



Funding Practice Alliance

Formal Submission to the National Lotteries Board

On the

**Western Cape Consultative Session
(Cape Town - 08 June 2011)**

And the

**National Lotteries Board Consultative Indaba
(Johannesburg - 20/21 June 2011)**

1. Introduction

The Funding Practice Alliance(FPA) welcomes the National Lotteries Board's(NLB) recent initiatives aimed at educating the non-profit sector (NLB roadshows in 2010) and the current consultative meetings aimed at gaining a better understanding of the civil society sector's needs and how to increase resource flows from the NLB to the civil society sector. The FPA is also aware of the NLB's continued improvement towards accountability and transparency that has become evident in the NLB's annual reports over the years. The FPA acknowledges the NLB's participation in the research process in 2010 that produced the FPA's research report, "Meeting their Mandates? The Research Report on the National Lotteries Distribution Trust Fund(NLDTF) and the National Development Agency(NDA).

2. The Act and its definition of the funding areas

2.1 There is currently no statement of intent regarding the long-term purpose of an NLDTF. What is required is a statement that outlines the kind of society we seek to become, and from this, the kind of activities and initiatives for which the NLDTF funds are earmarked to support work in line with this long-term purpose. It needs to be absolutely apparent from the wording in the Act that this state funding agency is geared to support the growth and development of a particular kind of society.

It should also be apparent that the kinds of organisations that will be supported are not only those servicing immediate needs and priorities, but also those whose goals are longer-term in line with the framing paragraph referred to above.

2.2 The NLB should undertake to host consultations with the civil society sector every five years to discuss the state of development in the country and re-assess the priority needs of South African society and communities. These discussions with the civil society sector should form the basis on which funding priority areas for the NLDTF are determined.

2.3 It should be absolutely clear that local, provincial and national government and other state agencies, do not receive funding from the NLDTF, and that NLDTF funding is ring-fenced for supporting the development of a strong civil society rather than serving as budget relief for government.

3. Terminology

3.1 "Charitable expenditure", as defined in the Lotteries Act, needs to be redefined in more developmental terminology. It is not clear where this expenditure refers to funders and philanthropic trusts and foundations, and where it refers to welfare organisations (the only specific type of organisation mentioned in the definition).

With regard to defining funding areas and naming the particular Distribution Agencies, the phrasing from "Charities" (in reference to Charity and Welfare) needs to be amended so that there is less emphasis on welfare-based terminology and greater emphasis on a developmental language. Charities is a very limiting term as it

implies funding for welfare, immediate needs and providing support from those unable to provide for themselves.

There is an enormous breadth of civil society work that warrants funding and support, particularly in the social justice sector focusing on human rights work and advocacy around particular social justice areas represented by the three Distribution Agencies, and needs to be included explicitly under one of the DAs or under a new DA. Likewise, environmental protection and climate change initiatives are fundamentally a human rights issue and should be more explicitly mentioned under one of the DAs or under a new DA.

4. Transparency

- 4.1 It is important that the NLB recognises that as a body legislated to distribute public funds they are accountable to the public, and that the NLB should make a greater effort to ensure continuous transparency on the success of their operations. In addition a standard, regularly updated list of grants adjudicated (either approved or not) should be made public and not only reported in the annual report.
- 4.2 The annual report is unclear on amounts allocated versus amounts actually disbursed/distributed from the NLDTF. The NLB should develop a clearer, simpler yearly report detailing the financial income and expenditure of the NLB/NLDTF, in addition to the Annual Report, that is easily accessible to the general public(not just accountants) that is distributed to the public. A monthly report on amounts allocated and distributed from the NLDTF would ensure transparency of the work of the NLB and the Distributing Agencies and accountability to the public for the work that they are mandated to carry out.
- 4.3 The establishment, nomination process, required skills set and profiles of prospective DA members needs to be adequately addressed in the Lotteries Act. The responsibility of the DA's is an integral part of the effectiveness and efficiency of the NLB and the distribution of funds from the NLDTF, their operations, functioning, management and accountability within the organisational structure of the NLB needs to be made clearer. It is currently unclear as to how the DA's make their decisions as to who to fund and to what amount, a better understanding of the values and information that guides these decisions is required. The NLB should also make public the profiles of existing DA members, including who they were nominated by, a record of their experience and knowledge of the respective sectors that they will be representing, their employment history, and why they were selected for the position.

5. Accountability

- 5.1 The FPA supports that organisations should be held accountable for the public funds that they receive from the NLDTF, however there is a lack of clarity on what the compliance systems and procedures are for grantees/recipients of funds from the NLDTF. The FPA requests that the NLB publish their standard monitoring and

evaluation requirements to ensure greater transparency of the process on the part of the NLB and improved accountability and compliance on the part of grantees/recipients.

- 5.2 The FPA submits that the NLB, as a custodian of public funds, should undertake an independent monitoring and evaluation process every 3 years that addresses all aspects of the efficiency and efficacy of the NLB structure and processes. The report stemming from this monitoring and evaluation exercise should be published and distributed amongst NLDTF grantees/recipients as a tool for the NLB to be accountable to the grantees/recipients of NLDTF funding and their beneficiaries and the public at large.
- 5.3 The FPA proposes that the accountability processes and structure of the DA's needs to be re-evaluated. As 'committees' with the immense responsibility of adjudicating public funds, there is a need for a clearer, well-defined and more transparent accountability mechanism that ensures that the DA's and the individuals on the DA's are held accountable for their respective decisions.

6. Operational Structure of the NLB, DA's and the DTI

- 6.1 The FPA is aware that the NLB has reported to the Minister of Trade and Industry and the Parliamentary Portfolio Committee on Trade and Industry on the structural challenges that the reporting of DA's directly to the Department of Trade and Industry presents for the effective functioning of the NLB. As the FPA we sympathise with the NLB in this regard but we are concerned that even though this challenge was identified several years ago there has been little success towards achieving a solution to this problem.
- 6.2 There has been much debate as to the functioning of the DA members in part-time positions on the DA's while being employed on a full-time basis elsewhere. The FPA understands that the authors of the Lotteries Act (No. 57 of 1997) decided that it would be appropriate that the DA members adjudicating applications should have an in-depth and current knowledge of the essential requirements of the sectors that the NLDTF funds. While this thoughtful endeavour on the part of the authors of the Act is commendable, it has become obvious that operating in this manner is now an impediment to the efficient and effective operations of the NLB and the distribution of funds from the NLDTF. The FPA therefore submits that the structure and functioning of the DA's needs to be re-assessed and a more effective structure be implemented.
- 6.3 As the NLB is the trustee of the funds in the NLDTF and is responsible for administering the funds, the FPA proposes that DA's should be legally accountable to the NLB regarding all the decisions that they make in their respective positions as DA's, as well as all their operations and functions.

7. Applications

- 7.1 The FPA acknowledges that the current process of allowing one annual call for applications to the NLDTF causes huge challenges to the functioning of the NLB. As the functioning and operations of the DA's are not reported on in any detail, it has not been made clear whether the DA's adjudication of all previous applications submitted is complete at the time that new applications are received. Should the DA's be accepting applications before finalising the adjudicating of all previous applications, the NLB's recurring response that organisations are at fault for submitting their applications during the last few days of an open call for applications and that this is reason why they receive a delayed response from the NLB is baseless.

The FPA requests that the NLB makes public their operational policy on the timeframes in which; the acknowledgement of receipt of application documents are received, how long it takes for applications to pass from the application stage to the processing stage(the FPA suggests 1 month), how long it takes from the time an application is processed to the time in which the adjudication by the DA's is complete(the FPA proposes 2 months), the time it takes for applicants of applications approved/rejected by the DA's to be notified(the FPA proposes 1 month), the time from when applicants are informed of the success of their application through the signing of contracts and payment of funds(the FPA proposes 2 months).

- 7.2 The FPA submits that the NLB, should consider staggering the call for applications throughout the year. This could assist in preventing the bottleneck of receiving up to 7000 applications at one time of the year. Furthermore, the NLB should publish the dates on which applications will be received throughout the year at the beginning of each year so that organisations could plan to submit their application at a time that is aligned to the start of their respective project funding cycles.

The fact that the DA's publish specific funding priorities within each broad DA funding area on an annual basis also needs to be published at the beginning of the year to enable organisations to plan their project activities and develop their funding applications well in advance of the deadline for receiving applications. The DA's should also provide the public with documentation on how the decision on specific funding priorities for that year was made.

- 7.3 The consideration and approval of a greater number of multi-year grants would also assist to reduce the number of applications received yearly by the NLB. As is standard practice in the funding sector with the approval of multi-year grants, the FPA acknowledges that the payments, reporting requirements and monitoring and evaluation requirements of these grants would be different to those of annual or project related grants.

8. NLB Provincial Consultations and Consultative Indaba 2011

8.1 The FPA is supportive of the NLB's provincial consultations with the civil society sector as well as the facilitation of a dialogue between the civil society sector and the relevant government departments through the NLB Consultative Indaba towards improving the flow of resources from the NLDTF to the civil society sector in South Africa. The FPA requests that the NLB make public their working plan on the purpose and function of these Provincial Consultations and the Consultative Indaba and how they plan to take the input and discussions from these forums forward. In addition, the NLB should provide timeframes and deadlines in which they plan to take the issues raised at these forums forward. The public should also be informed as to the aims and objectives of a way forward coming out of these forums.

9. Conclusion

Overall, the FPA is encouraged by this very important initiative that the NLB has undertaken to consult the civil society sector on how to improve the efficacy and efficiency of the distribution of funds from the NLDTF. The FPA welcomes these engagements and looks forward to consistent and continuous dialogue between the NLB and the civil society sector towards strengthening the civil society sector and improving South African community and societal spaces as a whole.