state institutions), collaboration with NGOs, taxation policies, coordination (roles of government coordinating NGOs activities), public consultation and information (policy impact of NGOs) and official support (government funding, official contracts). All the above areas, Clark (1993) cautions, have the potential for conflict, be it conflict individual NGO.

2.2.3 Governance and NGOs

Good governance is referring to both the strategic management as well as operational feasibility of NGOs, is of criteria importance to NGOs. Good governance is essential for order and equal efficient delivery of goods and services, accountability in the use of power, protection of human rights and freedom, and the maintenance of an organisational framework within which each person can contribute fully towards funding innovative solutions to common problems (Camay and Gordon, 2004).

Good governance seeks to promote effective, efficient and sustainable organisations that can contribute towards development endeavors. It is about fair, efficient and transparent administration of organisations to meet well defined objectives. Systems and structures of operations control need to be placed so that the organisational missions and objectives are achieved while complying with legal and regulatory requirements. There should be an efficient process where the roles the board and management are clearly defined with appropriate structures in place.

International governance of civil society organisations (CSOs) on the other hand contend that governance rather refers to the relationship between stakeholders in an organisation and arrangements arrived at to make necessary decisions (Camay and Gordon, 2004). It involves the arrangements of the structure of the organisation and the interrelationship within that structure as well as structures external relationship to various stakeholders, for example communities, beneficiaries and government (Camay and Gordon, 2004). It becomes apparent that the concept "governance" irrespective of the institutional context implies to "steer, direct guide". The same implication applies to governance of the NGO sector. The next section studies governance within NGOs.

2.2.4 Governance within NGOs

In a highly competitive global environment characterized by funding withdrawals on the part of donors (Naidoo, 2004) and a range of questions by governments and other stakeholders on accountability, transparency, value addition, legitimacy and overall credibility of NGOs, good corporate governance has emerged not only as a tool to enhance professionalism but, more crucially, to ensure that NGOs interventions are effective, sustainable, efficiency and positively perceived by all stakeholders including governments, beneficiaries and donors. The credibility of NGO can be improved by adherence to the principles and practices of good corporate governance (The National Association of Non-governmental Organisations, 2005).

Each NGO is unique, and the particular arrangements it puts into place for good corporate governance will be influenced by that uniqueness (Government of the Hong Kong Special Administrative Region, 2002). Irrespective of the diverse interest and endeavors by NGOs, an NGO's basic documents such as the act of incorporation, statutes, charter and rules of operation can establish a basis for good governance by including the following information about the governing body or bodies.

This study suggests that many different meaning have been accorded to the concept "governance". The term generally refers to the way in which power is assumedly conveyed and exercised within a society or organisation.

2.3. NGO Funding resources

The work of NGOs is to protect the environment, preserving art and culture, helping seek and needy, improving services to the poor and so on by nature ((Viravaidya and Hayssen 2001). In order to cover the cost of their activities through grants and donations they relied on the goodwill and generosity of others traditionally.

Unfortunately today NGOs find that such traditional funding sources are often insufficient to meet growing needs and rising costs.

According to Oxford Analytica NGOs (2005), NGOs raised billions of dollars each year. In general support can be received through the state, the public and private sector on an international, national or local level. Financial aid may be given through international foreign sources multilateral or bilateral grants as well as through national or local governmental grants. Corporate grants or foundation grants may be provided by the private sector. Financial aid from general public may come through international charitable and local individual donations (Glaser, 2004).

International foreign aid comes in many sources the examples of funding sources are:

-International aid organisations include United Nations Agencies such as FAO, UNICEF, WHO, UNDP, the European Commission (EC), the Asian Development bank and the World Bank. From these sources funds are likely to be available via national umbrella bodies.

Voluntary funding organisations such as aid agencies, charitable organisations, missions and other groups of religious, most of them are based in Europe, North, Australia and North America. Foreign Embassies such as the Dutch Embassies to name but one country tend to fund small-scale projects.

The United Nations has been avid supporter of NGOs since its founding in 1945 the U.N. Economic and Social Council (ECOSOC) registered 2613 NGOs in 2005, while 1407 NGOs were accredited to the U.N. Secretariat's Department of Public Information (Oxford Analytica, 2005).

International aid Central Asia constitutes the single largest sources of NGO funding as most NGOs in this region remain heavily dependent on international financial assistance (Alynkulova and Scipulnik, 2005)

International funding is not the only means of obtaining resources there are several sources of alternative funding streams like state funding. This approach varies in different countries.

2.3.1 State funding internationally

According to Gardner and Macanda (2003:3) the challenge of fighting and eradicating poverty in the rest of the continent does not lie solely with government. It is also the responsibility of the communities, civil society and international agencies. Government need to support civil and non-governmental organisations (NGOs) and be responsive to

their needs and civil society and NGOs should be accountable to the people they serve. The government has the advantage of having considerable financial muscle, especially through public revenues, whereas civil society has the advantage of proximity better understanding of the needs of the people on the ground.

In the context above the challenges in terms of funding of NGOs in developing countries is to develop sources of funding and/or revenue to replace unreliable international donor funding (Stuart, 2002).

In recent years, the French government has recognised that NGOs play an important role in French development assistance. This led to a structuring of the funding system of NGOs and the establishment of system with the specific purpose of allocating funds for NGO projects. Government funding of NGOs takes place mainly through co- financing of development projects. NGOs obtained block funding for their programmes which were not tied to specific projects in some cases (Sorgenfrei, 2004).

In the Czech Republic, NGOs receive approximately 39% of the funding from the government, and a quarter of organisations receive over half of their funding from state resources. Part of these funding come from Czech NGOs with access to a portion of funds received from state privatisations Czech NGOs are concerned about being over reliant on state support (Stuart, 2002). Based in the United State of America NGOs receive 31% of their income from government contracts. However, it was reported in 2004 that 37% over 5000 U.S. NGOs reported a decrease in U.S. government funding from the year 2003 (Layton, 2006).

The Council of Ministers dedicated 150 000.00 U.S. dollars from the state budget in Bosnia to assist local NGOs for the first time in 2002. NGOs viewed the contribution as an important sign that the government recognised the significant role of NGOs in the country (Stuart, 2002). Croatian state financial support to NGOs has been provided through the Government Office of Cooperation with NGOs for many years. Funding was made available for NGOs whose initiative exceeded one year period for the first time in 2002 (Stuart, 2002).

Eastern Europe and Across Central, local level government became a further growing source of support to NGOs. The Indian NGO Sector, which boasts over 1 million NGOs, depends largely on multilateral and government funding. Misra contends that Indian NGOs lack an awareness of local resources mobilization (Farouk, 2002).

Indonesian NGOs are encouraged to end dependency on foreign funding and to self-finance their activities by obtaining funds from local foundations individual sources philanthropic institutions, their government and private companies (Jakarta Post, 2000). Ashoka an international non-profit organisation promote creative and innovative ways

for the NGO sector to become self- sustaining as continuously faced with funding dilemma (All Africa, 2002).

The NGO sector in Asian continent has developed into well-oiled machinery (Rhinaldo, 2005). The reaction of the NGOs during the tsunami in Indonesia shows how effective the NGOs are in Asia. According to Johnston (2005) the NGOs in the Asian region does a wonderful job easing the burden on various Asian governments.

2.3.2 Other resources of NGOs funding

Besides self –financing contributions can be raised by NGOs from local citizens, local authorities and business. NESsT (Nonprofit Enterprise and Self- Sustainability Team) , a US registered non-profit with branches in Santiago, Chile and Budapest Hungary looks at self-financing as one alternative to the more traditional fundraising approaches used by non-profit organisations (Davis and Etchhart, 1999). Self-financing according to Atkinson and Messing (2002:16) can be defined as:

The procurement of revenue by internal entrepreneurial methods, in other words strategies used by NGOs to generate some of their own resources for further their mission. Self- financing methods or strategies include for example fees for service, membership fees, product sales, use of soft asserts, for example patents, use of hard asserts, for example equipment rental, investment dividend and ancillary business ventures (Academy for Education Development, 2004; Atkinson and Messing, 2002).

NGOs have established commercial enterprise in Bangladesh, also known as endowment models, using the profit stream to support development endeavors. The endowment model is signed to reduce dependence on donors and other sources of funding and to provide an innovative solution to financial sustainability (World Bank 2006).

NESsT is one organisation preaching NGO self-financing initiative. Others include smaller donor agencies such as Enterprise Works Worldwide, German Agro Action, the Aspen Institute, the Robert Enterprise and other private foundations. They have been active in helping individual NGOs establish businesses and in trying to upgrade the commercial skills of the NGO Community as a whole (Viravaida and Hysen, 2001).

NGOs raised a number of challenges they have encountered by using self-financing initiative in the NESsT project mentioned above (Glaser, 2004). One the identity of NGOs might be influenced by internal and external factors. Some NGO members may fear that a profit making focus may endanger the organisation's mission, where the NGO manager may focus more on what is marketable and economically feasible rather

than the desirable vis-à-vis the mission (Atkinson and Messing, 2002; Toepler, 2004). Organisational capacity may prove problematic, as self-financing approaches demand business oriented management, planning and account skills. NGOs may lack these required institutional human resources capacity and knowledge.

Available capital and financing of self-financing initiatives may be lacking, as traditional donors generally do not fund self-financing initiatives. Lastly, instability in the external environment such as unclear legal and tax legislation and unstable economies, diverse customer demands and challenging competitors may have negative effects on the NGOs mission driven business (Atkinson and Messing, 2004; Glaser, 2004)

Beside self-financing contributions can be raised by NGOs from local citizens, local authorities, and business and so on, in a variety of forms for example: volunteer work of local citizen, in-kind intellectual services for example legal accounting, medical, psychological and engineering advice. The non-financial contributions the community can donate to NGOs may differ from country to country and even different communities (Academy for educational Development, 2004).

2.3.3 Variation across countries in donor NGO funding arrangement

In terms of donor NGO funding arrangement there are variations across countries. In Australia there are 32 different funding mechanism through which NGOs can obtain funds from the government (Adair, 2013). Today the dominant types of NGOs activity remains projects and programmes put forward for funding by the NGOs themselves, and utilised for programmes and projects in particular developing countries. This is facilitated through the Overseas Development administration Joint Funding Scheme in the United Kingdom in Sweden through the NGO Programme and in Finland through the NGO support programme (Adair, 2013).

2.4. Conclusion

The purpose of this chapter was to provide a theoretical overview of governance arrangement of international NGOs and explore governance and funding arrangements within NGOs in general. Concept pertaining the financial management from international donors and independent scholars were explored. The chapter also investigated issues pertaining to income of NGOs within the view to drawing lessons of experiences on global mobilisation practices for replication in KZN.

The researcher found that “governance” as a concept has gained a popularity at both practical and theoretical levels and that different meanings have been accorded the

concept by different people. The different interpretations have been developed along two streams where the first views governance as concerned with the rules of conducting public affairs. Governance was further perceived by some commentators as a generic term which could be applied to all forms of human organisations is it economic, religious, and military or NGOs.

To protect the non-profit sector and strengthen donor integrity and confidence, higher standards of transparency and accountability are called for, in the same way that NGOs demand accountability and transparency from governments, businesses, educational institutions and other organisations.

The researcher concludes that the four basic elements of good governance, namely accountability participation, predictability, and transparency need to be activated and promoted within NGOs. Accountability in particular will ensure the effective and efficient use of NGO resources.

Participation will ensure that people remain at the heart of development where NGOs endeavours are concerned. Predictability refers to the existence of laws, regulations and policies which regulate NGOs. Transparency would ensure the availability of information around NGO activities. It is the duty of each NGO to think about governance practices.

In terms of funding arrangements the chapter established that budgeting, funding mobilisation, NGO financing, and state funding were the most essential tool for governance planning, accountability, and management in non-profit organisations. Good practice in NGO financial management further more includes: keeping accurate records of all financial records for example accounting records, financial planning, financial monitoring and internal control.

In terms of funding mobilisation, the researcher revealed that non-profit sources vary on controllability, predictability, linkage to organisational activities, and the range of amount of management effort they require. NGO sectors are required to construct a well executive fund raising strategy to source adequate funding.

The chapter found that international, national and local donor funding will not be sufficient sources of sustain income. Donations from local corporation and government development agencies are closely linked to national development imperatives. NESsT's (Nonprofit Enterprise and Self- Sustainability Team) an international non-company committed to strengthening financial arrangements of CSOs work for social change in Central Europe and Latin America.

The researcher agreed that NGOs need a variety of financing tools in order to reduce risk to sustain their work. Given the overview of the theoretical framework of governance and funding arrangements in this chapter, the next chapter will investigate specific issues relating to governance arrangements of NGOs in South Africa.

CHAPTER 3: GOVERNANCE AND FUNDING OF NGOs IN SOUTH AFRICA

Chapter two provided a theoretical overview of governance arrangement of international NGOs and explores governance and funding arrangements within NGOs in general. Concepts pertaining the financial management from international donors and independent scholars were explored. The chapter also investigated issues to the income of NGOs within the view of drawing lessons of experiences on global mobilization practices for replication in KZN. This chapter will provide an overview of the historical trends and tendencies of governance and funding of NGOs in South Africa over the last ten years.

3.1. Introduction

Governance is a widely term which ranges in definitions from electoral arrangements. It is the process by which decisions are implemented. Funding is the act of providing financial resources, usually in the form of money. Governance and funding are related to each other in the way that, budgeting, accountability, financial reporting and management control are the essentials for responsible governance, accountability, planning and management in non-profit organisation (Ott, 2001).

South African history is an apartheid ideology where racial prejudice and discrimination prevailed Camay and Gordon (2000: 107) suggests that:

The concept of racial discrimination and segregation has figured throughout South African History and its impact has been seen since the seventeenth century, in society as a whole and in the evolution of civil society organisations. It has divided communities and affected their relative economic, political and social power and influence, as well as their respective ability to address community development issues. It has led to extreme disadvantage and suffering for South African people of colour, a consequence which will take generations to be remedied. Not only was racial discrimination political control and economic exploitation but it also led to huge financial and human resources which could be put to use by communities through their civil society organisations. It has therefore accentuated their differential access to services such as education, health and other aspects of human welfare.

Many institutions in South Africa were constructed in an effort to counter the country's racially motivated discriminatory policies before 1994. Along the line the apartheid government assigned resources for various services. Nongovernmental organisations stepped in, in the Health Care Centre for example where the government provided inadequate resources (Mazibuko, 2000).

The Black Peoples Convention is one such organisation which provided mobile clinics where trailers were equipped with medical instruments and voluntary medical doctors to help poor service deprived black communities. The country's political history is thus closely linked to the development and operation of NGOs in South Africa, including international NGOs. Most funded sectors are developmental non-governmental organisations, depending on funds from government (Mazibuko, 2000; Fenhel, 1997). NGOs appear to have a reputation for offering specific advantages over more bureaucratic government structures in the delivery of a range of social economic and political objectives.

It would be appears that NGOs are better able to reach the poor that they are fixable and responsible and that they can offer failed and innovative service delivery interventions (Bourne and Seager, 2000; Edward and Halme, 1994; Martin, n.d;). On the other hand potential weaknesses of NGOs as noted by Liesbenberg (quoted in Bourne and Seager, 2000) range from: inadequate planning, organisation and management, inability to replicate projects to ensure sustainability, inability to collaborate with other role players effectively and the lack of coordination in the effort of NGOs.

These weaknesses however may not necessarily be true for all NGOs (Bourne and Seager, 2000). Before 1994 foreign funding was ant-state and couched in anti-apartheid rubric (Kihato, 2001; Rammutele, 2003) policies were favoured by international donor organisations. Countries such as Sweeden and Denmark supported liberation movements while the United States and Britain preferred to provide education grants (Kihato, 2001).

This chapter will provide historical trends and tendencies of governance arrangement of South African NGOs over the last ten years Particular attention will be given to funding received by NGOs from other donors. This historical theoretical exposition will provide valuable lessons of NGOs experiences over the last ten years.

3.2. Trends and tendencies in the governance arrangements of NGOs over the last ten years

The rapid growth of civil society occurred in a highly constrained policy and legal environment, which sought to control activities and funding in the sector (Kihato 2001:6). This occurred within the parameters of many policy documents, these included:

The Affected Organisations Act (Act No. 31 of 1974), which prevented any organisation involved in ant- apartheid activities from receiving funds from outside South Africa, the Prohibition Interference Act (Act 51 of 1968) amended to become the Prohibition of

Foreign Financing of Political Parties Act, aimed at preventing any organisation which the Minister deemed 'unfit' for receiving foreign funding and the Fundraising Act (Act No.107 of 1978), which prevented organisations from receiving funds from the public, both within and outside South Africa. The Disclosure of Foreign Funding Act (Act No. 26 of 1989), which required that organisations report all funds received by the government.

These laws were constructed to contain the operations of the ant-apartheid organisations (Kihato, 2001). Many South African CSOs were also expected to register under one of the following laws: Section 13 of National Welfare Act (Act 100 of 1978) on welfare organisations provides for the registration by the regional welfare boards of fundraising organisations which were "contemplating the rendering of social welfare services in the region, which the said board have been established (Camay and Gordon, 2000:88).

The Fundraising Act (Act No. 107 of 1978), as described above; Section 21 of the Companies Act (Act 61 of 1973), provide for the incorporation of an association not for gaining as a "company limited guarantee. The Trust Property Control Act (Act 57 of 1988), provide for registration as trusts, define as "the arrangements through which the ownership in property of one person is by virtue of a trust instrument made over to another person.

Funds for carrying out CSO objectives were easily accessible as donors regarded CSOs as legitimate vehicles for channeling funds to apartheid victims (Kihato, 2001). Many donors adopted a less stringent attitude towards the way in which their beneficiaries accounted for and spent the monies they received prior 1994, by the nature of the anti-apartheid struggle (Habib and Taylor as quoted in Smith, 2001). The absence of sound accountability structures proved problematic as was proven when the Danchurch Aid, led by Allen Boesak, for the misuse and misappropriation of funds (Camay and Gordon, 2000).

The "struggle accounting", practices were replaced by a much tighter stance on the part of donors towards financial accounting and programme reporting requirements for NGOs (Smith, 2001:27). In this context, Smith (2001) reports that donors expect more specific and qualitative feedback and planning of objects; donors demand tighter control over financial accounts; new reporting format as requirement for managing efficiently has been put into place; lengthy tendering processes are attached to many internationally funded projects and that donors request the use of particular management tools.

Camay and Gordon (2000: 3-4) argues that good governance is the key to ensuring effective adjustment to changing circumstances within CSOs and the environments in which they operate. They state that:

Sound governance is a key determinant of effective management and performance. Regular self- assessment of the organisation led by the board which participates from all stakeholders is an important mechanism to monitor both governance and performance against measurable indicators. Where such assessment does not occur, management and governance tends to cost along, eventually resulting in crises, which could have been avoided. Assessment against rules and standards imposed from the outside, for example, by government or by an appropriate umbrella organisation, is another way to measure sound governance.

Governance has become an issue of worldwide importance. The matter of private and public interest is the efficiency and accountability of organisations. Funding and other collaborators have identified governance as a key issue in organizational effectiveness and efficiency, with the significant increase in the number of NGOs (Centre for African Family Studies, 2001). Most of the NGOs are governed by the boards of directors in NGO governance.

3.3. The role of the board of directors in NGO governance

NGOs should take responsibility for accountable, effective and democratic international governance, which will enhance each legitimacy, credibility and impact on its constituents (Camay and Gordon, 2000). In order to be more effective in the post -1994 periods there is a need for NGO boards of directors to reflect the demographic realities of South Africa. Governing bodies may have executive or advisory powers.

NGOs which have a membership will conduct annual general meetings where representative to the governing board are selected. Criteria for appointment to a board may range from skills, availability, integrity, personal qualities and so on. Legislation in some South African nation governs the operation of boards (Centre for African Family Studies, 2001).

Camay and Gordon (2002: 2) concur with the above exposition of a governing board and put forward a formal definition. The author contends that a governing board is:

A group of people representing the diverse interest of an organisation who are elected or appointed to guide and make policy for the organisation. The nature of the board membership, its powers and terms of reference are outlined in the organisation's constitution.

The author argues that today's NGOs require the board of directors to assume the role of proactive coach where governance emphasizes, firstly, procedures, telling it what to do, or not to do. Secondly, emphasis is placed on a comprehensive process of governance that ensures the effectiveness of its activities and, thirdly the application of psychology to understand the attitudes of the top- managers, are called for (Camay and Gordon, 2002).

Petra (2005) contends that, the responsibility of a board may include: understanding and approving the corporation's long term strategies: understanding the issues, forces and risks that define and drive the company's business, and overseeing the performance of management.

Turning to the issue of NGO sector, with the specific role of the board of directors in its activities, the Co-operative for Research and Education (CORE) in a country wide survey of NGOs conducted between 1997 and 2000, probing NGO governance in South Africa, found that democratic internal governance within NGOs was not widespread (Camay and Gordon, 2002).

The survey found that whilst governing board were comprised of highly skilled people with relevant technical skills and knowledge as well as NGO experience, many boards appeared not to have the capacity necessary to govern institutions which they had to serve. However in some cases, these skills were irrelevant in the context of the business of the specific NGO (Camay and Gordon, 2004).

Camay and Gordon (2004) recorded a number of weaknesses exhibited by CSO governing boards in South Africa, for example: Lack of commitment or interest, many respondents despaired of the lack of commitment of some individual board members, who were felt to be over committed to a variety of activities, uninvolved in the organisation , or to have other priorities. With poor time management, board members proved unable to devote time to their board duties. They regularly failed to attend meetings or were ill-prepared for meetings. Attempt to micro-manage the organisation, this occurred particularly in the case of founder members who displayed a misplaced sense of ownership.

In terms of the lack of capacity, board displaced an insufficient understanding of CSO governance, had little networking capacity and its age and size at times negatively affected its ability to function properly. Inadequate funds and fundraising, there was a lack of fundraising experience amongst the board members, staff and directors. Inadequate attention to governance, there is extensive reliance on the chief executive officer to take decisions, the board "rubber stamp" those decisions.

Absence of common vision, there seem to be an ability of the board to agree on a common direction for the organisation due to diverse agendas, interpersonal rivalries,

and people who are pro tradition versus new trends. Insufficient or inappropriate representation, a diverse group of board members found difficult to concur on a strategic direction. The target population is not always well presented.

To conclude this section Camay and Gordon (2002) contends that the challenges faced by the South African non-governmental sector prove to be complicated and proposed that suitable solutions based on South African values, goals and contexts be devised.

3.4. The financial arrangements of South African NGOs between 1994 and 1999

Due to the hostile environment in which NGOs operated prior to 1994, many donors, sympathetic to the struggle, did not strictly control the expenditure and administration of funds. Kihato (2001) in a paper entitled: "Shifted sands: The relationship between foreign donors and South African civil society during and after apartheid" found that few recipient NGOs were required to keep financial accountability, or undergo independent audits or even report back to donors on how money have been spent.

The relationship between donors and civil society during apartheid was extremely flexible with donors assuming a highly accommodating attitude to local demands. South African NGOs were fortunate and received funding amounting to R2billion from the European Commission for the period 1980 to 1991. Organisations and funded activities varied greatly, from poverty relief to education grants for Black South Africans to direct contributions to liberation movements (Kihato, 2001). South African NGO sector's dependence on funding from various quarters prior to 1994 impeded its ability to formulate long term strategies to ensure its survival with any degree of confidence.

Swilling and Russel (2002) reported that non-profit sector derived funds from a complex range of bodies which included private funding from the philanthropic foundations such as Ford, Mott the open society, Kellogg, Mellon, Rockefeller and Carnegie; private sector funding in the form of for-profit organisation engaged in education, art, music, drama, environmental activities and so on; government agencies such as Kagiso Trust in the early 1990s and from government and international donors. A number of trends have impacted on the South African NGO since 1994.

The most significant of these can be regarded as shift in international funding away from the NGO sector to the ANC government's Reconstruction and Development Programme (RDP) which had as its main tenet the eradication of the inequalities of apartheid (Bratton and Landsberg, 1999; Reitzes and Friedman, 2001; Smith 2001). The government acknowledged the need to change, develop, improve and synchronise policies, frameworks and institutions, while simultaneously accelerating and broadening

service delivery (Bourne and Seager, 2000). The RDP became the framework not only for government policy but also for the allocation of aid (Bratton and Landsberg, 1999).

International donors switched to government relations did which not auger well for a number of NGOs. During 1994, the South African media ran numerous stories on the perceived funding crisis experienced by NGOs, CBOs, CSOs and the latter's "undefined" relationship and "fit" with the ANC government's Reconstruction and Development Programme (Arcand and Samson, 1994; Cohen, 1994; Collinge, 1994; Dangor, 1994; Davie, 1994; Diphofa, 1994; Hardind, 1994; Louw, 1994; Manley, 1994; Smith, 2001; Sole, 1994; Strachan, 1994; Steyn, 1994; Zille, 1994).

Swilling and Russel (2002) interrogated information around Overseas Development Aid (IOD) during the period 1994 -1999, as reported by the International Organisation Development the authors contends that the average level of IOD since from all public sector donors for the period was R3million per annum, or roughly 1% of the annual national government budget.

Contrary to polar perception, despite a dip in 1997/98, there has not been a declined in ODA since 1994, and there is no conclusive evidence to suggest that a substantial decline is imminent. Although funding of NPOs decline in 1994 to a low point in 1995 as ODA switched focus from civil society to government, by 1999, the levels of ODA for NPOs had returned to their 1994 levels. Roughly 15% of all ODA is directed at non-profit organisations, which the vast bulk of was being grants as opposed to loans (Swilling and Russell, 2002:59).

Kraak (2002) concurs with the report of the (IOD) around the lack of the decline in donor aid (as quoted in Swilling and Russel, 2000) and labeled the "so- called" funding crisis reported by South African NGOs "a myth" rather than a reality. He argued that funding levels in the sector remained stable and some NGOs have reported an increase in funding.

Govender (n.d.) reports on the funding scenario for the civil society sector. It was emanates that, for the period 1994-1999, it was estimated that about R18 million in international donations was utilised in the form of grants, concessionary loans and technical assistance. The author suggest that 50% of the funding went directly to government, 25 % to parastatals, 15% to the civil society and 10% to other can therefore be concluded that there has been a decline in funding to civil society and an increase in bilateral funding to the government. Some of the aid, however, directed at government reached civil society through organisations such as the National Development Agency (NDA) (Govender, n.d.).

3.4.1 NGO funding before 1999

There was a major shift in funding development in Africa. It had been under way for several years. It was accelerated prior to 1999. In 1995 the US announced that her government was going to channel most of its development aid through NGOs. The new funding policy had been adopted in 1992 (Friedman, 2001). The US government new policy was mainly dew trying not to deal with corrupt government but instead work more closely with NGOs in situations where governments are widely seen as corrupt. By 1996, the US was already channeling more than 30% of its aid through NGOs (Johnston, 2005).

The US stance is being followed, albeit to varying degrees, by other major donors. Britain and German, for example, have also urged African governments to eradicate corruption or face cut in aid (Johnston, 2005). The combined aid from Britain and Britain for sub-Saharan Africa totaled \$ 2, 5 bn in 1996-97. France, which in 1996-97 gave more than \$ 2, 6 bn (making it the biggest donor to sub-Saharan Africa), recently said it was overhauling its bilateral aid to make it more efficient and transparent. Less than two months after the announcement, by the Dutch government, which spent \$ 835 mn also to decrease direct aid to governments and give more to NGOs (Friedman, 2001).

According to World Bank (1994), 12% of foreign aid to developing countries already was being channeled through NGOs in 1994, and as of 1996, the total amount was \$ 7 bn worldwide. Today, NGOs in Africa manage nearly \$ 3, 5 bn in external aid, compared to under \$1 bn in 1990.

3.4.2 NGO funding after 1999

Today, NGOs are better placed to network with government policy makers in a collaborative environment through established funding relationships. NGOs normally take an advocacy and a lobbying role (Schickler, 2001). The success of NGOs in role is reliant on how much power they wield and how much influence they have over government decision making. A funding relationship between government and NGOs wii allow NGOs to network effectively with policy makers. This is likely to improve their lobbying and advocacy stance and improve their success.

Brown and Troutt (2004) argued that government funding and its relationship with NGOs contributes towards national capacity building. Ulleberg (2009) noted that traditionally NGOs were filling gaps in service delivery. They do so as they engage in activities and projects that were neglected by the government. The negative effect of this was that governments became disengaged with the realities of the country. This

disengagement renders governments in developing countries unable to build capacity especially in rural areas (Ulleberg, 2009). Governments are bureaucratic in nature.

This makes it impossible for governments to respond quickly to changes in the needs of the community (Brown and Troutt, 2004). On the other hand NGOs are small scaled, adaptive, flexible, efficient, innovative, local, responsive and knowledgeable (Ulleberg,2009). By funding projects directly to NGOs, the government re-engages with its communities while gaining its ability to react quickly to the needs of the citizens. The case of Uganda highlighted in Ulleberg (2009) serves to buttress this point.

The Uganda Ministry of Education and Sports is responsible for rural educational development but lack the capacity or knowledge to carry out education based projects in rural Uganda (Brown and Troutt, 2004; Ulleberg, 2009). The approach used is to contract and work with several NGOs to carry out such projects. Ulleberg (2009) asserts that through NGOs the government has been able to achieve its goal of providing universal primary education in Uganda. Ultimately, these NGOs have also benefited as their objective is to foster rural development and education.

There is a need for the state to adopt a bottom-up approach to development. This can be achieved by funding development through NGOs. The international community already does so. These kinds of projects are aimed to encouraging participation from local communities who are expected to be members of these NGOs. Projects are developed at grass root levels by communities working with NGOs. The locals are expected to know more about the needs and deficiencies in their own communities. They will therefore be able to develop projects that are likely to have the greatest impact on the lives of people in the community. A bottom-up approach further empowers the poor while ensuring effectiveness and improving participation.

The new reality shows a need for the government to streamline and cut costs. This can be done by out sourcing some developmental projects and services to NGOs. Added to these, governments can gain specialized services at a significantly reduced cost as NGOs are typically nonprofit organisations (Gray, 1996). These cost savings can be channelled Through NGOs to the poor and disadvantaged in rural communities. The government can also benefit from this by harnessing local expertise quickly without having to engage fully in development projects.

3.4.3 Towards a new role for NGOs

Habib (2003) in his writing on the State Civil Society Relations in Post-Apartheid South Africa and Swilling and Russell (2002) in their deliberations on the size and scope of the

non-profit sector in South Africa put forward a quote by Zola Skweyiya where the latter contends that:

The basic twin expectations government are that NGOs will, firstly, continue to act as monitors of the public good and safeguard the interest of the disadvantaged sections of society. The performance of this social watch role requires both transparency and accountability on the part of the NGOs. The government's second expectation is that NGOs will assist in expanding access to social and economic services that create jobs and eradicate poverty among the poorest of the poor. This requires cost effective and sustainable service delivery.

The author further argued that the civil society was reconstituted in two ways: Firstly, informal, survival community based organisations, network and associations evolved to enable the poor and marginalised communities to survive the implementation of neo-liberal economic policies. These organisations receive no resources from government and have no formal relationship with it.

Secondly Habib (2003) claimed that civil society reconstituted itself in the form of formal community based organisation with distinct leadership, membership and middle class support base. These organisations mobilised the poor and marginalised against the state's neo-liberal social policies. It can be concluded that civil society enjoys two distinct relationships with the state, one which is collaborative and the other adversarial.

Survivalist NPOs may well have increase in the face of the sector due to inadequate service delivery on the part of government. The development of the NPO sector included the increased access to funding if NPOs developed the capacity to take advantage; the institutional importance of NPOs partners for an increasingly strained public of the sector; the ideological importance of NPOs for a private sector to the prevention of a neo-Keynesian solution by building and supporting depoliticised NPOs.

The increased reliance of poorer communities on community –based NPOs for the bare essentials (Swilling and Rusell, 2002:95). The advent into democracy means a changed role for both the NGO sector and South African Government. As it has been outlined in the section there have been major changes in both the funding and operations of the NGOs. The next section looks at the new role for government.

3.4.4 New role for government

The nature of donor-CSO relations during the apartheid era was largely defined by the apartheid state. The exclusionary and inhumane politics of the apartheid regime drew CSOs closer to donor's sympathetic side to the fight against apartheid, at the time. The

advent of democracy saw a shift in a donor- CSOs relationship, with funders forming bilateral agreement with the apartheid government. A change in the nature of funding to CSOs was also introduced (Bratton and Landsberg, 1999; Kihato, 2001).

Bi-lateral rather than multilateral ties was the preferred kind of relationship the South African government sought with international donors to defer dependence on external resources (Bratton and Landsberg, 1999; Kihato, 2001). The government ensured that there were laws adopted that regulate NGO funding. While some commentators may feel that the government seeks to thwart the operations and impact of the NGOs the opposite is true (Skweyiya, 2006). The government also ensured that the process of the registration is transparent and easy to follow. Government has also ensured that there is greater and better cooperation between the NGO sector and government (Rammutele, 2003). The next section discusses NGOs in post-apartheid South Africa.

3.4.5 NGOs in post-apartheid (1994+) South Africa

South Africa's transition to democracy left NGOs in a state of disregarding as one NGO after the other went under due to lack of financing, beyond 1994. The new government and the Reconstruction and Development Programme (RDP) started regarding more and more NGOs as recipients of funds (Financial Mail, 1994). Bilateral aid agreements with government selected to be formed by the donors, hoping that some of the funds would be channeled back to NGOs (Govender, n.d, Smith, 2001). Challenges facing NGOs proved to be complex and Dangor (1994; 17) in journal article argued that:

NGOs come from the value base and have engaged with communities mainly because they wanted to address the issues of poverty and empowerment. Now voluntary activists are pitched against consultants and their survivalist threatened as development gets privatised. At a time when the apartheid state failed to carry out its responsibilities, organisations that took on predominantly state functions may have to revisit their role and contribution. However, donors NGOs and the state must bear in mind the limited capacity of the time lag and the state before the state can adequately harness its capacity and expertise in taking up some of the functions which it regards as its own.

Smith (2001) maintains that a number of South African NGOs have employed measures such as project management services, provision of training, contracting to other NGOs, consulting, the selling products such as educational materials to generate income and the government. In his research towards a Master's degree in a survey embarked in November 2000, the author entitled: South African NGOs in Transition and the change of participatory development, that a number of NGOs had to wait two to six months after completing assignments before receiving any kind of compensation from government, putting NGOs in a compromising position financially.

The South African Centre for Constructive Resolution of Disputes (ACCORD), according to Reddy (2004), commercialise its activities as a consequence of NGOs having to remain relevant and to survive financially in the dynamic post-apartheid South Africa. NGOs argued that they are more productive than non-commercialised NGOs because they utilize business practices in their operation, however these NGOs from being guided by social and set of values to become a for-profit entity. They also claimed that they are able to sustain themselves by engaging in income generating activities. As such they became contractors to the international system and agenda and consultants by another name.

Their status as an NGO was severely compromised (Reddy, 2004). This raised the question whether NGOs should sell their services to the public and private sector in order to survive, compromising the reason why they were initially established to working closely with communities on development-related activities, or whether it would be the best if alternative funding were sourced.

3.5. The funding environment for South African NGOs

Most NGOs in South Africa share a common dilemma of working situation straining their lack of funds. This in turn limits the quantity and budgets or quality of the work they do. Unlimited needs result into chasing limited dependence on grants and donations. NGOs increasingly find that grants and their activities, or else receive no donations are inadequate to meet current funds at all (Adair, 2013). Even those NGOs fortunate enough and those serve from to be fully funded in their current reaching their full potential; at worst, operations may face uncertainty over the very survival of many NGOs is future funding.

The arrival of democracy in South Africa, however, has seen the redirecting of funding to a newly legitimacy democratic government (Farouk, 2002). The National Funding Agency (NDA, the National Lottery and Umsobomvu Fund were created in an attempt by the government to fill the funding gap. Yet NGOs struggle to diversify their funding sources to sustain themselves financially (Camay and Gordon, 2004).

The following section will deal with the trends of funding support for South African NGOs from individual contributions, corporate social responsibility programmes, government funding of NGOs, national funding agencies, foundations, foreign donors, independent development and national development agencies.

3.5.1 Individual giving

There is a longstanding tradition of individuals making contributions, financial and in-kind, to a wide range of NGOs with which they have a particular affinity. The more enabling tax environment described elsewhere is likely to increase individual philanthropy (Camay and Gordon, 2004).

Limited data is available on individual giving. In 2001, a CSO survey was conducted for the CIVICUS Civil Society Index Project, as quoted by Camay and Gordon (2004: 59) purports that half of the respondent CSOs at the time received no funding from private individual donations and bequests.

3.5.2 Government funding of NGOs

After 1994, the first significant shift in donor policy occurred. Foreign ministries closed their ant-apartheid budgets and brought aid to South Africa through conventional frameworks for development aid. Bilateral aid thus flowed to government departments which reduced the proportion of funding available to NGOs to assist with the implementation of the Reconstruction and Development Programme (RDP).

Some NGOs benefited from the RDP fund that it soon became apparent that the RDP office was ill-equipped to deal with request from NGOs and that the rest of the office would not be to provide funding. It was through the tendering process that NGOs could access government funding (Galvin, 2000). NGOs lacked the capacity to prepare proposal and business plans. In several instances, key elements needed to be completed for government tenders.

In its attempts to ensure funding for NGOs, the RDP office acted as catalysts for the formal of the two development institutions, the National Development Agency and the South African National NGO Coalition (SANGOCO) (Galvin, 2004). Many NGOs developed a “new client” relationship with government. NGOs became an arm of the state or co-opted to some degree and this weakened their ability to provide critical voices and to serve as government watchdog, with this new role (Bratton and Landsberg, 1998).

3.5.3 Corporate social responsibility

Many big South African corporation have sizable social responsibility programme now referred to as “corporate social investment” (CSI) (Camay and Gordon, 2004; Kuhlase, 2005). Corporate Social Investment (CSI) emphasizes the business response to

economic, social and environment considerations (Kuhlase, 2005). These programmes have the capacity to shape the agenda for social development to suit their own objectives.

Larger and highly visible projects and NGOs are supported by corporate donors's business strategy with those social and development needs they wish to see addressed. For example, an NGO may portray the donor positively in the media and in turn obtain a good sponsorship. Alternatively, an NGO project could produce goods needed by the business (Erasmus, 2000).

An annual public survey now tries to track the trends and levels of corporate programmes (Camay and Gordon, 2004). The CSI handbook estimates, that the total South African corporate CSI budget, including multinationals and parastatals as well as other companies operating in the country, was R1.63 billion in 1999, R1.8 in 2000, R2.5 billion in 2001, and R2.2 billion in 2002 (CSI Handbook 2000; CSI Handbook 2002 as quote in Camay and Gordon,2004:61).

3.5.4 Foreign Donors

Prior to 1990 Official Development Assistance (ODA) to South Africa the rubric of anti-apartheid endeavours was framed with donors deliberately choosing to bypass the state and its agencies instead funding was steered primarily to anti-apartheid bodies and NGOs, inside and outside the country (Edwards, 2014,2000; Erasmus, 2000; Kraak, 2000).

ODA was shifted from NGOs after 1994, to the state within the ambit of the government's overarching Reconstruction and Development Programme (Edwards, 2014). Donors have over time change their approaches to grant-making on an ongoing basis in ways that have been detrimental to NGOs. They rationalized their programmes to focus on only a few sectors, regions or locations.

A number of localized NGOs were left out of the founding loop. Some donors are looking at to leave behind sustainable NGOs which they can claim as the result of their funding programme. Others have instituted new approaches to funding which emphasise competitive, tender like processes rather than collaboration amongst NGOs.

Many donors are looking to cut down on their administrative costs and are therefore making fewer, larger grant available to NGOs. A prevalent donor policy channeling a large portion of their funds through government or the government –created National Developmental Agency may also facilitate government control or co-optation of NGOs through favouritism shown to political allies, withdrawal of funds from NGOs which

engage in advocacy critical of governmentation, and loss of initiative amongst NGOs forced to implement only activities consistent with government designed programmes (Camay and Gordon, 2004).

3.5.5 Foundations

Local grant-making as well as those based in countries such as the United State of America and Germany, have played an important role in supporting South Africa's NGO sector. Each foundation has its own priorities and criteria for funding. However due to their own governance structures and considerable flexibility in the country, they have been better able to respond to the real needs of civil society (Camay and Gordon, 2004).

Major corporations such as Anglo American, Liberty Life, Standard Bank, and others have supported a range of NGOs over the years (Camay and Gordon, 2004). Recently many parastatals organisations have established foundations. Prominent amongst these are Eskom, Telkom, Transnet and Rand Water.

The Andrew, W. Mellon Foundation and the South African branch of the Open Society Foundation have been especially supportive of the South African NGO sector (; Camay and Gordon, 2004; Stacey and Aksartova, 2002; USAID/South Africa:2000). Carnegie's grants to South Africa, for example, encouraged the establishment and the growth of national, regional and international networks and partnership of researchers and leaders in government and non-governmental organisations (Stacey and Aksartova, 2002).

The Ford Foundation on the other hand, firstly sought to improve the way citizens participated. It secondly focused on the democratic process with the aim to strengthen the non-profit sector thus bolstering democratic institutions whilst broadening the base of citizens participation in government (Camay and Gordon, 2000; Stacey and Aksartova, 2002; USAID/South Africa, 2000).

Whilst a variety of official donors began to lose interest in South Africa and its civil society after the country's transition to democracy, the aforementioned foundations remained stalwart supporters of the country and its NGOs. These foundations however pre dominantly fund professionalised, formalized, hierarchically ordered NGOs in the fields of advocacy, research, training and government –watching (Stacey and AKsartova, 2002). Parts of those organisations are the various funding agencies. The next section discusses the national funding agencies.

3.5.6 National funding agencies

Several funding agencies have been established since the mid-1980s, at a national level to channel funds of civil society for development and poverty alleviation work.

These agencies were established either by the government or by donors (Camay and Gordon, 2004). The next section will explore four of these agencies namely: the Independent Development Trust, the National Development Agency, the Kagiso Trust and the National Lotteries.

3.5.7 Independent Development Trust (IDT)

In 1994 the Independent Development Trust (IDT) was established by the national government, in order to distribute a grant of R2 billion in a manner that would best serve the development of disadvantaged communities in South Africa. Its programmes of operating included, for example, clinic and school building, capital subsidy schemes, health and welfare projects, in-service training, land reform project and NGO support. In addition to the prescribed funding distributor, the IDT evolves as a development facilitator.

The trust describes its own functions as ranging from that of “facilitator, broker or intermediary between development partners” and establishing network as well as providing advice and technical support to organisations, NGOs and delivery services” (Garden and Macanda, 2003; Independent Development Trust (IDT), 2007). The IDT did not have much credibility among CSOs involved in development because it was established by the National Party Government. This necessitates a new funding mechanism for NGOs (Garden and Macanda, 2003).

3.5.8 National Development Agency (NDA)

Prior 1994, the history of the National Development Agency (NDA) may be traced back to the role of NGOs in South African society, funding was easily accessible but this situation changed after 1994 (Gardner and Macanda, 2003). NGOs struggle in the new funding environment and a new funding structure was called for. The establishment of a National Funding Agency was perceived as a possible solution.

The National Development Agency (NDA) was constituted with the National Development Agency Act (Act No.108 of 1998), promulgated in April 2000 (RSA, 2000). The aim of the agency is to promote an appropriate and sustainable partnership

between government and civil society organisations to implement the Reconstruction and Development Programme.

The vision of the agency is to become the country's key funding agency addressing poverty and contributing toward creation of healthy, economically vibrant and stable civil society (Camay and Gordon, 2004). Bridget Masango, executive director of marketing and communication of the NDA in 2002, provided a different take on the role of the NDA and indicated that the NDA was primarily a development agency and secondarily a funding agency with capacity- building objective (Farouk, 2002).

According to Section 3 of the NDA Act, the primary objective of the NDA is to contribute to the eradication of poverty and its causes by granting funding to CSOs for the purpose of carrying out projects and programmes aimed at meeting development needs of poor communities (RSA, 2000), and strengthening the institutional capacity of other CSOs involved in direct service provision to poor communities.

The secondary objectives of the NDA are to promote consultation, dialogue, debate and sharing of development experiences between CSOs and relevant organs of state, and undertake research and publication aimed at providing the basis for development policy (Gardner and Macanda, 2003). The NDA have learnt some hard lessons after confronting problems related to management, and strategy, in the first three years of its operation. In 2001 financial year, the NDA distributed only 26% of its available funds (Camay and Gordon, 2004).

The NDA was accused of being incapable of efficiently attending to the obligations of the NGO sector. A range of South Africa's highly priority areas remained underfunded like adult education, early childhood development, HIV/AIDS awareness, domestic violence, land reform, human rights education, and rural local development. In 1999, R100 million was allocated R90 million in 2000, R92 million in 2001 and R96 million for 2002 (Gardner and Macanda, 2003).

Whilst the South African government maintain the high level of funding, many NGOs are unable to access it via the NDA in the Department of Social Development (all Africa, 2002). Gardner and Macanda (2003) suggest that there is insufficient congruence between the fund committed and disbursed by the NDA to provinces and areas where poor people live and recommends in order of need.

3.5.9 Kagiso Trust

In 1986, the Kagiso Trust was founded as an independent trust with funding from the European Union. It was initially established to fund the activities of CSOs involved in the

struggle against apartheid at a time when donors directed funds away from an “illegitimate” South African government. The EU was Kagiso’s major donor, followed by the government of Japan, Finland and France, the Rockefeller Foundation, and the Swedish International Development Agency. Between 1986 and 1995, the Trust invested R750 million in social developments (Kagiso Group, 2007).

The Trust has subsequently established a consultancy wing, Kagiso Trust Consultancy that offers services to the donors, corporate social responsibility programmes and government. Their rationale for managing other donor funds to support CSOs is based on the need for an impartial fund manager (Camay and Gordon, 2004).

3.5.10 National Lotteries

The National Lottery Board is statutory body established in terms of the National Lotteries Act (RSA, 1997). The board is responsible for the regulation of lotteries conducted in South Africa, including the National Lottery, as well as other private and society lotteries. Although the board reports to parliament annually, it operates independently. The money used through the sale of Lotto tickets and scratch cards, after value added tax (VAT), is distributed according to the following formula: 50% goes to prizes; 20% goes to licensee, and 30% goes to good causes (National Lottery Distribution Trust Fund (NLDTF), 2008).

The National Lotteries Act (Act 57 of 1997) prescribes the purposes for which funds invested in the [NLDTF] can be used by distinguishing five categories for which money is to be allocated. The categories are: The Reconstruction Development Programme, Charities, Arts and Culture, National Heritage, Miscellaneous Purpose and Sports and Recreation (Louw, 2002).

From the National Lotteries inception, CSOs have been nervous that the billions of rands being raised each year will not be used appropriately and that they would lose out. In reaction to the lottery pay –out in 2001, controversy raged when service delivery charities complained about what they perceive to be excessive amount allocated to organisations in the sports of recreation category. It was felt that this category did not benefit previously disadvantaged communities in South Africa. Complaints were also lodged about the selection of beneficiaries and the initial payment (Camay and Gordon, 2004; Development Update, 2001; Louw, 2002).

3.6. Conclusion

The purpose of this chapter was to explore governance and funding arrangements from South African NGOs over the last ten years. In particular attention was paid to NGOs functioning in a new dispensation, where the demise of apartheid brought about fundamental changes in the form of function of the state which entailed the restructuring of cooperative governance within the different spheres of government and civil society.

The researcher revealed that more literature is available on NGO income than expenditures. As global needs continue to change, NGOs increasingly find that available funding is inadequate to meet current programmes needs. International, national and local donor funding will not sufficient sources of income. Donations from local corporations and government development agencies are closely linked at national development imperatives. Individual giving, too, appears underdeveloped.

One of the challenges South African NGOs faced is to devise a sustainable framework of local resource mobilisation. A possible solution is to garner financial and in-kind support from local allies, such as the media, private business, private individuals and the public in general. This could steer NGOs away from a detrimental dependence on international donors.

The researcher proposes that the aforementioned funding approach, in conjunction with mobilisation of local revenue resources, be considered as a funding framework by the South African NGO sector. While some NGOs have adopted the one approaches over the other, a combination of the aforementioned approaches may prove rewarding. When financial sources are diversified, the chances of an NGO sustaining itself are enhanced.

Whilst NGOs in developing, nations will rely on financial resources from developed countries for some time to come, it is imperative that they be proactive and devises strategies to determine the destiny.

It is agreed that NGOs need a variety of financial tools and sources in order to reduce risk and sustain their work. Chapter four will consist of case study assessment of selected NGOs in KwaZulu-Natal.

CHAPTER 4: CASE STUDY ASSESSMENT OF SELECTED NGOs IN KWAZULU-NATAL SISONKE (HARRY GWALA) DISTRICT

The main focus of the study is concern the governance and sustainability of NGOs in South Africa. After the study is done challenges being experienced by NGOs will be discussed. The primary objective of the study is to evaluate existing governance and financial arrangements of NGOs with the view to developing different approaches to governance and financial arrangements with specific reference to challenges NGOs experience regarded as inadequate and inconsistent which affect sustainability of particular projects and programs. The study will develop a historical perspective of NGOs in South Africa, but it will be more focus at government funding for Kwa-Zulu Natal NGOs specifically NGOs in Bulwer and Underberg under Sisonke (Harry Gwala) District.

4.1. Introduction

Chapter three explore governance and funding arrangement of South African NGOs over the last ten years. In particular, attention was paid to NGOs functioning in the new dispensation. This is where the demise of apartheid brought about fundamental changes in the form of the function of the state which entailed the restructuring of cooperative governance within the different spheres of government and civil society. In terms of the reviewed literature international, national and local donor funding will not be sufficient sources of income.

Chapter four will consist of a case study assessment of selected NGOs in KwaZulu-Natal. The purpose of this chapter is to provide a comparative assessment of selected NGOs in KZN. To facilitate this process, important historical and contemporary theoretical expositions of NGOs experiences, as a lesson for governance and funding arrangements for current KZN NGOs, have been gleaned from Chapter One of this mini-dissertation.

Specific attention was paid to NGOs operating in South Africa's new political economy where the demise of apartheid brought about fundamental changes in the form and function of the state, which included the restructuring of cooperative governance within the different spheres of government and civil society. Survival strategies employed by NGOs beyond 1990 suggest that NGOs had to redefine their roles in relation to service delivery and the state.

4.2. Research Method

Research is a scientific investigation and study undertaken to establish facts and there by reach new conclusions. It can be distinguished from other human activities by its systematic nature according to Hutchinson (2005) (as quoted in Brynard and Hanekom (2006:3). A distinction between the terms “methodology” and “methods” needs to be made. Bailey as quoted in Rashe (2006:5) suggests that “methodology refers to the philosophy of the research process”. It aims to investigate the motivation of research helps the reader to understand in the broadest possible terms not only the products of scientific enquiry but the process itself. Method on the other hand refers to the range of approaches used in research to gather data which are used as a basis for inference and interpretation for explanation and prediction (Cohen and Marion, 2002: 26).

In the human sciences, two basics research methodologies can be distinguished namely quantitative and qualitative methodology (Brynard and Hanekom, 2006:36). For the purpose of this study qualitative research was applied.

Qualitative methodology refers to “research that produces descriptive data. This data is generally the participant’s own written words pertaining to their experiences. Usually no numbers of counts assigned to these observations (Brynard and Hanekom 2006:37). In qualitative research methods such as case studies, in-depth interviewing of key informants, participant observations, questionnaires and perusal of personal documents such as diaries and autobiographies are used (Brynard and Hanekom, 2006:37).

The most frequently used of data collection within qualitative research are; observations, questionnaires, interviews and a literature review. These techniques will also be applied to this study research study and are below.

4.3. Literature review

According to Babbie and Mouton (2001:565), “every research report should place in the context of the general body of scientific knowledge(t)he reader should be brought up to date with previous research in the area, pointing to general agreements and disagreements amongst the previous researchers”.

The review of the literature is an exacting task, calling for a deep insight and clear perspective of the overall field. It is a crucial step which invariably minimizes the risk of dead-end rejected topics, rejected studies, wasted effort, trials and error activities oriented towards approaches already discarded by previous investigators and even-more importantly, erroneous findings based on faulty research designs. It promotes a greater understanding of the problem and its crucial aspects and ensures the avoidance of

unnecessary duplication. It provides comparative data on the basis of which to evaluate and interpret the significance of one's findings and, contribute to the scholarship of the investigator (Mouly, 1970:126).

An in-depth literature review was conducted which explored existing theories and paradigms on governance and financial arrangement of NGOs in general and KZN in particular. The literature consulted allowed the researcher to formulate an adequate conceptual framework. A solid base was constructed on which to base the research and analysis of this study.

4.4. Interviews

"Interviews as a method of collecting data, allows the researcher to explain his or her questions if the respondent (interviewee) is not clear on what is being asked. It allows the researcher to probe more deeply following the answer of a respondent" De Wet as quoted in Brynard and Hanekom (2006:40).

Structured interviews were conducted to glean information which the interview questions and literature study did not reveal. Interviewees included the Manager of one of the NGOs and staff members, who volunteered their participation and who wished to remain anonymous. The management from Hlanganani Ngothando Organisation was another interviewee.

4.5. CASE STUDY

This study is situated within the framework of a case study. The term "case study" according to Brynard and Hanekom (2006:193-194), "pertains the fact that a limited number of units of analysis are studied intensively. The units of analysis include individuals and institutions".

There are aspects that deserve special mentions as far as case studies are concerned. Firstly, the case should be defined or demarcated. Secondly, which ever technique is used to collect data, the concern is not merely to describe what is being observed, but to search in an inductive fashion for recurring patterns and consistent regularities. Because the number of cases is limited, the very purpose of the case studies is to extensively examine those cases that are indeed available.

The cases selected for this study include the NGO called Hlanganani Ngothando (Welfare Organisation) and Clouds of Hope (HIV/AIDs organisation which is a dynamic

not-for-profit organisation) that supports the development of an equitable and comprehensive health system for the provision of quality health care in KwaZulu-Natal.

The research does not attempt to prove or disprove the best way approaching governance and financial sustainability but merely lessons regarding governance and financial sustainability that can be drawn from the case studies. As these NGOs receive funding from international, national and private sources, a comparative analysis will be allowed, which will facilitate an understanding of the nature of sustainable financial arrangements. Each NGO has a unique governance structure, which will allow for an analysis highlighting possible similarities or differences. The case studies re-emphasised the key empirical assertions and the theoretical exposition around governance and funding arrangements of NGOs in Kwa-Zulu Natal and in South Africa in general.

A set of specific financial and governance issues was identified and investigated in the case of each NGO. Two specific cases were explored. The qualitative research conducted in order to meet the study's objectives provided an analysis of governance and funding arrangements of NGOs in KwaZulu-Natal under Sisonke (Harry Gwala) District.

The following section will provide a brief overview of the type of operations of the selected cases, their activities, the governance arrangements and their fundraising and financial management practices.

4.6. Hlanganani ngothando NGO

4.6.1. Brief historical overview

Hlanganani Ngothando (translated as *gather in love*) (NHO) is a welfare organisation established in 1985 in Cape Town. It is registered with the Department of Social Development as a non-profit organisation. The founder of the organisation was Christopher Luyt. The organisation has been working in the greater Sisonke District which is now called (Harry Gwala) and Piertermaritzburg for 30 years (HNO, 2014). Its central administration is based in the city with branches extending into the Southern Drakensburg, including Bulwer, Donnybrook, Creighton, Centocow, Ixopo, Sandanezwe and Impendle. The one that the researcher visited to collect data is operating in the heart of the rural homelands to the small village called Bulwer KwaZulu Natal near the Drakensburg Mountains.

The organisation is committed to the holistic, creative, quality and sustainable upliftment and development of a community characterised by poverty, sickness, illiteracy and social ills of various kinds and social degradation. KwaZulu-Natal is one of the poorest and one of the most under-serviced area in South Africa (Stats SA, 2011).

The organisation operates under a wide range of community based projects and programs designed to cover such areas of need as disability among rural children, youth development (including work in rural schools), early childhood development, adult education, restorative justice, support and help for the elderly, the very ill, orphaned and vulnerable families. A lot of children have cerebral palsy and other medical conditions such as TB, epilepsy and HIV (Stats SA, 2014). Their mission is to “bring people together with love”, those who cannot help themselves with those who can help them.

4.6.2. The nature of NGOs activities

Hlanganani Ngothando (HNO) is a combinational Christian non-profit community-based organisation (HNO, 2014). The aims and objectives of this NGO are inclusive of the following: to facilitate the development of human capacity and self-reliance within a caring and enabling socio economic environment.

The activities of this organisation school life-skills programmes;prisoner rehabilitation; occupational; physio-and rehabilitative therapy for mentally and physically handicapped children; Community development programmes; and specialised Aids and youth development programmes outreach teams operating in and around theSisonke Municipality.

There is Esinqobile Therapy Centre which is run by HNO and offers support, education and physical therapy to mentally and physically handicapped children. This is a very unique set-up; this school is based in a very deprived part of KwaZulu Natal (HNO, 2014) and these children would often be abandoned at birth were it not for this organisation. The staff is very dedicated in their work and takes care for these children. Some of women who work at this organisation end up adopting these children.

They do this by rendering services, in a holistic approach to children, youth, men, women, and families, and older persons in a holistic manner ensuring the rights of all people to development, security and enhancement of quality of life. The organisation maintains Esinqobile Therapy Centre to provide quality therapeutic treatment appropriates for brain injured children in order to ensure them maximum quality of life and development.

The NGO furthermore maintains Esinqobile Special Pre School to provide specialised education for all those who might benefit and still require therapy. Running groups in which young people will be encouraged to develop self-reliance by being provided with opportunity to build their own capacity and support networks to act on their own choices and sense responsibility. These groups are instructed in scriptural principles, health, nutrition, sexual education, communication, life skills and relationship building, amongst other general educational areas.

In addition opportunities are created for employment of rural persons including in-service training in therapeutic skills, so enabling them to make a positive contribution society and to develop self-esteem and self-radiance. The organisation also facilitates literacy and numeracy and further studies as well as skills building in the community. The organisation furthermore assisting in preventing AIDS both by life skills training and by education specifically about AIDS and intervening by providing nutritional food and spiritual comfort to suffers, and assisting them to die with dignity.

HNO is also known locally for its restorative justice programmes in prisons and the Christmas Shoe Box project. Many local schools, businesses and churches help to make up shoe boxes of toiletries, school stationery, clothing and gifts to children at risk. The organisation is therefore actively assisting in poverty relief in the community. It does this by creating sustainable employment and encouraging self-employment. It does so through the development of entrepreneurial skills among community members. The organisation also helps by providing for the spiritual and material needs of the elderly and the infirm. It also ensures maximum efficiency with respect to the accountability and administration of funds (HNO, 2014).

4.6.3 Governance

In the NGO context governance means the ensuring of adherence to the country's laws and the guiding documents of the NGO concerned (Adair, 2013). It is important for any NGO to abide by the laws of the country in which it operates as this facilitates good relations between the state and the NGO. This further ensures that NGOs can fulfil their mandates thus helping the countries concerned with the provision of the services or goods that the communities concerned solely need/s. It is also wise for NGOs to have a body of rules and regulations that informs how the services are provided to the target group (Edwards, 2014).

4.6.4 Executive management structure

HNO is managed by a management committee, consisting of not less than seven and not more than twelve members. Members of the Management committee are elected at an Annual General Meeting or other meeting called for the purpose, hold office for two years. If some members of the first Management Committee retired after 1 year they may be re-elected. In the event of the death or resignation of a member, a Special General Meeting may be called for the purpose of electing a successor. The Management Committee appoints from its own membership a Chairperson, Deputy Chairperson, Honorary Secretary and Treasurer (HNO, 2014).

The Management Committee is responsible for the implementation of the aims and objectives of the organisation, administer the proper administration of funds of the organisation. The Management Committee have the right to co-opt any person or persons, to set a sub-committees for any specific purpose and this and the Management Committee have the right to delegate such of its own powers to a sub-committee as may be necessary. The quorum necessary for the conduct of business by the Management Committee are four of members there of personally present (HNO, 2010).

Minutes are taken at every meeting to record the Management Committee's decision. The minutes of each meeting are given to the Management Committee members at least two weeks before the next meeting, or at the next meeting, if the meeting needs to be called at less than two weeks' notice (HNO, 2010).

4.6.5 General meetings

According to the constitution of HNO (2010) the business year ends on 31 March each year. The Annual General Meetings held as soon as practicable after that date and in any case, within six months thereof. A copy of the audited financial statements and annual report submitted to the Director of Fund-raising as required by the regulation framed under the Fund-rising Act (RSA, 1978), be presented by the Honorary Treasurer at the Annual general Meeting. Reports of the various aspect of work are presented at the Annual General Meeting. Written notice of the General Meeting shall be given to the members as least fourteen days prior to the proposed meeting.

The quorum necessary for the conduct of business at an Annual General Meeting and any Special General Meeting shall be 10 of registered members personally present. A General meeting may be called by the Management Committee at any time of the purpose of dealing with any matter which cannot be held over until next General Meeting. A Special General Meeting can be called by the Honorary Secretary of the

Organisation if, and when, such a meeting is requested in writing by not less than ten members of the Organisation whose signatures appear on such request; provided the subject matter is submitted in writing so that it may be considered by the Management Committee prior to the meeting. Such Special General Meeting shall be called within one month of the receipt of a request.

4.6.6 Membership

Membership is open to any person and especially to all those who have actively supported the Organisation by way of financial donations and other expressions of loyalty and interest. Any prospective member is required to accept in writing the aims and objectives of the Organisation. The register of the names and addresses of members are kept and maintained by the Honorary Secretary. The Management Committee is entitled to fix an annual membership fee and to vary same from time to time.

Paid-up members are entitled to attend all general meetings of the Organisation and to vote in person or by proxy; to inspect the books and records of the Organisation at all reasonable times and generally to participate in all activities of the Organisation (HNO, 2010).

4.6.7 Trustees

Trustees consist of four members of the Organisation. These are the Chairperson, the Deputy Chairperson and two other members of the Organisation to be appointed by the Management Committee. The Trustees are empowered to sign any document relating to immovable property; provided that signatures of any three of them are necessary and sufficient at any one time. In the event of the death or resignation of any of the Trustees a successor shall be appointed by the Management Committee.

The Trustees hold all property in trust for the Organisation, and any Trustee is obliged to sign any document relating to the property of the Organisation. According to the HNO constitution it is not a competency of the Trustees to purchase or lease immovable property, or the mortgage, hypothecate or otherwise alienate the same in any manner whatever, unless authorised there to by an eighty per centum majority of those present at a Special General Meeting (HNO, 2010).

In discharging the responsibilities listed above, the role of Trustees is to ensure that HNO is well managed, rather than to manage it themselves. The governors' responsibilities are to ensure that proper procedures and checking mechanism are in

place so that it can be certain that management is doing its job in a cost efficient and effective way, and that staff with the caliber needed to discharge their responsibilities are in situ (Brown and Troutt, 2004).

This in turn requires that the Director of HNO should be accountable to the Trustees for the effective management of the organisation.

4.6.8 The directors

Executive directors oversee the heads of each department in a non-profit, including marketing, fundraising, programme development, HR management and accounting. Executive directors can also oversee one or more lower-level executives in larger organisations.

Department leaders look to the director for strategic guidance in their areas. The executive director leads the fundraising department in setting annual income goals, for example, and works with program development managers to set standards for serving the organisations targeted needs groups. The smaller a non-profit organization is, the more directly involved the director is likely to be in each departmental function. In the smallest non-profits, for example, an executive director may handle all accounting duties and half of the fundraising duties, in addition to executive-level duties. The board of trustees, as mentioned earlier, also provides a financial oversight for the non-profit organisation.

4.6.9 Financial arrangement

Financial management refers to the efficient and effective management of money (funds). This must be done in such a manner as to accomplish the objectives of the organisation. It is the specialised function directly associated with the top management. The significance of this function is not seen in the 'line' but also in the capacity of 'staff' in general of a company. The term typically applies to an organisation or company's financial strategy.

4.6.10 Sources of income and profit sharing

The bulk of money in the non-profit sector comes from donors (Farouk, 2004). Some portion of it comes from government. Donors could be in the form international organisations like USAID, UNDP, etc. No portion of the income or property of the organisation is required to be utilised other than solely in the furtherance of its aims and

objectives. The organisation, itself, is prohibited from transferring any portion thereof directly or indirectly in any manner whatsoever so as to profit any person other than by way of payment in good faith of reasonable remuneration to any other officer or employee of the Organisation for any services actually rendered to the Organisation.

4.6.11 Funding

They receive funding from multiple external donors and these funds are earmarked with no flexibility of using for collaborative activities. There is no funding mechanism for actual collaborative activities. This has contributed to lack of interest for the implementation of collaborative activities.

They are also funded by some different donors from national and local agencies. There are no funds that could be accessed from foreign donors. The Organisation is supported by the voluntary donations and means from other sources. All monies received are accepted and banked to an account with a commercial bank or building society. Proper accounting systems are kept so as to reflect the financial activities of the Organisation accurately. Withdrawal from the account required the signatures of any two of the members of the Management Committee.

It was reported that the organisation did not receive sufficient funding or funding is exhausted before its programmes were fully implemented (HNO, 2014). This state of affairs resulted in the scaling down of the organisation's activities and the the retrenchment of some employees. The next section of this study explores the details of another case study Cloud of Hope.

4.7. Cloud of Hope

4.7.1 Brief historical overview

Cloud of Hope was established in 2002, it is an NPO located in the Underberg area, a rural community at the base of Drakensburg mountain range in Kwa-Zulu Natal (Cloud of Hope, 2002). It is the only organisation which has a number of dedicated volunteers (including professionals from the area) who serve hundreds of the human immuno-deficiency virus (HIV) infected and affected individuals in the community.

The organisation is currently assisting another organisation that cares for people living with the human immuno-deficiency virus and the acquired immuno-deficiency syndrome (HIV/AIDS). This organisation has begun activities (near the border of Lesotho) to

develop its own orphans and vulnerable children (OVC) programmes which helps children in this rural area which is difficult to access. The name of this organisation is Ithemba Lokuphila Organisation (ILO). It is translated as hope of life. It is registered as a community-based organisation (CBO).

Funding was awarded by community grants to the organisation in financial year 2008 to provide accredited child and youth care training for all its volunteers and staff working with orphans and vulnerable children (OVC) in both their registered residential care facility (currently with 80 resident children) and their community based care programme.

The founder of Cloud of Hope is a woman called Abigail Ntleko, a 74 year old retired nurse who many years ago opened her own home to abandoned children. The number of children she took care of really became extensive. Eventually others who appreciated her work came to help her. She never married and has no children of her own. She adopted 22 children over her life time (most of them are now adults). She was now considered as the “rock” of Cloud of Hope and the major source of the children’s nurturing. Abigail recently received a prestigious “Unsung Heroes of Compassion” award which was presented to her by the Delia Lama the Ritz Carlton Hotel in San Francisco on April 26, 2009.

4.7.2 Nature of NGO activities

Cloud of Hope is a non-profit organisation involved in HIV/AIDS related advocacy work. The organisation takes care of children and adults who suffer from HIV/AIDS. Most of the children are the orphans from the surrounding area who lost their parents due to this terrible disease. The organisation is also engaged in a number of additional activities such as capacity building, counseling, home based/palliative/terminal care, and rehabilitation. The Organisation furthermore visits homes and supports persons infected with and affected by HIV/AIDS.

It furthermore provides hospice accommodation for both men and women with HIV/AIDS, but the bulk of its patients are black females aged between 18 and 35. The organisation plays a huge role in providing support services for people living with HIV and AIDS and their families. This may reflect the extent to which the pandemic has grown within the specific age category. Cloud of Hope also provides some more help to other community-based organisations.

This includes one organisation that assists communities in the the establishment of income generating projects. This may appear to fall outside of the mandated categories of services offered by Cloud of Hope. But the dire need on the ground demands this intervention (Cloud of Hope, 2011).

4.7.3 Governance

There is always a need for sound governance in any organisation, be it a government (public), educational, charity, etc. Successful organisations have in common a well-functioning governance structure (Poluha & Rosendahl, 2002.).

4.7.4 Executive management structures

Cloud of Hope's supervisory council is appointed by the election of members. The organisation's Trustees form a council, which is the governing body of Cloud of Hope. These members meet approximately five times a year. Trustees, who are all unpaid volunteers, are responsible for everything Cloud of Hope does. The Cloud of Hope governing council has the overall responsibility for the organisation but delegates the management of Cloud of Hope to the senior executive staff, for example, the Director of the Corporate Management Team. Financial expenses were not properly monitored and controlled. In this regard the organisation did not show basic ethical principles of governance.

4.7.5 General meetings

The Annual General Meetings hold once a year and in any case, within six months if needed. The business year ends on 31 March each year. Such Special General Meeting shall be called within one month of the receipt of a request. Reports of the various aspects of work are presented at the Annual General Meeting. Written notice of the General Meeting shall be given to the members at least fourteen days prior to the proposed meeting. The quorum is necessary to conduct business at an Annual General Meeting and any Special General Meeting shall be 12 of registered members personally present.

A General meeting may be called by the Management Committee at any time of the purpose of dealing with any matter which cannot be held over until next General Meeting. A Special General Meeting can be called by the Honorary Secretary of the Organisation if, and when, such a meeting is requested in writing by not less than ten members of the Organisation whose signatures appear on such request; provided the subject matter is submitted in writing so that it may be considered by the Management Committee prior to the meeting.

4.7.6 Membership

There are between 8 and 10 members of Council. Trustees serve on the Council for three years with the possibility of a second consecutive three year-term of office, extendable up to nine years in the case of Honorary Officers. There is also the Cloud of Hope Association, which can have up to 36 members. It is made up of all current Trustees, plus around 12 other members. The Association has powers to remove and replace Trustees in the event of a major failure or default on the part of the Council. The knowledge and skills available with the members relevant to the work of the organisation ranges from legal, community, management, technical, accounting to fundraising (Cloud of Hope 2011: 04).

Membership levels vary considerably. The organisation is not well staffed; struggle to employ more than a handful of people. They are the staff of 22 full-time and 12 part-time. Cloud of Hope is the organisation without only salaried staff. It relies almost exclusively on volunteers and received financial support from the Underberg Farm Community to supply these staff with small incentives. One of the key responsibilities of governance structures in organisations is financial management. The next section discusses the financial arrangements within Clout of Hope.

4.7.7 Financial arrangements

There is a need for clearly defined and properly articulated process of how funds of an organisation are handled (Clews, 2008). This is referred as financial arrangements or financial management. There are key processes to follow in such arrangements. The section that follows will discuss financial arrangements under the following aspects: sources of income and financial management.

4.7.8 Sources of funding

Cloud of Hope source of funding ranged from individual giving, government funding, foreign donors, private companies and grant-making foundation to national funding agencies. The organisation has been making money through the assistance of volunteers and the donations given by the public.

4.7.9 Financial management

Structured interviews revealed that the organisation did not adequately deal with organisational governance. This transpired within the interviews held with research

participants. The organisation was not adequately managed. The day-to-day running of the organisation proved problematic. No proper financial record keeping was done. The financial controls were said to be too lax. The next section will assess the research results and findings.

4.8. Research findings

The researcher will report on the research findings pertaining to NGO governance and NGO financial arrangements. The next section will pay particular attention to an NGO leadership, policies and procedures for evaluating projects and policies, financial control, international donor funding, funding sources, government funding, private sector funding, fundraising and self-financing strategy.

4.8.1 NGO leadership

Leadership is an essential in corporate governance. The organisation will decline if there is an absence of transparency. The chief executive officer should take for organisational processes and activities to ensure accountable leadership. A charismatic leader is regarded as an asset to an NGO. Both founders' members of the organisation could be regarded as charismatic leaders.

4.8.2 Organisational Policies

It is imperative for organisations to have specific policies elucidating the duties of staff and management committee of the organisation (DSD, 2012). Such policies will contribute to sound internal governance. The cases investigated in this study support the above notion and have policies reflecting, for example on executive management, Trustees and constitution. A range of policies existing within these organisations govern the role and responsibilities of both management and Trustees (DSD, 2012; RSA, 1997; SANGOCO, 2003).

Within both organisations tensions existed between the role of financial manager, the deputy director and the director of the organisation. In this situation, unhealthy internal management practices, and tensions between individuals curdled working relations, and impacted negatively on the implementation of the organisation's policies (Cloud of Hope, 2014). At times, even the best-formulated organisational policies cannot remedy internal strife.

4.8.3 Procedures for evaluating projects and activities

An NGO should regularly evaluate its projects and activities in order to remain relevant in relation to its role and purpose in today's global context, which in turn will impact on good corporate governance (Rammutele, B.P. 2003). Both NGOs report that funders and the organisation initiate evaluating strategies (Cloud of Hope, 2014: HNO, 2014). Evaluation is done on an ongoing basis, against the objectives of the specific programmes. External procedures were set up by funders in terms of what projects and categories were to be funded and when reporting needed to take place. Sources revealed (Cloud of Hope, 2014: HNO, 2014) how funding was shifted between various projects without proper authorisation.

The researcher contends that it is imperative for the organisations, at set intervals, to assess its relevance in the sector in which it operates. Not only should the vision, mission and strategic objectives of the organisation be in line with the services that are required in the environmental context, the business of the organisation must also reflect activities which attract sufficient funding. Again the vision, mission and strategic objectives of the organisation, clearly controls and evaluates what should be instituted. In this way the organisation remains relevant and sound, therefore good governance is insured.

4.8.4 Organisation's national profile

Both organisations have national profiles that include for example; the AIDS Helpline (a national toll-free telephone counselling service that provides information, referral and counselling to anyone infected with or affected by HIV/AIDS); the Treatment Action Campaign (which pursues a national (and international) campaign to secure treatment for persons with HIV/AIDS); the Arrep Education Trust (which provides life skills education clearly with a range of issues including sexuality, substance abuse, gender issues and HIV/AIDS through the medium of theatre). Cloud of Hope and Hlanganani Ngothando Organisation relate to these organisations and structures due to the type of services they offer their respective communities. They also use these connections to ensure that there is no unnecessary duplication of services to the communities being served.

4.8.5 Financial sustainability

Donor organisations have inconsistent funding priorities that further threaten the financial sustainability of dependent organisation (Edwards, 2014; Johnston, 2005). Foreign donors are also increasingly looking account procedures in organisation they wish to assist. South African NGOs are further compelled to develop proper financial management systems. In light of the foregoing, this section will report on the lessons learnt from financial arrangement practices within Hlanganani Ngothando and Clouds of Hope organisations.

4.8.6 International donor funding

Concerns were raised about the division of donor aid in the post- apartheid era. Some donors feel there are adequate resources internally within South Africa, particularly when compared with some of neighboring countries (Edwards, 2014; Johnston, 2005). In addition the shift in funding in the post-apartheid (1994+) period to the government sector had compounded funding options. There are delays in government funding. According to some respondents (Staff Member 1, 2015; Staff Member 3, 2015), donors do not like to fund core costs such as for staff salaries, rental and capital equipment, and so on. Their preference is to fund 'projects' which also provides a measure for a more convenient "exist strategy". Whilst the donors provide much-needed funding, the project strategy impacts on the longer term sustainability of various initiatives.

4.8.7 Funding sources

Respondents were asked where their organisation received funds from. Financial aid may be given international foreign sources or bilateral/multilateral grants, within government. The private sector may provide corporate grants or foundation grants. Financial aid from the general public may come through international charitable and local individual donations. Some NGOs complain that in some instances, when they do receive funding from donors, it usually has string attached like specific programmes.

Both NGOs derived its funding from different sources. Core funds were received from International Development Agency; Project funds were sourced from numerous international and local agencies. Commissioned research funds were derived from various bodies and consultancies. In addition, both NGOs said they get funding from individuals, private donations, local corporations, business, the mining industry, foreign governments, overseas governmental organisations, and national governments, Department of Health, Provincial Department of Social Development and National Lottery.

The researcher contends that it is more conducive for an NGO to hold a mixed funding portfolio than to depend on a single donor to meet current and future needs (Judge, 1994; Parr, 2014).

4.8.8 Government funding

Concerns were raised about government funding, which is often regarded as inadequate and inconsistent. Both NGOs called for an increase in government funding to the NGO sector. They complained that they received funding one year, but not the next, and that this had a serious effect on certain programmes and consequently the beneficiaries. The Department of Welfare was accused of being very slow and unfocused with regards to processing proposals.

They complained that they had applied to government funding, but had not received any response. Their applications were rejected without reason. Inconsistent government funding affects the sustainability of particular project and programmes. This is not just a problem with government problem. NGOs also complained that government requirements stipulated that they should utilize services of a chartered accountant, which was very expensive (RSA, 1997).

The researcher suggests that in order for the government to assist organisations to provide help to people, households and communities affected and infected by HIV/AIDS, government should respond immediately to pilot projects and replicate effective implementation of service delivery. Children with HIV are a priority (RSA-DoH, 2007).

4.8.9 Private sector funding

Accessing funds from the private sector for HIV/AIDS is a relatively 'new' area, and (as with the general public) many businesses are yet to appreciate the significance of the work that the NGOs do for the persons living with HIV. There has been some funding in this sector. Although there is no detailed information on what the private sector supports is. Allegations were made by one respondent (Farouk, 2004), business should donate for awareness and training, for example, the more hopeful activities, as opposed to supporting care for the dying. The situation varies but to date, very few companies have developed working programmes for their staff, let alone in respect of their social responsibility programmes. Further many companies already have their other pet charity projects to which they give money (RSA-DoH, 2011).

4.8.10 Expenditure

Restrictions on the types of expenses that the donors will cover were carried by many grants. The most common restriction is to cover only direct programmes costs. Donors are less willing to fund traditional overhead expenses such as, equipment and rent or any other cost related to support services. NGOs in general, devise their activities in such a way so as to recover the costs of operational and capital expenses. An NGO's core activities should not exceed the inflow of grants and donations. The over spend will surely result in qualified audit reports which will in turn lead to funding drying up (DSD, 2012). The research contends that each organisation, in line with its vision, mission and strategic objectives, will devise its programmes in such a way as to recover the costs of operational and capital expenses (SANGOCO, 2003).

4.8.11 Fundraising of NGOs

Difficulties in raising and obtaining other sources for service provision activities, according to these NGOs was reported as follows "in this part of the country everything has come to a standstill because of a lack of funds.....There is a lot of big talk, but very few actions (Cloud of Hope, 2011)". Both NGOs indicated that they had experienced difficulties with funding. This in turn, has a negative impact on these organisations's ability to maximise their potential, tackle priorities and meet objectives (Cloud of Hope, 2011; HNO, 2014). In the context of increasing needs, service provision needs to be and can be expanded.

Both NGOs called for more attention to be paid to support services and skills development. These ranged from computing, administrative training to counseling, care and skills. Funding problems are compounded by limited fund-raising and programmatic development skills. They complained of being acutely understaffed. In this regard, they emphasised the importance of engaging people from the communities being served as essential components of integration and mainstreaming HIV/AIDS issues within communities.

4.8.12 Self- financing strategies

An internal entrepreneurial method to generate an income is called self-financing, as an alternative to the more traditional fundraising approaches used by non-profit organisations. Self-financing strategies for example may include: fees for services, product sales, membership fees, equipment rentals and ancillary business ventures. This will contribute to financial sustainability of the organisations if applied correctly.

Traditional donors do not fund self-financing initiatives. The organisation has been making money from small business development, charging fees for courses and managing a guesthouse. The researcher concluded that self-financing strategies do contribute to an organisation's long term financial sustainability.

4.8.13 Self-entrepreneurship

In order for an organisation to be self-sustainable it must be able to engage in self-entrepreneurship. Self-entrepreneurship is the process of designing, launching and running a new business, i.e. a start-up company offering a product, process or service. It has been defined as the "...capacity and willingness to develop, organise and manage a business venture along with any of its risks in order to make a profit. The entrepreneur is "a person who organises and manages any enterprise, especially a business, usually with considerable initiative and risk.

Rather than working as an employee, an entrepreneur runs a small business and assumes all the risk and reward of a given business venture, idea, or good or service offered for sale. The entrepreneur is commonly seen as a business leader and innovator of new ideas and business processes. Entrepreneurs perceive new business opportunities and they often exhibit positive biases in their perception (i.e., a bias towards finding new possibilities and unmet market needs) and a pro-risk-taking attitude that makes them more likely to exploit the opportunity. Entrepreneurial spirit is characterised by innovation and risk-taking.

The exploitation of entrepreneurial opportunities may include actions such as developing a business plan, hiring the human resources, acquiring financial and other required resources, providing leadership and being responsible for the venture's success or failure.

4.8.14 Good practice of financial management

An NGO will have a competitive advantage over the organisations in securing scarce resources. Another advantage derived from good financial management practices will help NGO managers to make effective and efficient use of resources to achieve organizational objectives and to fulfill commitments to stakeholders. It will help NGOs to be more accountable to donors and other stakeholders and to gain the respect and confidence of funding agencies and partners.

In this context, the NGO will further prepare itself for long term financial sustainability. Each organisation links the financial budget to the organisation's strategic and

operational plans. Each organisation produces management accounts so that managers can compare the organisation's progress against the budget and then make decisions about the future. All payments made must be co- signed by two signatories. All financial transactions are processed on a daily basis and the financial records are updated monthly with management reports given to director as well as the programme managers (Kaufman, 2008).

4.8.15 Financial control

Financial control is a state of affairs that ensures that finances of an organisation are handled properly. The concept "financial control" forms the core of financial management. Without financial control, assets are put in jeopardy, funds may not be spend in accordance with the organisation's objectives or donor's desires, and the competence of managers and the integrity of the organisation may be called into question. Financial control is achieved by designing systems and procedures to suit the particular needs of the organisation.

Both NGOs have a very intricate financial control system in place. They combine the organisation's corporate strategic objectives with an appropriate budget. The Trustees and staff members play an integral role in the entire process. Financial reporting, on the other hand is done monthly between the financial manager and programme co-ordinator, financial manager and director. It is clear from the above deliberations that if you do not exert effective financial control, your organisation will not sustain financially (Kaufman, 2008).

4.8.16 Fundraising strategies

(HNO, 2014) NGOs need to find different strategies for the long-term survival, the reasons are that donor's resources available to NGOs continue to decrease and donor agencies worldwide have shifted and narrowed funding into specific, highly political or publicly popular regions of the world. Funding has been shifted into specific market and the "mushrooming" of NGOs worldwide has tightened competition between NGOs for increasingly limited funding. Fundraising strategies are thus planned, systematic, and ongoing and integrated into an organisation's programmes and administrative tasks. Fundraising is a marketing or exchange process (HNO, 2014).

Research revealed that, generally, very few not-profit organisations have dedicated professional fundraising human resource capacity and a coherent fundraising strategy (SADTU, 2010; Ulleberg, 2009). Fundraising capacity within organisations requires the

development of a fundraising policy and regulations, for example fundraising committee with clear job descriptions and mechanisms for monitoring fundraising activities. Not one of the organisation indicated that they have a dedicated team of fundraisers (Steffek, 2010).

The researcher contends that clear fundraising strategies should be devised over a long term period, linked to the organisation's vision, mission and strategic objectives. A fundraising team should exist with the organisation, or individual fundraisers should be appointed.

hich would allow them to monitor systematically and report universally to all the stakeholders. This would also assist in providing annual reports as part of their accountability requirements.

A further complaint made by the respondents was that particular monitoring and evaluation tools are not accurately communicated at the start of a project to the recipient organisation. This often leads to confusion, anger and frustration and perceived non-realisation of the project objectives.

It was suggested that the monitoring and evaluation capacity of NGOs improve through further training and skills developments. The following will explore the challenges faced by NGOs, in KwaZulu Natal and in South Africa as a whole.

4.9. Overall conclusion

This chapter presented the results of the research findings of the qualitative research undertaken in order to meet the research objectives set out in chapter one of this study. It provided the key empirical assertions and the theoretical propositions around governance and funding arrangements of NGOs in KwaZulu-Natal and in South Africa in general. Each NGO operates within a specific economic sector and has different areas of business. Their governance structures differ too. South African NGOs undeniably have a critical role to play in the provision of welfare, basic and other services to those disadvantaged by the socio-political system which prevailed.

The challenge is thus to create an environment in which NGOs can flourish. Chapter five will elaborate on the above investigation. It will provide a summary of the whole study and restate the research objectives. Data analysis will be conducted in this chapter and draw specific conclusions as well as make relevant recommendations. The researcher will also use chapter five to identify further areas of research in future studies.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATION

5.1. Introduction

Stone (2004: 545) summarised the importance of NGOs by contends that:

“Globalisation during the 20th century gave rise to the importance of NGOs. Many problems cannot be solved within a nation. International treaties and international organisations such as the World Trade Organisation were perceived as being too centred on the interest of capitalist enterprises. Some argued that in an attempt to counterbalance this trend, NGOs have developed to emphasise humanitarian issues, developmental aid and sustainable development”.

Chapter four dealt with the research method. In this section care was taken to explain the research method used in the study. A literature review was done with regards to interviews and case study approach. The two organisations Hlanganani Ngothando NGO (HNO) and Clouds of Hope were discussed. A comparison of the two organisations was made. The following aspects were the focus of the comparison: the nature of their activities, governance, executive, management structure, general meetings, membership, trustees, the director and financial arrangement. In chapter four the researcher also tabled the research findings.

The following aspects were dealt with: NGO leadership, organisational policies, procedures for evaluating projects and activities, organisation’s national profile, financial sustainability, international donor funding, funding sources, government funding, private sector funding, expenditure, fundraising of NGOs, self-financing strategies, self-entrepreneurship, good practice of financial management, financial control, and fundraising strategies. Chapter five will present a restatement of the objectives that are being pursued in this study. A summary of the entire study will present in chapter five.

Data analysis is another aspect that will be done in chapter five. The conclusions and recommendations will be tabled in this chapter. The researcher will also use chapter five to state the limitations of this study as well as to state the feasibility of a future study within the same topic.

5.2. The accomplishments of the study

This study traced governance and financial arrangements of Kwa-Zulu Natal non-profit organisations (NGOs) with the aim of developing improved options for the future regarding the governance of NGO sector in KwaZulu-Natal, specifically with regard to

financial arrangements and governance. A predetermined research structure was devised. The structure commenced with chapter one in which an introduction and background to the study were provided. The basic point of departure were elucidated and included aspects such as the research objectives, problem statement, literature review and significant of the study. It provided a brief explanation of the study and explained how the study would be composed.

This study met its primary objective which was to evaluate existing governance and financial arrangements of NGOs with the view to developing alternative approaches to governance and financial arrangements with specific references to lessons of experiences of KwaZulu-Natal NGOs. This study has augmented current literature available on the subject 'governance and funding arrangements of NGOs in Kwa-Zulu Natal and making a contribution to the existing body of knowledge on the research topic. Research has confirmed that there is a role for South African NGOs in service delivery where collaboration, not competition between the state and the non-profit sector is the key to sustain human development.

The purpose of this chapter is to provide conclusions on theoretical assumptions forwarded in the study particularly around governance and financial arrangements of NGOs. Conclusions will be forwarded on governance and financial arrangements of NGOs in general; the case studies presented in the study.

5.3. Restatement of the objectives

The researcher pursued the following objectives during this research study:

- To provide a theoretical overview of the governance and funding arrangement of NGOs internationally.
- To develop a historical view nationally on the trends and tendencies of NGO governance and funding arrangements in South Africa.
- To examine governance arrangements of NGOs in KZN.
- To develop a set of conclusions and recommendations for the improvement of funding of NGOs in KZN (specifically Sisonke District).

5.4. Data analysis

This section tables the analysis of the data that was collected. According to Mouton (2003) the analysis of qualitative research involves aiming to uncover and/or understand

the big picture. This is accomplished by using the data to describe the phenomenon and what this means. Qualitative data analysis involves labelling and coding all the data (MacMillan & Schumacher, 2006). This is done to ensure that similarities and differences can be recognised (Leedy and Ormrod, 2009). Responses from even an unstructured qualitative interview can be entered into a computer in order for it to be coded, counted and analysed. The qualitative researcher, however, has no system for pre-coding, therefore a method of identifying and labelling or coding data needs to be developed that is bespoke for each research. This is called content analysis.

Content analysis is a procedure that is used in order to categorise verbal or behavioural data (Hisse-Biber & Leavy, 2011). This is done for the purposes of classifying data, summarising data and to tabulate data. Content analysis can be used when qualitative data has been collected through: interviews, focus groups, observation, and documentary analysis. The content can be analysed on two levels. These levels are: basic (manifest) level and higher (latent) level.

The basic level or the manifest level provides and entails a descriptive account of the data (Mouton, 2003). That is stating what was said. No comments or theories as to why or how are put forward. The higher level or latent level of analysis is more of an interpretive analysis. It is concerned with the response as well as what may have been inferred or implied by the respondent. Content analysis involves data coding and classification of data. This is also called data categorisation and indexing. The aim of content analysis is to make sense of the data that has been collected (Mouton, 2003). Over and above that it is done to highlight the important messages, features or findings (MacMillan & Schumacher, 2006). For the purposes of this study the basic level of content analysis is used. The next subsection discusses the collected data in its analysis.

5.5. The actual analysis of the collected data

The researcher interviewed twelve people in all during the interviews, the questions were asked as follows:

What is the name of the organisation?

- The interviewees had to give name of NGO he/she worked for.

Tell more about the history of the organisation.

All the respondents stated that their NGOs were charity organisations. This is in line with constitutions of the two organisations.

What are the functions of the organisation?

- Some interviewees thought that their organisation, for example, Cloud of Hope was an educational NGO with a mandate to provide community education in issues like HIV and AIDS.

What is the vision and mission of the organisation?

- The respondents answered that the mission statement stated that the organisation help improve the lives of the community being served.

Who governs the organisation, in which way?

- The respondents answered that the two NGOs did have governing councils. Felt the NGO's was there to provide skills training to the community being served. All the interviewees stated their respective organisations did have codes of conduct and abided by them to deal with ill-discipline.

How sustainable is the organisation in terms of funding?

- The interviewees said their organisations were sustainable. This was the case because the organisations were regularly audited and had strong and strict financial controls. This was further assisted by the fact that the organisations held their annual general meetings yearly and without fail. This is where they reported to their funders about the programmes, income and expenditure. This is in line with the requirements of the Non-profit Organisations Act (RSA, 1997) which calls for the transparent governance of NGOs.

How secure is the funds of the organisation?

- The respondents stated that the funds of the two NGOs were much secured. The governing councils and the management structures ensured this. This is what is required of NGOs (Rammute, 2003) as their '...existence depends on the goodwill ...' of donors.

What funding needs do the organisation have?

- The interviewees felt the two NGOs were in need of extra donor aid as they could then service more people and address more of the people's needs. This is quite correct society more needs than the available aid and resources (Johnston,

2005). Johnston (2005) says that there are more needy causes in the world today than the total (combined) help available.

What is the organisation's response in increasing funds?

- The research participants responded by saying their organisations end up having to tighten their belts.

What are the factors affecting absorptive capacity and optimal use of financing?

- By saying that cases of emergencies on the part of their clients could have disastrous effects on the NGO funds. But their organisations have been very fortunate that such emergencies never occurred in the communities served. They made examples of blown out roofs due to tornadoes, people being affected by a community-wide bug (e. g cholera). Their communities have never been exposed to such.

What key system affects can be identified at the governance level?

- The participants stated that there was stability and strict adherence to governance controls and as a result there were no system affects that could be identified.

What laws govern the operation of NGOs, what impact do these laws have in the effectiveness of the organisation?

- The respondents agreed that they were doing things in terms of the law. But none could identify the Non-profit Organisations Act No. 71 (RSA, 1997). But they are clear on the constitutions of their organisations. They said working on the basis of policies was important and it gave them peace of mind. This is the same view expressed by Poluha and Rosen Dahl (2002) that govern the space in which the organisation functions who claim that the best approach to good governance is through observing the laws, policies and protocols.

How can the organisation be best supported, who is responsible?

- The participants said if government funding can be provided in time this could help the NGO sector a great deal. They also felt the traditional leaders are not all supportive. As a result the NGOs may not have access to people who need help the most. On the question on capacity building.

What are the real issues in building capacity within NGOs in KZN?

- The research participants expressed a desire to see an introduction of employment permanent in the NGO sector. They felt too many capable people

the NGO sector for better employment opportunities elsewhere. New people have to be brought in and it takes time for them to adjust to NGO work.

Does your organisation have a governing board/board of directors/board of trustees?

- The respondents stated that their NGOs did have governing councils. The constitutions of the two NGOs attest to this.
- Each of the two NGO has one governing council (board of directors) and one management team (executive council) each the constitutions show how many do they have?

Does the governing board undertake a process of self-evaluation?

- The interviewees said their organisations did conduct self-evaluation. This is done on a two-year basis. During the evaluation the organisation assess whether the NGO concerned fulfils its mandate and meet expectations. The evaluation reports are given to the donors and copies kept. According to the interviewees the two NGOs (**State the method**) usually conduct both the quantitative (scientific) and qualitative (humanistic) evaluations.

This is in line with what Farouk (2004) says with regards to a need for evaluation. The respondents all agreed that each NGO had a distinct role for the chairperson and for the organisation itself.

Is there a clear distinction between the role of the organisation and the chairperson of the governing board? Describe the distinction.

- The response to question nineteen was confirmed when this researcher analysed the constitutions of the two organisations (Cloud of Hope, 2002; HNO, 2001).

What are the financial policies, rules, and procedures that exist in your organisation?

- The interviewees all expressed a common view that while NGOs operate outside of government they both based their financial management on the stipulations of the Public Funds Management Act (RSA, 2012). Their constitutions confirmed that. The explanation given by the research participants was that the two NGOs (and others - confirmed by interviewees who have worked for more than one NGO) felt because they survive some government finance and they operate within the country's borders they might as well be guide by the country's laws in their operations.

The following section will table conclusion remarks on the aforementioned themes, recommendations and overall conclusion of the study will follow.

5.6. Tabling of research findings

This study presents the results and findings of the qualitative research undertaken in order to meet the research objectives as set out in number 6 of chapter one. It provides an application of the preferred framework in terms of governance and funding arrangements of KZN NGOs.

5.7. Conclusion remarks based on above analysis

5.7.1 Historical background of governance and financial arrangements of NGOs

In Chapter two an overview of the history of governance and funding arrangements of NGOs over the last ten years was forwarded. Particular attention was paid to governance aspects of NGOs and assistance received by NGOs from international and other donors. The decline in international funding to South African NGOs, were analysed in detail. A study was made of the survival strategies employed by NGOs to ensure their sustainability. This historical theoretical exposition provided valuable lessons of NGO experiences.

The discussion concluded that internal governance structures such as NGO Trustees, with clear roles and responsibilities, were imperative to the survival of an NGO. Activities undertaken by NGOs adopted the form of, for example, contracts, the selling of services and products, consultations and the introduction of user charges for services delivered to the poor. Donors, it was stated (Adair, 2013), took a stricter stance towards financial accounting and programmed reporting requirements for NGOs and, the NGO sector adopted terms such as professionalism and commercialism where concepts such as strategic planning, efficiency, cost-effectiveness and results- based management were embraced. This study has augmented current literature available on the subject 'governance and funding' arrangements of NGOs in KwaZulu-Natal and making a contribution to the existing body of knowledge on the research topic.

5.7.2 Governance

The theories and paradigms that regulate the governance of international NGOs were provided. The study concluded that corporate governance of which the main components includes executive action, direction, supervision and accountability of the

organisation, has permitted the non-profit sector where an NGO is now required to take particularly disciplined approach to the management and structuring of its organisation (Adair, 2013; Clews, 2008). The lack of skills and insufficient management capacity to oversee the successful implementation of NGO projects and the delivery of services was quoted as contributing to the problems faced NGOs.

The literature further concluded that functions such as participation, accountability, predictability and transparency, the four basic elements of good governance, should be activated and promoted within NGOs (Edwards, 2014). In terms of funding mobilization, the literature concluded that non-profit funding sources vary in predictability, controllability, linkage to organisational activities, and the range and amount of management effort they require. To source adequate funding, the NGO sector is required to contract a well – executed fundraising strategy, which contains elements such as diversification, sustainability, creativity and inclusivity. NGO managers should pay the same attention to finding funds as they do to using funds (Farouk, 2004).

5.7.3 Governance and sustainability of NGOs

An overview of paradigms and theories that regulate the governance of international institutions and NGOs was provided. The director contends that the organisation “on the whole” is dealing with organisational governance, management of the organisation, administrative matters, controlling and monitoring of expenses and adherence to ethical principles very well. She admits that daily challenges may arise in each of these aforementioned areas (Anneke, 2007).

The study concluded that corporate governance, of which the main components include direction, supervision, executive action and accountability of the organisation, has permeated into the non-profit sector where an NGO is now required to take a particular disciplined approach to the structuring and managing of its organisation. The lack of skills and insufficient management capacity to oversee the successful implementation of NGO projects and delivery of services was quoted as contributing to the problems faced NGOs. The interviews confirmed what the literature had concluded that functions such as accountability, participation, predictability and transparency, the four basic elements of good governance, should be activated and promoted within NGOs.

5.8. Case Studies

The case studies re-emphasised the key empirical assertions and the theoretical expositions around governance and financial arrangements of NGOs in KwaZulu-Natal

and NGOs in general. A set of specific financial and governance issues were identified and investigated in the case of each NGO. Two specific cases were explored – Hlanganani Ngothando Non-profit organisation (HNO) and Clouds of Hope non-profit organisation. Hlanganani Ngothando Organisation services the communities in the vicinity of Bulwer. Bulwer is a small town in the KwaZulu-Natal's Midlands region. It is situated on the R617 regional road between the towns of Boston and Underberg.

Hlanganani Ngothando Organisation provides services to people living with physical disabilities (HNO, 2014). The total number of people in the communities being served by this NGO is estimated at two thousand. Only 20% of the population is employees (Stats SA, 2011). Cloud of Hope serves two communities in the Underberg area. Underberg is an administrative town in a dairy and cattle farming community in the Mzimkulu River valley of KwaZulu-Natal. Underberg is part of the Kwa-Sani Municipality and had a population of about three thousand in 2011 (Stats SA, 2011). It is situated at the foot of the Hlogoma Peak (place of echoes) in the foothills of the southern Drakensberg in KwaZulu-Natal.

The qualitative research conducted in order to meet the study's research objectives provided an analysis of governance and financial arrangements of NGOs by positing theoretical knowledge against empirical evidence attained (see chapter four). During the study the researcher collected data through interviews. The researcher also analysed some documents as part of the data collection process.

The researcher will report on the research findings pertaining to NGO governance and funding arrangement. The next section will pay particular attention to NGO leadership, organisational policies, procedures employed by NGOs to evaluate its projects and activities, and cooperative governance between the state and NGO. This section will report on the lessons of the experience learnt from governance arrangements within the two NGO in Kwa-Zulu Natal (KZN) under Sisonke (Harry Gwala) District.

5.8.1 NGO leadership

The study uncovered that leadership is very important to NGO. This discovery was made despite the fact that leadership was not part of the themes that the researcher aimed to study initially. Corporate governance is essentially about leadership. The organisation will decline if there is an absence of transparent and accountable leadership. The chief executive officer should take responsibility for organisational processes and activities to ensure accountable leadership. A charismatic leader is regarded as an asset to an NGO. In the context of sustainability institute both Abegail

and Christopher as founder members of the organisation, can be regarded as charismatic leaders.

The operation arm of the organisation, who clearly understands its roles and functions, should manage the organisation. Where non cohesive management structures exists the administration and coordination of resources will not be utilised in an effective and efficient manner towards the attainment of the organisation's vision, mission and strategic objectives. Staff within the organisation will lose their commitment and will not function at optimum level (Rammutele, 2003).

Formal, effective organisational structures based on programmes and functions on documented management policies and systems should be in place. In concluding the discussion on governance the researcher contends that, in order to sustain an NGO, the organisation has to reflect into legal status, a charismatic leader is imperative and the executive management structure should be clear.

The following eight main areas were canvassed with the two NGOs: Hlanganani Ngothando and Clouds of hope respondent: these were: Composition of Trustees, NGO Trustees, organisational policies, lack of capacity building, staff remunerations, resource mobilisation, monitoring and evaluation and NGO challenges, participants were requested to express their views and provide information on any other matters of interest or concern to them.

5.8.2 Composition of Trustees

An effective board which can both lead and control the organisation, can govern the organisation (Steffek, 2010). There should be an appropriate balance of power and authority on the Trustees, such that no one entity or block of persons can dominate the Trustee's decision making. The Trustees should seek to ensure adequate mix of skills and experience and diversity in demographics to enable them to operate effectively. Particular knowledge and skills amongst board members is essential to efficient governance (Timmer, 2007).

This was confirmed during the interviews. It is imperative that the construction of the Trustees be considered carefully. Trustee's members should possess knowledge and skills relevant to the work of the organisation. Legal expertise as a requisite skill for one or more Trustee members should be considered to ensure that the organisation remain compliant within the legal framework of the country and sector in which it finds itself.

5.8.3 NGO Trustees

Many Trustees members do not retain interest once they realize that their function are voluntary and without remunerations, but enthusiastic initially when appointed. Trustees have policy making functions and if they do not meet regularly or make timeously decisions they render the organisation impotent or dysfunctional. They do not support managers and often there is no clear demarcation of roles between the Trustees and Management leading to confusion and conflict. The blurring of roles and conflicts leads to disenchantment and lack of motivation, defiance and often resignation from both management and Trustees members. In some instances there is mismanagement of donor funds by Trustees members and /or senior managers and neither Trustees members no management have any recourse within the NPO Act (RSA, 1997) to deal with these matters

5.8.4 Organisational policies

It is imperative for the organisation to have specific policies elucidating duties of the governing board and the management committee of the organisation (SANGOCO, 2003). According to Poluha and Rosendale (2002), such policies will contribute to the sound internal governance. The cases investigated in this study support the above notion and have reflecting, for example, values and the ethos of the organisation. Other policies to name but a few focus for example on strategic management, risk identification management, internal control and management information system, a trust deed and a constitution. A range of policies existing within these organisations govern the role and responsibilities for both management and the board.

Policy documents may dictate governance structures. Internal environment factors may impact negatively on the efficient and effective executive execution of these policies and should be taken into account in the policy formulation process (Adair, 2013). NPOs suggested therefore that guidelines be developed or provide policies, norms and standards for NPOs to become compliant and efficient in their practices. This would assist them also to act within the precisions of the various legislation, regulations and local municipal requirements. The policies and systems should be translated into effective management practices. Management practices should not be too bureaucratic where organisation's activities are hampered. Organisational policies should be spelled out clearly and it is crucial for activities and project to be evaluated at regular interval.

5.8.5 Lack of capacity building

This was a constant refrain in the study that government departments, state agencies, and donors were not providing capacity building for Non-Profit Organisation activists. SETAs should provide capacity building through training their different grant mechanisms. Training needed to be relevant to the participants and be provided at an entry level, intermediate level and advanced level. The training also needed to be of an in-depth nature, as there were many complaints of superficial high-cost training which did not satisfy participant's requirements. Such training needed to be certificated to provide career-patting to participants.

5.8.6 Staff Remuneration

NGOs were unable to retain staff and staff turnover was caused primarily by poor remuneration. Many staff gained experience in NGOs and were poached by local provincial departments. This lack of retention was also further exacerbated by the fact that in terms of cutting cost few if any NGOs are able to provide medical or pension benefits to their staff. Housing loans provided by government department are also the cause for defection. It was recommended that staff remuneration should be improved to retain skills, and the issue of salary parity needed to be pursued, finalized and implemented in various job categories in various sectors.

5.8.7 Resource mobilisation

It would appear that NGOs need a current database of sector-specific donor funding. NGOs also require a current electronic database which would provide information on conditions for funding in the various sectors. Due to the difficulties experienced in the raising funds from local and international sources, NGOs were no longer sustainable.

Better education and training should be provided to NGOs to encourage alternative fundraising approaches: Whilst this is a constraint refrain, within the scope of the present study, it is not possible to see who should undertake this activity and provide leadership on it. It is incumbent of each successive generation of NGO staff to find new fundraising methods and avenues.

Board members to assist with fundraising: It appears that there is a limited appreciation of Board members in assisting with fundraising efforts. This need to be corrected, Board members induction and training should provide clear guidelines on the engagement of Board members to assist in fundraising.

Criteria for application for funding:

Some respondents also complained that various corporates have different methods and approaches to receive funding proposals. This led to a dissonance between the SSI programme and the recipient agency. Whilst the individual needs of corporates can be accommodated it is not possible to imagine that a universal application system could prevail given the diversity of funding sources, agencies staff and personal interest, several remarks were made that little to no provision could be made for capital costs or maintenance costs of buildings, equipment, vehicles or machinery.

Late payments to NGOs cause service delivery delays

Due to the late payment of donors, including state agencies, corporate and government departments, many NGOs were experiencing cash low- problems. This leads to uncertainty within the organisation and personal stress to the employees. Many volunteers also experienced disenchantment as they received a stipend instead of full salary and are discouraged by the inconsistency of such payments. A lack of timeous communication with regard to the donor system or disbursing funds as well as adhering to the contract conditions and unilateral decision about the quantum of funds being provided were also cited as frustrations.

5.8.8 Monitoring and evaluation

A complaint made by the respondents was that particular monitoring and evaluation tools are not accurately communicated at the start of a project to the recipient organisation. This often leads to confusion, anger and frustration and perceived non-realisation of the project objectives. The following will explore the challenges faced by NGOs, in KwaZulu-Natal and in South Africa as a whole.

5.8.9 Human resources

Qualified, educated and skilled individuals allows for better management of NGOs. Human Resource departments of NGOs must be more specific according to what they require from potential employees. Salary direction or guidance to staff is sorely needed within the Human Resource structures within NGOs in South Africa. Technical support from management is also lacking. There is a lack of cohesion amongst the staff in NGOs.

5.8.10 Infrastructure

There is lacking of important resources such as computers, printers, telephones, internet within the organisations. Electricity basic equipment and technology are also missing within the community organisations. Land where their organisation may build a shelter is also missing and this hampers their productivity. Buildings are also being vandalised by some members of the community. Solar boreholes pumps and gravity fed water tankers for all community gardens need replacing. Transport for water tankers for households as (municipal water is too expensive). Training manuals need to be purchased for development of staff and management (Rammute, 2003).

5.8.11 Marketing

Their organisations need to be accredited as soon as possible as they loosed out on potential business. Co-ordination amongst their partner organisation is lacking. Documentation safe-keeping and solving policy challenges need attention. Marketing capacity for their services is required. They lack a structure to capacitate their NGOs. Their marketing strategy is non-existence to provide services for co-operatives and other partners. They need better sell their services in the surrounding areas.

5.8.12 Integrated service and processes

Organisations seemed to have been experiencing a problem regarding duplication of services in their communities. Both NGOs were unhappy with the DSD regarding registration delays of their NGO. "If we are not a registered organisation we cannot and will not provide services, leaving our beneficiaries to struggle on their own, which in my view is unacceptable".

From the study results, it was clear that the following are amongst key challenges facing NGOs in KZN.

5.8.13 Lack of adequate management skills

Individuals equipped with the capacity to manage requisite resources (human and financial) are lacking within the organisations. More ideas and propositions on how to improve managerial capacity within the organisations still need to be done. Leadership and management are like two sides of the same coin. A good management strategy will obviously lead to a well synchronised leadership setting enriched with skillful staffs. It is

important to note that effective management is only possible with adequate financial and human resources.

5.8.14 Lack of staff capacity

Both NGOs in Kwa-Zulu Natal are experiencing shortage of funds. It affects the smooth running of the organisations, particularly if it has reached a point where staffs can no longer get remunerations for the service they render. The level of performance is affected under such circumstances. Good performance leads to organisational growth, and this can only be backed by financial incentives that keep the staff motivated in doing their activities.

NGOs are reducing the size of their staff while others are shutting doors due to the lack of funds to manage the activities and programmes. The failure to attract people with the required skills and experience and to pay what the positions really worth is one of the reasons why there is skill shortage in KZN NGOs. The reality is, there are currently not enough individuals with key knowledge, skills and competencies to staff.

Many organisations are staffed with individuals who are not qualified to perform their jobs effectively. Another area of concern is that organisations also accept low salaries for certain positions from donors. This is because they are afraid of losing that particular source of funding. This funding crisis leads to nothing short of poor service delivery due to the recruitment of people with virtually low skills and education and education required to shoulder their responsibilities and ascribed in NGOs.

5.8.15 Lack of medium-term sustained funding

NGOs in Kwa-Zulu Natal have emerged out of apartheid scenario where funding was limited and not retained for future activities. In a post- apartheid democratic era, this area of policy making has not received the necessary attention or advocacy from various stakeholders involved. It is acknowledged that there are certain NGO sectors that will always need attention and support, such as the children's organisations, the disability organisations, the poor and the aged organisations. Government and civil society need to provide assistance on an on-going basis. The legislative and tax framework has to be reviewed to ensure the medium term sustainability of funding.

5.8.16 Deficiency budgeting

Budgeting is something that requires technical knowledge on how it is designed. Poor budgeting is one of the major problems faced by the South African NGO sector. If an organisation lacks the necessary financial management skills and capacity to draw a concrete budget plan and how to effectively implement it to suit the desired ends of the organisation-what follows is either over or under expenditure. Lack of managerial capacity will consequently affect the way budget are being designed and used.

Procurement policy for the NGO sector is also an important aspect that should take into consideration. The purchase of goods and services is necessary for the smooth running of the organisation. Handling such task need some form of training and skills, which apparently is what NGOs are lacking, and they need fund to start training their staffs on how to properly balance their budget to enable them attain their stated objectives.

5.8.17 Staff development

Building capacity amongst NGOs staff should be utilised, for example, within the financial management division of NGOs. Capacity building programmes that are sustainable and that lead to qualification/competency, for example, accounting practices, financial management, leadership and management training programmes will all lead to a smoother, running organisation. Ensure capacity building: political education. Literacy education allows staff to do their job better, resulting in a better working environment.

5.8.18 Strategic development

Better communication needs to take place within NGO sector amongst the various stakeholders, in order to improve their legitimacy to beneficiaries and donors alike. A change of basic values should take place within NGO sector, for example, focusing on what communities can do to increase their own value rather than what others can contribute in terms of wealth. NGOs need to better utilise collaboration structures that encourage integration of programmes of NGOs. A collaboration fund to enable enhanced delivery and impact will create a better quality of services delivered. NGOs need to be very critical on their agenda, work toward being focused on their own work.

5.8.19 Accountability

Accountability is lacking within the NGO sector and also have self determination to achieve all intended goals surrounding accountability is needed. Consolidation of the

NGO sector is also required. Enforcing compliance to governance principles through a national summit needs to take place so as NGOs can improve service delivery to their beneficiaries

5.8.20 Inadequate board governance

Effective board governance is central to enhancing the capacity of NGOs. The Non-Profit Organisation Act (Act No. 71 of 1997) was decreed with part of the government's effort to create a regulatory dispensation in conjunction with the self- regulatory structure that pose enormous tasks to all those interested in strong NGOs in KZN. Accountability and good governance are of extreme importance to any regulatory system. The issue at stake is the degree of commitment exerted by various boards governing NGOs in South Africa.

5.8.21 Financial sustainability

Both NGOs has good prospects of long-term sustainability with a good balance of fees for services and a diversified donor base. The organisation contends that a diverse funding base has a longer chance of lasting, creates less dependency on one source of income and allows more freedom in ways of responding rapidly to a changing environment (Anneke, 2007). The following section will explore financial sustainability in both NGOs.

5.8.22 Financial management practices within NGOs

Useful literature and theoretical material were accessed, selected and applied to the field of the study concerning the various areas of funding arrangements and governance of NGOs, to provide a conceptual basis and analytical framework of this study. The study explored financial management within NGOs in general. Various factors pertaining to funding arrangements were explained. Academic literature on the principles of financial arrangements for NGOs was assessed and deliberated on.

The study investigated issues pertaining to income and expenditure of NGOs with the view to establishing whether global funding mobilisation practices could be replicated in South Africa. In terms of financial management, the study concluded that budgeting, accounting, financial reporting and management control were the salient tools for governance accountability planning and management in non-profit organisations. Best practice in NGO financial management was called upon where accounting records,

financial monitoring, financial planning, and internal control to be key components of management processes.

NGOs are now required to develop appropriate financial management system. In terms of funding mobilisation, the study concluded that non-profit funding sources vary in predictability, controllability, linkage to organisational activities, and the range and amount of management effort they require. To source adequate funding, the NGO sector is required to contract a well – executed fundraising strategy, which contains elements such as diversification, sustainability, creativity and inclusivity. NGO managers should pay the same attention to finding funds as they do to using funds.

5.8.23 Funding

Funding seemed to be a huge problem as if NGOs apply to the donors, they want audited statements. They use the criteria that is not for the organisation that are non-funded and are not income generating projects and they fund organisations that have got money, larger organisations are favored over smaller organisations. Some NGOs are not audited if they have no money and are not being funded. The funding environment is ever-changing too and this causes problems for them as NGOs. Some are funded by NDLFT once a year and after that it takes a long time for the organisation to be funded again, it is not possible for the organisation to be sustainable in that manner.

There are no funds that could be accessed from foreign donors. Bigger government funding agencies should assist NGOs more often. Consistent funding from a reliable donor can sustain NGOs for longer period of time therefore delivering more services to their beneficiaries. Corporate funding should also assist further. Diverse streams of funding should take place within NGOs as funding makes them sustainable. NGOs also need to improve the ways of funding and open doors of improving their services. Believe that micro insurance and savings alternatives for rural producers/micro producers must be introduced in the rural NGOs. New funding agencies with better practices and monitoring practices especially are lacking in NGO sector. It must be noted; however that International funding is not the only means of obtaining resources. There are several sources of alternative funding streams like state funding. This approach varies in different countries.

5.8.24 Sources of NGO funding

The study sought to explore whether sources of funding remained the same, were different, which were yield positive results and which were not. The study shows that there was a slight growth in NGOs' in providing services compared to other NGOs. Fees for services from government, from business, local grants, from national provincial fell. Much of this decline can be explained that the euphoria of a democratic dividend has diminishes significantly. The fact that real poverty and unemployment has increased substantially and that the disposable household income has also not increased may be explanation for this decline.

5.8.25 Self-financing strategies

Self-financing is a funding approach that the NGOs pursue. Both NGOs has been making money from small business development, planting and selling vegetables and beads work, running of guesthouse and charging fees for courses. It believes that self-financing strategies will enhance entrepreneurship and will contribute to its independence (Anneke, 2007).

5.8.26 Financial management

In terms of good financial management practices, These NGOs keep an accurate record of all financial transaction. It links the budget to the organisation's strategic and operational plans. The organisations produces management accounts so that managers can compare the organisation's progress against the budget and then make decisions about the future. It produces financial statements for outside scrutiny to demonstrate how funds have been applied in the past and it has internal controls (checks and balances) in place of safeguard the organisation's assets and manages risk.

Both NGOs has auditors to assist with the quality of reliability of financial and other performance information issued. Each programme manager takes responsibility for all expenses incurred against his/her programme. All expenses are approved by the director. Two signatories must sign all payment made. All financial transactions are processed on a daily basis and financial records are updated monthly, with management reports given to the director as well as the programme managers.

5.8.27 Fundraising strategies

The reasons why NGOs need to find different fundraising strategies for long term survival are the donor resources available to NGOs continue to decrease worldwide have shifted and narrowed funding into specific, highly political or publicly popular regions of the world. The discussion concluded that internal governance structures such as NGO governing boards, with clear roles and responsibilities, were imperative to the survival of an NGO. Commercialised activities undertaken by NGOs adopted the form of, for example, contracts and the selling of services of the poor. It was reported that donors took a stricter stance towards financial accounting and programme reporting requirement for NGOs and, accordingly, the NGO sector adopted terms such as professionalism and commercialism where concept such as efficiency, strategic planning, cost effectiveness and results based management were embraced.

5.9. The research conclusions in general

The study reveals that the NGO sector has been unattractive for skilled people to work in it because of poor pay, poor working environment that does not guarantee workers sustainability and leadership in the sector. There was a plethora of funding resources available to NGOs in South Africa. South African NGOs have relied far too heavily on historical resources for their funding (DSD, 2012). A feeling of entitlement, and the accompanying false sense of financial security it brings, has seen many NGOs fail in sustaining themselves in the long term.

In KZN, NGOs revealed that new dispensation brought about fundamental changes. NGOs had to redefine their roles in relation to delivery of services. As donors took a tighter stance towards internal governance, NGOs had to improve their accounting and programme management practices (SANGOCO, 2003). The non-profit sector was forced to adopt concept such as efficiency, strategic planning, cost-effectiveness and results based management.

The researcher concluded the following:

- In relation to governance, the executive management structure of an NGO should be clearly defined where the roles, functions and responsibilities are understood by everyone in the organisation.
- Organisational policies should be properly constructed and prove adequate in governing an NGO. When it comes to NGO project and programmes, these should be evaluated against clearly defined objectives at regular determined intervals. With regard to financial management, financial reporting and management control, budgeting and accounting are the most the most essential

tools for governance, accountability, planning and management in non-profit organisation.

- NGOs are compelled to develop an appropriate financial management system. NGOs financial management should include (HNO, 2014):
 - linking the budget to the organisation's strategic and operational plans;
 - keeping an accurate records of all financial transactions;
 - producing management accounts so that managers can compare the organisation's progress against the budget and then make decisions about the future;
 - producing financial statements for outside scrutiny to demonstrate how funds have been applied in the past;
 - having internal controls or checks and balances in place to safeguard the organisation's assets and to manage risk and having an audit committee or auditor to assist in the quality of reliability of financial and other performance information used.

Funding mobilisation reveals that to ensure sufficient funding NGOs required constructing a well-executed fundraising strategy, which contains elements such as diversification, creativity, sustainability and inclusiveness. NGOs need a variety of financing tools and sources to reduce risk and to sustain their work.

The researcher concludes that NGOs should have a diverse funding base built on a properly constructed fundraising strategy. NGOs should have fundraising committee or an assigned fund-raiser. Self-financial strategies proved a viable funding solution for NGOs. The study concluded that NGOs have a critical role to play in the provision of various services in South Africa. NGOs require an environment within which they can flourish.

The research findings suggest that large number of NGOs which emerged between 8 and 16 enjoyed the status of Section 21 companies or trust, and secured funds from foreign and domestic sources in particular consultation fee services charges, tenders for contracts and private donations. In terms of governance internal governance structures of NGOs emerged to take the form of Trustees. In this context governance, emphasised organisational procedures and the process of governing.

Changes occur within the legal framework in which NGOs operated. The roles of NGO governing bodies in conjunction with NGO management became more and more important. In addition non-profit organisations are now required to do regular self-assessment, led by governing board, against measurable and specified criteria to ensure sound governance. The main component of corporate governance includes direction, executive action, accountability and supervision of the organisations. A higher standard of transparency and accountability are called for.

5.10. Recommendations

The purpose of this section is to provide a range of recommendations for consideration by NGOs, government and funding organisations. These recommendations are proposed to improve structural, organisational and management characteristics of NGOs in general and their role in the community in particular. The study ends with several recommendations. The essential amongst them is that to build an accountable and transparent civil society. Government, donors, corporate and non-profit organisations must voluntarily assist in establishing a national data base of funding agencies for civil society organisations.

There must be a coordinated structure or platform and platform civil society organisations can provide reports and feedback on operations together with key information on beneficiaries of their services. Other government departments and agencies should also work together to establish a national database of what assistance is being provided to civil society organisations. South Africa has not in its history paid sufficient attention in NGO sector, yet it remains a sector which has a potential to contribute significantly to the provision of much needed services, employ a large number of professional and volunteer workers, engaging a large number of individuals on voluntary bases as Board members.

Both NGOs complained that there were various monitoring and evaluation requirements between DSD, state agencies like the Lotto and the NDA and corporate donors. They desire a universal system which would allow them to monitor systematically and report universally to all the stakeholders. This would also assist in providing annual reports as part of their accountability requirements. The donor community makes a vital contribution in South and Southern Africa which also remains unmeasured. The idea of a database of all stakeholders involved is a value adding-idea as it will strengthen the legitimacy of the sector as a whole, therefor benefiting all involved.

Transparency, accountability, good governance and monitoring and evaluation clauses need to be upheld within all sectors of society at all times. As the database may contain donor information; government information; corporates information and NGO information it should be handled by an independent body so as to strengthen the transparency; accountability; good governance and monitoring and evaluation of the entire sector (Edwards, 2014; Parr, 2014). It was, therefore, suggested that the monitoring and evaluation capacity of NGOs improve through further training and skills developments.

It is recommended those NGOs with the successful track records in governance and financial management, and the private sector with specialist NGO human resource capacity train NGO management, staff and the governing boards in areas of

governance and financial management. Staff capacity must be increased such that career-pathing in the sector is enhanced. Lifelong learning should be encouraged so that the full realisation and participation is achieved. Overtime, remuneration patterns should be reviewed such that the gap between corporate, government and civil society sectors became marginal.

It is recommended that Trustees members be appointed on the basis of skills they possess commensurate with the business of the NGOs and, also, mix of skills such as technical skills, legal skills, management skills, community engagement skills fundraising skills and accounting skills should be presented on the Trustees. Every non-profit organisation that is dependent on external funding for its sustained existence should continue to pursue increasingly its own sources of funding and should have dedicated professional fundraising human resource capacity. Trustees are required to formulate the vision, mission, strategic objectives and organizational policy for the NGO to contribute towards such sustainability. NGO management is required to implement organizational policy.

It is recommended that the NGO Trustees not micro-manage the organisation, particularly in the case of founder members that display misplaced sense of ownership. NGO Trustees not micro-manage the organisation, particularly in the case of founder members that display misplaced sense of ownership. It is recommended that with successful track record in governance and financial management, private sector with specialist NGO human resource capacity train NGO management, staff and Trustees in areas of governance management. In South Africa NGOs have a pertinent role to play. It is recommended that South African NGOs set the development agenda by linking their core business to one or more of the United Nations 'Millennium Development Goals, in particular, eradication, poverty, maternal health, child mortality and other diseases.

Many NGO donor agencies link their financial assistance to policies programmes designed and address the aforementioned goals. In this way, the business of the NGO will remain relevant to the socio-economic context of the country and the globe, and the NGO will be able to attract funding which in turn will impact its continued existence. The policy formulators of the National Lotteries Act (Act No 57 of 1997), and similar institution should review the categories for which money is allocated, in particular the sports and recreation category. Research has shown that this category does not benefit a large number of NGOs and previously disadvantaged communities. The selection processes of beneficiaries and the initial payment timeframes, in the form of aforementioned legislation should be revised. Many NGOs are unable to access funds via the National Development Agency in the Department of Social development, whilst the South African government maintains the high levels of funding.

It is recommended that National Development Agency evaluate how funds are disbursed with the intention of improving this particular aspect of the agency's tasks. It is recommended that funders recognise the importance role played by NGOs in human development. Private donors should contribute to sustained existence of NGOs, instead of contributing to the organisations' early demise through late disbursement of funding, and irrelevant materials from organisations. Donors should assist NGOs through training in fundraising endeavours and financial management practices. Donor grant-making capacity must be enhanced and encouraged through self-regulations.

5.11. Limitations of this study

While the study has succeeded to answer the research question it is limited by the following limitations: rehearsed responses from the interviewees, and natural inclination of humans not to speak ill of their employers. While every effort was made to ensure honest responses from the research participants one can never guarantee that. The other limiting factor was the fact that the study only covered a case study of two organisations. One cannot claim therefore that the findings of this study are applicable to other NGOs. .

5.12. Feasibility for future studies

This study succeeded in identifying certain gaps in how the NGO sector operates in the country. But no single could accomplish more that it is intended to do. Therefore on the basis of the findings of this study other research in this study's topic could be done to give light on the operations of the non-governmental organisations in South Africa.

5.13. Conclusion

It is concluded that NGOs should be regarded as being strategic importance in the quest for development and reconstruction in KwaZulu-Natal and in South Africa and that the developmental state, through cooperative governance, should regard sustainable NGOs as key partners in the development effort.

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