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**NATIONAL DEVELOPMENT AGENCY**

**BUSINESS CASE**

 **FINAL**

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# **Acting Chief Executive’s Foreword**

The National Development Agency (NDA) as a public entity was created to promote an appropriate and sustainable partnership between the Government and civil society organisations to eradicate poverty and its causes. The National Development Agency Act, Act No 108 of 1998, as amended, states the mandates of the Agency and assigns the Minister of Social Development as its Executive Authority. By design the NDA is expected to support all developmental efforts driven by the Department of Social Development as prescribed by the Minister. The full mandate and the responsibilities of the NDA are discussed in the section under the mandate.

Over the number of years of the NDA existence, the Agency has not been subjected to wholesome review to assess if the mandate, programmes, systems, processes and funding are still relevant, effective and are responding to current prevailing environment on the fight against poverty. In 2012, the Minister of Social Development commissioned a review of the Agency for the purposes of ensuring that NDA remains relevant and contributes positively in the fight against poverty. The outcomes of the review has necessitated that the NDA undergoes a process to re-aligning its programmes and its organisation approach towards positively and effectively contributing to national development policies of government to fight poverty, unemployment and inequalities.

The NDA Act defines government and civil society as the main partners for the Agency in designing and implementing programmes that are aimed at fighting poverty, in particular poor communities. This provides the Agency with anchor of partnerships that it can use to strike a balance in its approach and programming to fulfil its mandate in line with the Act. The government, through the Department of Social Development has developed a number of policies, programmes and strategies to fight poverty in the most deprived areas of South Africa. The Agency is therefore expected to take a posture in programmes and operations that is complementing and supporting the Department of Social Development priorities and strategies.

The Agency cannot appropriately fulfil its mandate without partnering with the civil society sector organisations working in a range of development programmes in the most deprived communities. The NDA Act is very clear that the primary focus of the NDA is to work with this sector in order to have impact on poverty. The Act defines who should fall and not fall in the category of civil society organisations. In Section 1, under definitions, the Act defines this group as*: "...trust, company or voluntary association established for a public purpose, but does not include an organ of state*". This definition is fundamental in defining our target groups, focusing programmes and interventions and defining our space for operation. The operative words or phrase in this definition are " *for a public purpose, but does not include an organ of state*" these phrase assumes the NDA will work with all community based organisation regardless of sector as long they are serving the community and they are not making profit from the services they provide to the community in addition they don't belong to any sphere or organ of state. The NDA is therefore expected to work with all the range of community-organised structures which are aimed at improving the living conditions of the citizens in those communities. The primary mandate then defines the community conditions within which NDA has to operate as *"poor communities*." This provides the NDA with both the target group and geographical environment within which it is expected to operate.

Over the years the programmes of the NDA has been more inward looking, for example, the NDA would identify community projects, assess those projects for viability and contribution to communities towards poverty alleviation, fund these projects and provide capacity building interventions to ensure sustainability. The challenge with this approach is that it does not take into consideration the policies and strategies of community development employed by government, in this case, the Department of Social Development. Secondly, it does not bring into these processes an active role to be played by civil society organisations operating in those areas as well as a diagnostic process that is driven by the community itself. This has resulted in the Agency implementing its mandate in a manner, that caused it to become irrelevant and in some cases infective in contributing meaningfully towards poverty eradication.

The fact that the NDA over the years has not been reviewed has resulted in the NDA not being considered in the adjustment of allocated resources by government. During this period, the increase government has been making for NDA budget allocation has been negative in real terms. Over the years the allocation NDA increases have been far below inflation making it impossible for the NDA to meet its legislated mandate of making a real contribution towards poverty eradication. In fact over the past five years the NDA has been operating on real deficit on year to year making the Agency a high-risk business operation. However, it is incumbent upon the Agency to re-align itself to current national development policies, priorities and strategies to demonstrate its relevance and contribution towards this national challenge of reducing poverty.

The NDA has then developed the business case to respond to the current environment as presented by the NDA review process and its environmental scan to re-position the business to be effective and beneficial to government and its social partners in development. The main aim of this document is to present a business approach proposal to government, specifically, the Executive Authority on how the NDA will respond to the outcomes and recommendations made by the review process. With specific objectives of:

1. repositioning the NDA to align its strategies, programmes and operation model to respond effectively and efficiently to its mandate within the current environment;
2. re-organise its current organisational environment to suite and be supportive to the proposed approach towards contributing positively in poverty alleviation in South Africa.
3. identify and quantify critical resources required by the Agency to allow meaningful and impactful contribution can make towards poverty eradication in poor communities

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**Ms Nelisiwe Vilakazi**

**Acting Chief Executive Officer**

**National Development Agency**

**Date: 16 April 2014**

# **2. Background**

The creation of the NDA by the state in 2000 created hope for the civil society sector in having a partner in the state organs that will champion its cause. The uncertainty on the sector survival was reduced, expectations were created and a platform for engagement between the state organs and the sector was created. The NDA as a organ of the state has opened up its programming and approaches towards poverty alleviation to involve the civil society sector. The initial response of the NDA to its mandate was to set itself up, programmatically, to be a grant making Agency for the civil society sector. The NDA has approached grant making from a development perspective making sure that the provision of grants to organisations in not seen as an end but a means towards an end. The programmes of the NDA, especially grant funding, has made the NDA to become a unique entity of the state in providing support to the civil society sector.

The state has also increased its reliance in using not-for profit organisations in delivering their programmes to communities. This has attracted a number of community organisations to formalise themselves and make themselves available to access funding from state institutions for implementing community based programmes. Over the past 10 years the number of not for profit organisations who have applied and granted registration status of being NPOs have grown exponentially. The growth in numbers of these organisations also comes with own disadvantages, especially, in resource allocation and access. As they get formalised into formal organisations, they also look at the NDA to provide access to resources for them to remain operational. As the NDA resources, through government budget allocation, was not keeping with the sector demand - the sector started to lose trust of the NDA abilities as a partner. The NDA has been faced with a reputation challenge not only in the civil society sector but also in the state. There have been suggestions that the NDA is failing to fulfil its mandate and is unable to offer value in its contribution towards poverty eradication. It is therefore imperative that the NDA re-configure and reforms itself to created renewed trust and expectation understanding the prevailing conditions in the civil society and the South African development environment in general.

The South African civil society sector has over the past years, experienced fragmentation. The national and provincial NGOs bodies which maintained unity of purpose got swallowed in internal and environmental politics. These internal and environmental politics can also be traced to the scramble for resources. As funding to the sector became scarce and difficult to access, during the first 10 years of the democracy, the sector started to fragment so as to position individual organisations to have more access to available resources. The State recognised the unintended consequences that can be caused by this sector if it remains un regulated. In 1997, the state passed a legislation that regulates this sector. The intentions of the act was to ensure that the sector remains active and contributes to the development efforts of the state, thus it states in its preamble: *"To provide for an environment in which non-profit organisations can flourish; to establish an administrative and regulatory framework within which non-profit organisations can conduct their affairs..."*.[[1]](#footnote-1) The intentions of this Act are to ensure that the sector operates in a just and fair environment. The State at the same time also recognises that the sector will require providing a supportive environment for the sector to thrive and grow. The aim was to ensure that the sector become the main social partner in all development efforts and the fight against legacies left by colonialism and apartheid. In 1998, the state, through an Act of parliament established the National Development Agency (NDA) to deal with sustainability and quality of contribution the sector could provide to the state. The NDA Act of 1998 states, amongst others, in its preamble: *"To establish a National Development Agency aimed at promoting an appropriate and sustainable partnership between the Government and civil society organisations to eradicate poverty and its causes....."*[[2]](#footnote-2) These two legislations are a clear indication that the state sees the sector as a major partner in development.

The sector, in real terms, has been growing over the years. The number of NPOs that get registered with the NPO Directorate of the Department of Social Development is increasing every year. However, the number of non-compliant NPOs is also very high, over 60% of the total registered NPOs. This should be a first indication that the sector requires intervention to ensure that NPOs, who get registered, first do so for a good course, second, that the support they require to adhere to compliance is provided and third, that there are systems and processes in place to enforce compliance. The NPOs Directorate in the Department of Social Development and the National Development Agency are the two instruments setup by the state to deal directly with the civil society sector. The indication, based on interactions with the sector, shows that the sector has doubts on the abilities and effectiveness of these state instruments. First, in a summit organised by the Social Development Department with the sector in 2012,[[3]](#footnote-3) the sector was very critical of the support it was getting from the department to an extend where the Minister of the Department set up Ministerial Task Team to deal with the issues and in addition a moratorium on de-registering noncompliant NPOs was effected by the Minister. In another consultation process organised by the NDA on its current strategy in July 2015,[[4]](#footnote-4) the sector raised similar issues relating to NDA ability and effectiveness of the NDA to play a role of being the state organ for the civil society organisations in the country. On one hand the civil society sector has to thrive in a highly regulated environment with very effective methods of compliance adherence. The results is that most NPOs that get registered fail to meet the minimum requirements to raise resources within and outside government as they are deemed non compliant or disqualified on the bases of their regulatory compliant status.

On the other hand, there has been a number of NGOs umbrella bodies mushrooming across the country. These umbrella bodies have come around through dissatisfaction from the existing umbrella bodies who would have been custodian of the interest of the sector. The danger of having very few powerful NPOs, with the ability to challenge the state, can create a toxic relationship between the state and the civil society sector. This toxic relationship has created a sense of mistrust between the civil society sector and the state, which is counterproductive for development.

Understanding the predicament faced by the civil society sector, one has to look at a systematic approach that can be implemented by both the state and the sector in a symbiotic way. Coexistence of the civil society sector and the state organs is fundamental in fighting poverty, unemployment, and inequalities. However, they both needs to acknowledge the current barriers and normalise the relationships towards building trust and eventually they will have a common goal. The state and the private sector recognises that civil society organisations are the most influential sector for debating public discourse. Tollefsen[[5]](#footnote-5) describes public discourse as seeking to engage not only those who disagree, but, just as importantly, those who do agree, in the common project of a public conversation about our days’ most pressing issues.

 Funding in the civil society sector is unpredictable. No one knows how much the sector is funded from who and when. This makes it very difficult for the sector to plan and execute plans in accordance to the sector agenda. The sources of funding for the sector are also fragmented and funders do not know if they are the only one funding the organisation. In a publication by [Alexander O'Riordthean](http://sacsis.org.za/s/stories.php?iUser=216) in 2013, on the South African Civil Society Information Service, he stated that *"there is far from overwhelming attention paid to the need for greater funding to local NGOs. It is, thus, unfair to only criticise donors for their allocations when local NGOs in the governance sector have done so little to lobby for their own institutional needs*." This is pointing at the fragmentation and strategic approach of the sector's initiatives on resource mobilisation.

The sector itself has to demonstrate benefit and contribution it makes towards development in the country. This is one of the most difficult components of the civil society work. The majority of funders are more interested in outputs or numerical achievements. The number of people benefitted from the funding, however, this type of reporting cannot qualify the extent in which change has been made to the beneficiaries. In some cases, the reporting requirements is value of funding distributed, these variables or indicators fail to show the level of effort in producing those values or indicators. Measurement should be viewed as a process, where the greatest value is the levels of efforts used in achieving the outputs and outcomes from data and evidence over time.

The National Development Agency (NDA), as a public entity, reporting to the Minister of Development has a responsibility and commitment to contribute to outcome 13 of government. Outcome 13, which is mandated to be implemented and coordinated by the Department of Social Development state the following in its rationale: "*There are a broad range of players involved in the provision of social welfare services and influence how the care system works. Non-governmental organisations play a crucial role in reaching out to marginalised communities, building trust and attempting to provide much needed help and support. Their evolution over the years has contributed to creating diversity in the sector. These NGOs are often at the forefront of innovative practice. To take advantage of this diversity, there is need to strengthen the partnership between Government, the community and organisations in civil society and in the private sector who are involved with the delivery of development and social welfare services. However, their limited resources and inability to fully complement the state subsidy or funding, and a lack of adequate capacity often threaten their very existence. In an economic climate of severe financial constraints, partnerships with NGOs are critical*".

**Mikondzo**

During the financial years 2011/12 and 2012/13 both the Minister of Social Development and Deputy Minister of Social Development visited a number of communities [poor wards and districts with highest poverty and severe malnourished children] in 1 300 wards. The idea behind the visits was to; among other things; interact with targeted communities and get first-hand information on the service delivery challenges and opportunities within the communities. These visits were undertaken in collaboration with the Department of Social Development Agencies (SASSA and NDA) and the Provincial DSD.

The Mikondzo approach affirms the critical role the NDA has to play in building the capacities of NGOs working in the most deprived and poor municipalities in South Africa. The Department of Social Development and its entities has been implementing project Mikondzo[[6]](#footnote-6) in the 1 300 most deprived and poorest districts in South Africa. However, the NDA has been challenged by its current approach and structure to fully exploit this initiative to the advantage of organisations working in these communities. The strategic shift the NDA is proposing will focus on CSOs working in those districts and its main contribution will be building capacities of these organisations. The NDA is therefore positioning itself as catalyst for the civil society sector to meaningful contribute to both government outcomes and priorities at they relate to poverty eradication. The NDA is also aware that globally, the United Nations Sustainable Development Goals (SDGs) will also set the development agenda in South Africa, thus the Agency role is to facilitate the civil society sector in playing a meaningful role is achieving the SDGs goals. It is of no doubt that South Africa development will not achieve its full potential without a viable and capacitated civil society sector. Project Mikondzo provides a relevant platform for the NDA to demonstrate its contribution towards bigger goals of reducing poverty, unemployment and inequalities.

# **3. NDA Mandate**

The NDA mandate is derived from the National Development Agency Act, 1988 (Act No. 108 of 1998) as Amended. The Act states that:

The primary object of the NDA is to contribute towards the eradication of poverty and its causes by granting funds to civil society organisations for the purposes of-

(a) carrying out projects or programmes aimed at meeting development needs of poor communities; and

(b) strengthening the institutional capacity of other civil society organisations involved in direct service provision to poor communities.

The secondary objects of the NDA are-

(a) to promote-

(i) consultation, dialogue and sharing of development experience between civil society organisations and relevant organs of state; and

(ii) debate on development policy; and

(b) to undertake research and publication aimed at providing the basis for development policy.

The NDA Act requires the agency to implement programmes that responds to the following areas of responsibilities outlined in the Act:

* act as a key conduit for funding from the Government of the Republic, foreign governments and other national and international donors for development work to be carried out by civil society organisations;
* develop, conduct and co-ordinate policy relevant to its primary and secondary mandates;
* contribute towards building the capacity of civil society organisations to enable them to carry out development work effectively;
* create and maintain a database on civil society organisations, including, but not limited to, the scope and subject matter of their work and their geographical distribution, and share the information in that database with relevant organs of state and other stakeholders;
* grant money from its funds in accordance with such criteria and procedures as the NDA determines, with due regard to the NDA’s primary object referred to in section to any civil society organisation for any project or programme that organisation intends to undertake or is undertaking;
* make recommendations with regard to legislation and policies directly or indirectly constraining effective development in the Republic;
* ensure good governance and accountability processes and systems for the well functioning of the Agency.

# **4. Problem statement**

The NDA business case to government arises from a number of environmental changes and institutional changes processes that NDA has gone through over the past few years. These changes have necessitated the development of this document to present a compelling case to government to consider the positioning of the NDA as the prime public Agency for enhancing capacities of the civil society sector to positively contribute towards poverty eradication focusing on poor communities in South Africa. To respond and align the NDA business operation model, four areas were identified to drive the turnaround requirements for the Agency:

***i) Positioning of the NDA*** - the NDA has been perceived, by social partners and some government departments, as not well positioned to deliver on its mandate. The positioning of the NDA does not merely refer to physical location within government, but its programmes and its coverage including its ability to meaningful contribute towards poverty eradication. The environment scan conducted by the NDA to inform its strategy has also confirmed that the NDA business operation model is not effective and its funding levels cannot support the current business operation model.

The NDA is therefore taking a conscious and deliberate decision to reposition the Agency as prime government Agency to provide and build institutional capacities of civil society organisations working with poor communities in South Africa. The guiding national priority of the positioning of the NDA is "Outcome 13: an inclusive and responsive social protection system" of the government outcomes. The government has allocated this outcome to be lead by the Minister of Social Development. The Agency, as an entity of the Department of Social Development, its re-positioning will focus on contributing directly to "sub-outcome 2: improved provision of (improved quality and access) of early childhood development services for 0-4 years; Sub-outcome 3: strengthened community development interventions; and sub-outcome 5: optimal systems to strengthen coordination, integration, planning, monitoring and evaluation of social protection services".

The positioning of Agency will be driven by the approach, strategies and processes led by the Department of Social Development on "project Mikondzo ". The Mikondzo approach requires government to work with communities to identify problems, assess the needs and effectively respond to identified needs in an integrated manner to have maximum impact at community level. The main driver for NDA programmes in institutional building capacities for all civil society organisations working in the identified poor communities.

***ii) Focusing and establishing a niche*** - the environmental scan conducted by the NDA, as part of its strategic re-positioning, was critical of the NDA focus and niche. The key stakeholders interviewed, from different government departments and the civil society sector, expressed a view that the NDA is duplicating activities done by other government departments, performing functions that should be performed by civil society organisations, narrowly focusing on few areas such as ECD, food & nutrition security and income generation, whilst the sector covers a wide range of developmental issues.

The NDA focus is shifted to focus on building the institutional abilities of civil society organisations that are at emerging stage requiring support and skills to be productive in responding to community needs. This will include assisting and supporting communities who have established a need to form a civil society organisation that can assist the community to respond to a developmental need of the community. The focus will only be on CSOs that have been assessed and classified in accordance with the capacity building framework for CSOs. The NDA for its capacity building and grant funding will only focus on CSOs that falls within levels 1 & 2 of the CSOs classifications (*see Appendix A for CSOs classification criteria*)[[7]](#footnote-7)

The niche of the NDA is the provision of a range of interventions that strengthen the institutional capacities of the organisations to remain productive and provide quality of services in the respective poor communities they are operating. This approach allows the NDA to implement programmes are a driven by community needs and support CSOs that have been identified by communities and major resource for their development and improvement of the livelihoods of members of the communities.

***iii) Institutional support structure*** - one of the felt pressures by the NDA is its institutional structure and ability to efficiently and effectively contribute to its legislated mandate. The state created the Agency for purposes of having a vehicle that can deliver faster and efficiently than government departments. However, the current NDA institutional programme and operation structure of the Agency has been found to have a number of limitations to operate and deliver products and services to its target group efficiently and effectively. This has resulted in the Agency being perceived and viewed by all stakeholders - government, civil society organisations and communities - as failing in delivering on its mandate. Others have also expressed, especially the civil society sector, a view that the NDA does not exist anymore. The main cause of these perceptions and views is due to how the business is organised, the quantity and quality of skills the Agency possesses, the levels of funding allocated by the state to fulfil the mandate. These limitations over the past years of the NDA operations has impacted on the ability of the Agency to have a wider access to communities, wider range of services and wider presence in communities. The current operation structure of delivering services from one provincial office, largely located in urban cities with no or minimal presence at district level has resulted in a negative outlook of the NDA and its services.

The Agency is in a process of reforming and repositioning its business operation model to ensure that its programmes, services and products are all based at district level. This will ensure that the NDA has infrastructure, skills, programmes at district level to increase access, focus and rapid response to community development interventions for poor communities. To achieve this goal, the Agency will reorganise the following support structures:

* **service delivery model** - services will be decentralised and provided at district level as opposed to provincial level. The priority will be establishing new district offices or upgrading our current advisory centres located in districts to become district offices. The priority is to start with the 21 Mikondzo districts, with 1 300 wards as phase 1 of the reforming the service delivery model.
* **up-skilling and preparation of staff** to provide a range of services defined in the capacity building package and responsibilities defined in the NDA business operation model. A total of 90 NDA staff has already been re-skilled to provide training and mentorship of CSOs on a range of organisational development interventions. The critical component of this requirement is also re-orienting all NDA staff on the new business model and its processes and systems.
* **upgrading and re-alignment of systems and processes** - the current NDA systems and processes are not designed to support the new business model. The new model locates operation at district level, which means all systems and processes has to be designed with a district in mind. The current information technology infrastructure and systems need to be expanded and upgraded to; first, address demands at district level; second, to be responsive to needs of the civil society sector to allow seamless interface between NDA services and the communities and third; to be integrated to systems that contributes to the outcome 13 to ensure that there is no duplication of information and quick response to access to integrated information in the sector.
* **re-adjustment of resource allocation to the Agency** - the current resources allocated by the state to the Agency cannot support the new model. The model requires reforming and re-engineering of the Agency as a whole for it to be effective. It also requires decentralisation of service delivery to a district level. Its also requires additional skills and or re-skilling of current staff to effectively implement this model. These are priority investments the state has to make in order to reform and turn the NDA around to be a leader in development and Agency of choice for supporting the civil society sector, especially, emerging organisation working with poor communities.

The institutional support structure will be implemented in an incremental approach as there are processes that take time to complete. A institutional support plan, with timelines, deliverables and cost will be developed to ensure that the Agency can account on the activities undertaken for this process.

***iv) Visibility and access*** - The Mikondzo process of community engagement and the NDA environmental scan has all pointed to lack of NDA visibility and access to NDA services by CSOs and communities. Communities and CSOs have indicated that they don't know what the NDA does or where the NDA is located. This is a major concern of the Agency. The new business model will directly address this weakness of the NDA through the following:

* **adopting the Mikondzo approach to work with communities and civil society organisation** - this approach brings services closer to communities and promotes daily contact between communities and the NDA services. It also strengthens stakeholder engagement at local level and allows the NDA to participate in local community network events. The positive outcome of this approach is that the NDA presence is felt by community members and the civil society organisation on real time bases.
* **adopting a decentralised approach to service delivery** - this allows the NDA to respond quicker and effectively when dealing with community and civil society needs. It also provides most needed skills, support from NDA at a shorter distance, and integrate NDA to local community structures making the Agency programmes relevant and sensitive to communities.
* **packaging and deployment of relevant information** - the current packaging and deployment of relevant information to communities and civil society organisations is ineffective as it is not needs based. Development and packaging of information to support community and civil society organisation will be based on community and CSOs engagement through the Mikondzo process. Through interaction with NDA staff on the ground, participation in community and local networks and needs expressed by local communities will inform packaging and response. This will required targeted information dissemination approach through all available and accessible information dissemination channels, including local publications, electronic platforms and face to face during community engagements and project visits by NDA staff. The integration of NDA services to the Department of Social Development and SASSA is critical to increase visibility and access of information as these institutions already have a wider footprint in most of the districts,

The NDA business case therefore pre-supposes that government, especially the Department of Social Development, will delegate the full function of institutional capacity building of civil society organisations to NDA. That government would re-prioritise some funding from NPO funding allocation to fund any additional funding requirements for the activities relating to transitional phase of the process and expanding the access, coverage and reach for the NDA programmes to the poor communities supported by civil society organisations. The net effect would be visible increase in active and functional CSOs working in these communities and reduction in registered NPOs who fail to comply with the NPO Act, thus increase the pull of community based organisation that can be used by the state to deliver quality services to poor communities.

# **5. Institutional support and requirements**

## Organizational Structure

The NDA institutional support structure and its requirements to support the programmes has been designed to support grant funding as a business approach to development. The grant funding model has forced the NDA to centralised most of decision making on the type and form of interventions to programmes to an extend that service delivered are based on NDA making decision on who to fund and how much to fund. The project formulation approach currently used by the NDA for funding assumes NDA staff has appropriate skills, information and understanding of needs for community projects. The implementation of programmes is currently located at provincial offices making it very difficult to access poor communities to access NDA services, thus contributing to poor visibility and presence of the Agency services.

**Figure 1: Current NDA organisational business model**



This structure and business operation model have a number of limitations and inefficiencies as all the NDA programmes human resources skills required to implement programmes and projects is located at provincial and national levels. This results in high cost of running the business as staff have to travel long distances to implement and monitor programmes and projects. It affect the quality of service provided due to distance and number of staff the NDA has to perform the professional functions required to support CSOs. The Advisory centres are currently providing very limited function, namely, provision of information and referrals, this make this business to be ineffective and inefficient as resources are spent on human resources and infrastructure with minimal return on investment.

The business operation structure of the NDA is being re-aligned and has decentralised the implementation function to be located district level. All programme and project operations and skills required to implement operation requirements to support CSOs will be located at district level.

 **Figure 2: New NDA organisational business model**



The organisational business model is rooted at poor municipality level. The Mikondzo operational approach has identified 27 districts across the country as geographical areas of priority for intensifying development programmes and projects offered by the Department of Social Development. Municipalities have added also areas of poverty alleviation priorities across all district municipalities in the country, including metropolitan areas. The programming design required the NDA to approach its work from a district-based model. At the district level, the following community based development activities will be offered by professionals who has the skills and abilities to work at that level:

* ***CSOs mobilisation, engagements, networking*** - this is a community development process that requires the NDA to consistently have a community participatory consultative process to understand community needs and together identify areas of development that requires NDA programmes interventions and referrals to other development activities provided by other departments and municipalities
* ***Profiling of CSOs in the district*** - the main function of the NDA in all these districts is profile work and needs of civil society organisations working in the district. The community profiling conducted through Mikondzo will benefit in knowing and understanding all work done by this sector in each of these districts. Where there are organisations working in these communities, and there is a felt need by the community to establish and organisation, the NDA will have a responsibility to mobilise and support the community to establish such structures. The aim is to ensure these structures are supported to a level where they can attract their own funding from a range of local, provincial and national resources available for those activities.
* ***Identifying appropriate levels of interventions*** - this approach will assist the NDA to focus on CSOs and programmes that are key in developing the communities. It also focuses the NDA activities to be unique to the NDA mandate whilst complimenting and enhancing other government programmes being implemented in these communities. The fundamental approach is for the NDA to be able to identify interventions that it can implement and those that will require referral to appropriate Agencies and Departments to implement for the communities and organisations.
* ***Placement of CSOs to appropriate level of interventions*** - the community development approach allows the NDA to assess needs and appropriate interventions for community organisations. It also broadens the scope of the types and levels of interventions required for local civil society organisations without the NDA being the initiator of the type and levels of interventions.
* ***Monitoring and supporting interventions*** - the current approach of project based has not worked for the NDA. Instead it has attracted all sorts of criticism of the Agency's work. All reviews and assessments of NDA projects decry shortage of a replicable model and massification of this approach. In many instances, with few staff at provincial level to monitor and support these projects it has been proven to be non-effective and inefficient. The monitoring and support functions will be imbedded in all staff at district levels. The staff will be up skilled to provide this important function to the CSOs and communities they are located.
* ***Project/Programme Planning*** – project or programme formulations will be informed by community development processes of social mobilisation, community and CSOs engagements, local networks and profiling. This will allow relevance in our interventions and increase the community participation in the implementation. The approach removes the grant funding expectation but places in the centre the ability of organisations to provide services that aim at improving the quality of life at community level.
* ***Project/programme implementation*** – the model allows district offices to structure their implementation plans to focus on the core that would make a difference within limited resources. The current model limitation assumes there will be abundance of resources to the NDA to satisfy the demand. However, the reality is that, there are fewer resources and therefore the approach should be efficient enough to trigger communities and organisations to leverage and maximise the use of all available resources in the community to make a difference. It is therefore important to focus on building capacities of organisations and communities to identify these resources and utilise them in a more efficient and effective manner.
* ***Reporting*** – the main challenge of the current NDA model is the absence of coherent responsibilities at implementation level to report. The reporting required at this level is for ensuring that NDA can account for its efforts at community and district level and secondly, to learn and improve its business approaches to CSOs and community development. The programme/project reporting functions are paramount to this current approach such that all NDA staff at district level will be required to report on progress against their interventions but also to provide plans on how to improve the operations.
* ***Information provision*** - this is a critical part of the NDA work as it reforms its business approach and model. Currently his functions is loosely defined and supported whilst it has potential to link CSOs and communities to NDA and government interventions at community, district, provincial and national levels. These functions will act as a gateway for CSOs and communities to get all the support they require to improve the livelihoods of people. Its main function is provide accurate information on development interventions at all levels and all sectors, it will also provide linkages to public sector programmes and business or better livelihood opportunities across sectors. This will be the backbone of integration of a range of development services and bringing information technology closer to the communities. It therefore requires well skilled and equipped individuals and infrastructure to respond appropriately to community demands of information.

Provincial offices role will be reformed to focus on the following management, support and supervisory roles:

* ***Defines provincial programme of action*** - this approach allows provinces and districts to align their work to IDPs and Provincial priorities at the first instance, it also informs the NDA strategic and annual planning on how to align to different districts and provincial areas of priorities in terms of programmes and geographical location. Finally there will be better integration of NDA programmes to all government priorities and programme of action, including Mikondzo.
* ***Manage and supervise operations*** to ensure their effectiveness in response to provincial and local priorities, this function has been largely driven at Head Office, thus rendering the province to be just implementer of National Office programme which has proven to be ineffective and inefficient.
* ***Manage and coordinate relationships*** with all the NDA stakeholders in the province for quality and effective service delivery. This function has been poorly defined at NDA resulting in national office and provincial office running a parallel process for managing and coordinating stakeholders. The provincial offices will take charge, through the Provincial Manager, managing and coordinating stakeholders at provincial level, whilst the National office plays a coordination function of all stakeholders without interfering with managing them. Critical in this approach is ensuring that the NDA appears to be seamless when it comes to keeping stakeholders engaged and providing an opportunity to leverage resources for CSOs and communities at local level.
* ***Technical Specialist to support district programmes*** - the technical specialist functions is critical for the NDA value add. This function is currently located at national office, which makes it difficult for provinces to direct efforts where these skills are needed. Given the scarcity and demands of these skills, it makes better sense to have district sharing skills based at provincial level and managed by provincial office for easy and seamless deployment where needed.

The National Office of the NDA is currently playing too many roles and functions thus confusing operation model and duplicating functions. The perspective of the NDA operating model is the source of inefficiencies and cause of poor operational structure of the model. The current operational structure needs to devolve a number of operational functions to provinces and districts. It needs to modernise its processes such that they can be employed effectively and efficiently at lower levels. The business model of the NDA has to be driven bottom up and opposed to top down. The fact that the NDA corporate planning process and content is driven at Head Office, with minimal contribution from provinces is the current cause of NDA irrelevance, as highlighted by the NDA review, environmental scan and government. The following will be the focus of the National Office:

* ***Strategy*** – developing robust strategy and annual planning processes that are based on an bottom up approach and respond to community needs relating to the NDA mandate and its contribution to national policies and strategic frameworks.
* ***Governance*** – ensuring adherence to national and corporate policies for effective and efficient management of the Agency. This will ensure credibility and reliance on the NDA business operation model and reduces risks of exposing the Agency to unwanted perceptions of poor performing Agency of government.
* ***Business support*** – the whole business support model has to be reformed. The current posture of the support functions are inward looking and irrelevant to support a bottom up approach of the business. The financial management and application systems and policies has to link with a business driven by community demand as opposed to national office demands. The supply chain management policies and systems has not been adapted to operate in a developmental environment; the human capital strategies and policies have never been designed for a business that focuses at district level thus the skills sets and positions of the NDA cannot respond to this model unless the entire human capital strategy and policies of the NDA are reformed. The information technology strategy, policies and deployment is inward looking, outdated and non-responsive to both internal and external needs. Given the establishment of district offices for the NDA, the current deployment infrastructure for products and services is inadequately located and prepared to meet the expectations of the NDA approach and niche. This therefore requires the NDA to totally reform, re-organise and re-align its business support requirements if it has to meet the expectations of its mandate adequately, efficiently and effectively.
* **Corporate support** – there are corporate functions that the NDA cannot devolve to lower levels as a national Agency. The strategic trust to align and respond to national priorities and outcomes is the function of the centre, which is the national office. Corporate planning and reporting is the key functions of the centre. Research and evaluation is the key function of the centre, as its perspective is to ensure that programming planning at all levels of the NDA is informed by accurate and up-to-date information and tested practices. Influencing national policy and debates are critical corporate support functions that keeps the NDA relevant and influential at national level and provides the conduit for debate and engagements between the civil society sector and the state to debate developmental policies and strategies to allow this sector to positively contribute towards South Africa development discourse.

## Rationale for decentralization

The concept of decentralisation is defined as a process of redistributing or dispersing functions, powers, people or things away from a central location or authority.[[8]](#footnote-8) The NDA has been operating on a centralised model, which can be suitable for some operating models that would not need to be closer to communities to deploy its services and products. The decentralised approach is premised on geographical location, with a unit of administrating being a district municipality. The sub-units of geographical locations are the local municipality where operations will be take place. This is a new operation requirement for the NDA, therefore, assessments have to be made to ensure this structure has the resources required to accommodate the functions expected. The assessment will include infrastructure requirements, skills, support services and operation efficiency requirements. Figure 3 below illustrates the set up required for the district office and its relationship to other functions operating in that geographic location.

**Figure 3: Starter pack requirements for a NDA District Office**



The decentralised approach of NDA business structure provides a number of opportunities for the Agency to reform itself. These includes amongst others:

* Increasing community access to NDA programmes, products and services and widen the footprint of the Agency at community level.
* Keeping closer and in touch with community needs and challenges so that the NDA programmes remains relevant and responsive to community needs.
* Improving operation efficiencies is at the corner stone of the NDA reforms. Apart from making services closer to the communities, this approach will reduce running cost, will expand the skills sets at community level and reduces consultants cost as the staff of the NDA will be able to perform those functions.
* Promoting the use of local resources to implement support required for programmes and projects. Decisions on how and when to use local available support resources is taken far to away from where programmes are implemented thus creating inefficiencies and negatively affecting local based economic opportunities, especially when it comes to procurement of goods and services to support local programmes and projects.
* Allow NDA to apply a structured framework to decentralise. A decentralisation framework has been developed by the NDA to inform the process. This will ensure that there is participatory approach towards moving to the adopted approach to business re-engineering

**Table 1: NDA decentralisation framework**

|  |  |  |
| --- | --- | --- |
| .**INTENT** | **DESCRIPTION** | **PROCESS** |
| **Who** | Who would be responsible and who will be impacted by the process | * Categorisation of stakeholders affected
* Segmentation of different relationships
* Layers of accountability and responsibilities
 |
| **What** | What is to be decentralised - functions, processes, systems, services | * Levels and forms of decentralisation of functions
* Overlaps across functions and responsibilities
 |
| **When** | When would the decentralisation start and end | * Timeframes with specific milestones and outputs or outcomes
* Links to time sensitive processes and statutory requirements
 |
| **Where** | Where will the decentralisation happen levels and geographical dimensions (spatial & functional dimensions of decentralisation) | * Hierarchical decentralised functions and responsibilities
* Geographical or spatial decentralisation of functions and responsibilities
 |
| **Why** | Why a need for decentralisation of NDA programmes, services & products (the big reason) | * Internal and external factors influencing decentralise approach
* Benefits for decentralised approach to certain functions and responsibilities
 |
| **How** | How is the mechanical, technical and methodological be executed to ensure better response to decentralisation | * Means to be used to effect decentralisation
* Combination of forms of decentralisation at different levels
 |

*(Adapted from UNDP decentralisation framework for the public sector)*

## Organisational Processes and systems

### Human Capital

Critical human capital will be required to support the NDA proposed business model. The first part is to ensure that the NDA structure is responsive and supportive to this business model, thus the entire NDA human capital perspective and structure must be re-aligned and re-defines including the skills required at all three levels, the business organisational structure to support all elements of the model and matching of skills sets to job profiles required to deliver and respond to the operational requirements. The following are key in implementing the reforms of NDA:

***Alignment of structure to business strategy and operating model*** - this includes assessment of skills sets that exist and that are required, matching the skills sets to functions at all levels and re-defining the operational requirements (job profiles) and positions of NDA staff.

***Organisational change management*** processes will need to structured and be sensitive to all labour laws and public sector policies. This process is crucial for the internal buy in and the chances of this business model to realise its objectives. The following are key activities to be put in place for a change management model for the NDA.

**Phase 1 - Key Activities:**

* Establish a compelling case for change and craft vision
* Conduct the NDA’s organizational cultural assessment
* Build change elements into programme design
* Prepare the NDA communications plan

**Phase 2 - Key Activities:**

* Identify and employ key NDA’s Change Agents
* Create cross-functional NDA teams
* Design organization-wide change programme
* Roll out change and transformation communication strategy

**Phase 3 - Key Activities:**

* Roll out the change management programme at the base
* Measure and monitor change
* Embrace learning and knowledge sharing
* Provide needed training support and mentorship
* Facilitate bottom-up and top-down communication.

Human capital processes and policies will be aligned to the new operation model. The current processes and policies are counterproductive in enhancing the implementation of this business model. The recruitment process and job matching to functions are currently assuming that staff at provincial level is managing operations as opposed to be implementers. A number of direct implementation functions are outsourced for purposes of fast tracking implementation. The location of post and functions are at provincial level making it cumbersome and expensive to deploy service delivery closer to communities. The role of implementing functions such as the Development Managers and Capacity Building Officers is largely skewed to administrative roles creating many layers of function duplication within the service delivery model. These are the inefficiencies this approach (decentralised) will be able to correct.

### ICT support and infrastructure

The NDA recognises ICT as a pivotal enabler to achieve its strategic objectives. As such the primary of objective of NDA is to ensure the alignment of the ICT strategy with the business strategy and the new business model. The approach to achieve this will follow this methodology:

* Articulate the NDA’s business strategy the new business model (Business Process Re-engineering);
	+ Business process re-engineering will be a starting point of the strategy, to focus on the analysis and design of workflows and business processes within an NDA. This will aim to assist NDA fundamentally rethink how they do their work in order to dramatically cut operational costs, improve customer service and ensure service delivery.
* Interpreting key information drivers and information systems needs;
* Conducting a detail assessment of the current ICT environment (applications, infrastructure, ICT human resources, projects portfolio and service delivery);
* Developing the desired future state of the ICT environment that will support the business goals; and establishing an aligned Master Systems Plan (MSP).

According to Implementation Guideline for Corporate Governance of Information and Communication Technology Policy Framework (CGICTPF), Version 1, January 2013 the MSP (ICT Strategic Plan) informed by the Organisational Strategic Plan, articulates the requirements of business service delivery enablement, by the ICT function. It should include how IT will support IT-enabled investment programmes, IT services and IT assets. IT should define how the objectives will be met. The high-level objectives of the MSP are to:

* Shared databases, making information available at many places;
* Develop expert systems, allowing generalists to perform specialist tasks;
* Implement telecommunication networks, allowing NDA to be centralized and decentralized at the same time;
* Deploy decision-support tools, allowing decision-making to be a part of everybody's job;
* Ensure availability of a secure wireless data communication and portable computers, allowing field personnel to work office independent;
* Implement interactive videodisk, to get in immediate contact with Stakeholder (e.g. CSOs);
* Automatic identification and tracking, allowing things to tell where they are, instead of requiring to be found,

The NDA, through the appropriate technologies, must be able to enforce an enterprise-wide baseline for standards and methodologies. A workflow process engine with simplified configuration with customised coding and advanced audit trails should be available for all critical changes including providing enterprise-class document management, with full version control, check-in/check-out, and full content-search capabilities.

The benefits for this ICT model to support the proposed business operation are:

* The technology-enabled functions in the NDA to be integrated to the social development sector , including civil society sector with the information and support needed to align the demands required to meet objectives with available resources;
* The NDA monitors and reports on the progress of all civil society organisations who have access and utilise the system;
* The model presupposes a risk management framework to ensure that the risks to meet objectives are identified and managed;
* The enhanced capacity of the NDA provides a single point to coordinate planning and delivery by the respective stakeholders;
* The NDA can facilitate civil society organisations-related communication both within Social Development Sector and externally to stakeholders with regards to the sector performance and or new requirements;
* To provide the National and Provincial Departments of Social Development and other stakeholders with a “Nerve Centre” where they can see, through customised reporting, the overall status of Social Welfare Services delivered through civil society organisations and its related benefits;

The following are key activities that will have to be considered to successfully establish a functional and responsive information technology infrastructure and system to support the proposed business model of the NDA.

**Business mapping**

* Define high level plan
* Mobilise and launch of integrated project teams
* Create NDA business strategy with provincial client departments
* Quantify/qualify current processes
* Define NDA scope and high level design (‘in-out’ analysis)
* Assess change management issues
* Outline HR policies and costs
* Identify IT solution
* Assess estimated IT costs & timelines

 **Design**

* Design ‘to be’ processes
* Design migration plan
* Prepare NDA organisation design
* Develop HR roles, corporate policies and procedures
* Develop training strategy / plan
* Develop IT requirements
* Develop data migration plan
* Design site & infrastructure needs

**Implementation and Migration**

* Set up NDA processes and functions
* Action change management and communications strategy
* Staff NDA and train where necessary
* Set up IT systems and initiate any changes
* Data preparation / testing for pilot
* Commission site alterations & services
* Design office admin and reporting procedures
* Initiate NDA monitoring and evaluation mechanisms
* Manage NDA performance

### Physical Infrastructure

To successfully implement the business operation model, the NDA will be required to increasing its footprint at district level. These access point infrastructures must take into consideration how it will accommodate needs for supporting communities and CSOs the catchment areas. The objective of increasing NDA access points is to improve access to CSOs and communities to NDA products and services, locate these access points in the best possible location for the poor and to ensure that the best skills set and infrastructure is available for purposes on community and CSOs needs.

The physical infrastructures, to meet the business demand, will not only affect the space required doing business at district level but also the appropriate human resources required to fully utilise the spaces. There is an assessment process that will be undertaken to match the physical space requirement and location for all levels of the NDA as they may change drastically and the alignment of strategy to structure is finalised. These are some of drivers for re-configuration of physical infrastructure requirements:

* Office space to accommodate personnel in Head Office, Provinces office and NDA district offices.
* Work stations (Furniture, ICT hardware, software and connectivity especially in new sites)
* ICT infrastructure for communities to access information and used by NDA to share information with the target population and stakeholders on NDA work with communities.
* Capacity building infrastructure at NDA sites to ensure that in-house activities can be implemented efficiently.
* Brand corporate identity to ensure enhance visibility.

## Finance and Budgetary Requirements

The NDA over the years has been operating far above its national allocation. It has been planning and setting targets based on projected resource mobilisation strategies to leverage funding from a range of stakeholders. This approach towards financing its activities is risky and unsustainable. The NDA since starting to implement the resource strategy has not produced the type of outcomes that can inform accurate planning and targeting because there has been no certainty within reasonable timeframes of government planning to allow adjustment. Most of NDA mobilised resources comes from the Provincial departments of Social development to support both CSOs capacity building interventions or development management activities such as ECD infrastructure, equipment and technical training. The funding comes at a high price for efficient planning and management.

**Table 2: NDA Revenue and expenditure in the past five years (2010/11 - 2014/15)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **FY** | **2010/11** | **2011/12** | **2012/13** | **2013/14** | **2014/15** |
| **Total Revenue** | **R 93 675 789** | **R 169 425 919** | **R 190 275 528** | **R 221 717 557** | **R 260 020 695** |
| Government Allocation | R 83 469 000 | R 163 391 291 | R 166 263 000 | R 171 713 000 | R 178 337 000 |
| Other Income | R 10 206 789 | R 6 034 628 | R 24 012 528 | R 50 004 557 | R 81 683 695 |
|  |
| **Total Expenditure** | **R 123 711 121** | **R 166 619 833** | **R 196 680 791** | **R 241 201 134** | **R 272 462 692** |
| Project Grants | R 54 096 449 | R 81 002 616 | R 94 837 980 | R 88 779 626 | R 75 789 533 |
| Research | R 1 504 458 | R 458 805 | R 4 076 287 | R 5 010 793 | R 4 792 631 |
| Capacity building | R 1 294 391 | R 6 896 022 | R 2 819 350 | R 37 058 071 | R 96 033 765 |
| HR (Staff) | R 51 439 193 | R 54 215 179 | R 60 218 120 | R 69 020 695 | R 57 915 201 |
| Support & overheads | R 15 376 630 | R 24 047 211 | R 34 729 054 | R 41 331 949 | R 37 931 562 |
|  |
| **Net surplus/Deficit** | **-R 30 035 332** | **R 2 806 086** | **-R 6 405 263** | **-R 19 483 577** | **-R 12 441 997** |

*Source: NDA Audited financial statement 2010/11 - 2014/15*

The government allocation to NDA dropped to a lowest baseline in 2010/11 of R83.4 million from R144.7 million the previous financial year. This low baseline has adversely affected the funding baseline for the NDA resulting in continuous over expenditure in subsequent years regardless of the NDA introducing a programme for resource mobilisation in 2012/13 to fund some of the targets set in the annual performance plan. The resource mobilisation funding primarily is aimed at funding the shortfall of the current NDA business model. Currently the capacity building of the NDA is 70% funded by 3rd party funds that are raised from different provincial departments of social development based on "willingness to fund" not on an any legislated framework or policy framework to these departments to fund the NDA programme. This arrangement is not sustainable in the first instance, and in the second, the departments are not obliged to transfer any funding for this purpose to the NDA. Finally, the funds raised from third parties is not transferred to support the programmes of the organisations but is used to fund operational and technical requirements to implement the programme. It is for this reason that this model and its funding requirements is not sustainable and has led to the NDA being classified as a going concern for the state.

 **Figure 3: Comparison of revenue streams Vs total expenditure for NDA 2000/01 -2014/15**

*Source: NDA Audited financial statement 2000/01 - 2014/15*

Table 2 above, shows that the "real deficit" against government allocation started early for the Agency, by 2010/11 the deficit was over R40.2 million if you take into account that the accounting deficit is masked by "other income". This real deficit has grown to R94.1 million by 2014/15. In the current financial the deficit will even grow higher if nothing is done to normalise this trend by re-adjusting the NDA funding baseline and re-engineering the NDA business model.

Figure 3 demonstrate that NDA has been underfunded from the beginning by the national fiscus allocation. In real funding terms, the NDA has never been funded at levels of its expenditure. If we remove the 3rd party funding and other income, which include "bank interest" which you cannot budget against it shows that the Agency has been spending above its income from government allocation. Even when third party funding started to drastically drop in 2002/03, there was never a review to restructure the NDA business model or increase the baseline to align funding levels to support the business model requirements.

**Figure 4: Comparison revenue Vs Expenditure Vs Net surplus/deficit 2000/01 - 2014/15**

*Source: NDA Audited financial statement 2000/01 - 2014/15*

Figure 4 above, clearly shows the levels of deficit in growing. The revenue and expenditure may seem to narrowing down, this is masked by including third party revenue which is "conditional grant" from third party funders whilst the real financial status of the NDA is running a huge deficit on year to year. If you analyse the net surplus/deficit line, it tells you that the organisation does not have a stable income to fund its activities. This was further complicated by introducing the resource mobilisation function to raise "cash" funding that is included in the total revenue of the Agency resulting in an assumption that the NDA is making efforts to cover the funding shortfall.

The current funding levels of the NDA do not allow the Agency to plan its activities within the state allocated budget. Technical critical positions in the NDA such as those of Capacity Building Specialists, Capacity Building Officers and Information Officers are for between 1 to 3 years fixed term contracts which impacting negatively on staff retention and staff morale. The staff security for these positions has had a disruptive effect as many of them tend to leave at crucial phases of implementation because of better offers elsewhere in the market. Their salaries are dependent on availability of third party funding whilst these are critical skills for the NDA business.

# **6. Alignment of Programmes**

## Background and Rationale

Section 3 (1) (b) of the National Development Agency Act No. 108 of 1998 as amended, states that *“The primary objective of the NDA is to contribute towards eradication of poverty and its causes by granting funds to civil society organisations for the purposes of ….. Strengthening the institutional capacity of other civil society organisations involved in direct service provision to poor communities.”*

The mandate suggests that grants to civil society organisations through the NDA must have a primary objective of building institutional capacity of these organisations to better deliver services to poor communities. It is therefore imperative for the NDA to be seen to be adopting a business operation model that is anchored on a bottom up approach. This approach requires extensive CSOs mobilisation and engagement processes to identify needs, assess required interventions and respond to those interventions guided by local conditions. The Mikondzo approach used by the social development sector for poor communities is an appropriate community engagement for the NDA. It is for this reason that the NDA has adopted Mikondzo as its strategy for social mobilisation and engagement.

Given the outcomes from the NDA review commissioned by the Department of Social Development and the environmental scan conducted by the NDA to review its strategy and programmes, which both suggested that the NDA programmes, in the current form and structure are not effective. The NDA management has taken a position to re-define and re-position its operation model. The aim is to streamline its approach towards supporting and working with CSOs, target communities with high levels of poverty, eliminate inefficiencies in its operations and expand its access to those communities.

The current business model has been found to be lacking in focus, seem to duplicate activities with other government departments and agencies, lacks the ability to increase coverage and achieve desired impact to demonstrate change and value for investment. The configuration of interventions is currently based on projects as opposed to target audience the programme want to reach. This perspective has resulted in internal fragmentation of NDA services to civil society organisations, it has also resulted in the NDA providing selective services, for example, the NDA has only focused on food & nutrition security, income generation and early childhood development for its grant intervention. This focus area selection was not informed by any engagements with the civil society sector or communities thus creating a view that the NDA is not responsive to the needs of the poor.

The social development cluster developed Integrated Anti-Poverty Strategy that seeks to ensure coordination and integration of all poverty interventions by the cluster. At the centre of the Strategy is people’s empowerment for their own development, mobilisation and conscientisation and strengthening of public private partnerships. It seeks to promote social inclusion, invest in human capital, to ensure income security and creation of economic opportunities and jobs, amongst its many objectives. War on poverty is the NDA main focus as per the NDA legislation and the anti-poverty strategy and programmes of the sector are NDA priorities. It is therefore inevitable that the NDA "war on poverty" is integrated to the social development cluster initiatives including actively participating in the "war rooms" on poverty created by the cluster and other departments fighting poverty in the country. The NDA has designed its programmes to integrate with departments working in communities to alleviate poverty and improve the quality of life of individuals and households. This will be achieved through integrated planning with the Department of Social Development, SASSA, Department of Rural Development and Agrarian Reform, Department of Education, Department of Health, local municipalities and all national, provincial and local development agencies working with communities.

It is for these reasons that the NDA has adopted a strategy that is based on community engagement to define how it intervenes at community level. Areas of interventions to strengthen local or community based organisation capacities will be based on needs assessment and consultation with communities and civil society organisations operating in the area.

**Figure 5: NDA New Business Strategy Model Matrix**



The main aim of the NDA is to capacitate CSOs in all poor communities across all provinces. Its interventions have been defined and the target are the community based organisations providing services or opportunities to improve the livelihood of people living in poor communities. The strategy is based on the Agency integrating its work with the social development sector, municipalities, and other public and private Agencies that works with communities and the civil society organisations.

### Programme focus

The new NDA business operation model has defined a package of interventions that will be made available to civil society organisations at community level. It has also defined the process of engagement with communities and the civil society sector. This will allow the Agency to have a niche and focus. It also identifies needs that would need referral to other organisations (public or private) for support that the NDA cannot offer.

The focus of the NDA is on new and struggling community based organisations that need support to improve and sustain the community-based programmes. The NDA has defined the different levels of development of the organisations. During the processes of CSOs engagements and profiling, the NDA will conduct an assessment to measure the level of development of these organisations. The CSOs classification process is crucial for targeting organisations that require direct interventions from the Agency. The criteria for classification are presented in figure 6 below.

**Figure 6: Assessment and classification of organisations at community level.**



The organisations classified as level 1 or 2 in Figure 6, are usually based in less resourced areas and providing community felt needs. They are driven by passion and eagerness by community members to address a problem which no one is addressing. In most cases these organisations are not properly constituted and not registered as an organisation with relevant authorities. In some cases they maybe registered but they are not complying with the statutory requirements for compliance and remaining registered. This present a limitation and exclusion for them to access funding from the state or corporate social investment funding from the private sector. They are the most disadvantaged organisations in the sector with no one providing targeted programmes to assist them to get formally constituted or providing required information to remain compliant once they have registered. The NDA has identified the gap in the development agenda, thus will focus in this area for its interventions.

### Packaging of NDA services

The NDA has defined a package of services that will address challenges faced by the defined target audience of CSOs at community level. The combination of services required will be determined by a process of engagement and needs assessment based on the Mikondzo approach. The Mikondzo requires a multi-disciplinary team to work together with communities to identify problems, develop solutions with communities, and implement the solutions with communities. It is a typical participatory process that enhances abilities of communities organise themselves and define how to respond to community development challenges.

**Figure 7: Project Mikondzo Model for Community Development & Inter-sectoral Integration**



The NDA service delivery model, within the Mikondzo approach, has defined a package of interventions that will be delivered to CSOs. The interventions are defined as follows:

***CSOs mobilisation*** - this is the engagement process with a social development sector multi-disciplinary team that engages communities and CSOs at local level to identify developmental needs, possible interventions, referrals to other departments and supporting communities to develop community structures or formations to organise themselves.

***CSOs empowerment*** - community empowerment through CSOs provides the NDA a space to implement interventions that uses "development creation" principles focusing on the following outcome areas for local civil society organisations:

1. Confident - Involve CSOs in discussions about development projects in the community including planning, funding requirements and work entails, institutional capacities and technical abilities and about how you go about getting work done. This process makes sure that the information provided is accessible and that time has been taken to ensure people understand. As a result CSOs gain skills, knowledge and confidence, which will help them take part in this and future projects.
2. Inclusive - creation of development interventions is based on the awareness of the make-up of the group you are working with – how reflective are they of the local population and users, in terms of age, gender, race etc. It allows finding ways to involve people who have not participated in the community structures, but might have an interest in doing so. You encourage discussion. As a result you gain a cross-section of views, experience and expertise, local structures learn more about each other and work together.
3. Organised - the approach encourages CSOs to work as a team and work to each other’s strengths. You support them to develop processes for discussions and decision-making which are understood by everyone there. As a result, they all understand how the decisions will be made on how as community based structures can tackle development issues at local level. They have collective responsibility for addressing a range of local social and development challenges.
4. Cooperative - this process promotes working together to identify and implement action, encouraging networking and connections between CSOs. The outcome is working in ways which build positive relationships across groups, identify common messages, develop and maintain links to national bodies and promote partnership at all levels,
5. Influential - this process encourages CSOs to make decisions and they do this within known parameters. They decide on the design and timescale of the work, based on aesthetics, ecological considerations and the practical and economic context. As a result, they can see the benefit of their involvement in the change that takes place and feel collectively responsible for achievements.

***CSOs institutional Capacity building*** - process of developing and strengthening the institutional skills, instincts, abilities, processes and resources that organisations and communities need to survive, adapt, and thrive in the fast-changing world. The institutional capacity building programme for CSOs will focus on the following areas: financial management, conflict resolution & management, governance, compliance & registration, fundraising & resource mobilisation, project planning & management, project monitoring & reporting. The programme will use the following interventions to enhance abilities of CSOs, especially those that are merging or struggling to realise their goals:

1. Training - formal and non-formal provided to CSOs to improve and enhance their understanding of the organisation operational area, organisation management process including registration and compliance issues and technical skills support to improve the quality of the organisation work or products.
2. Mentorship- this is a critical process in learning and gaining skills. The NDA will facilitate and provide platforms for CSOs mentorship at local level. Organisations and individuals with appropriate skills will also be recruited to become mentors of these organisations.
3. Incubation - small businesses have benefitted from incubation programmes. The NDA will create infrastructure for CSOs incubation at district level. These structures will ensure that CSOs have access to specialised skills, templates, access to information and support to enhance their organisational abilities to grow through developing skills for resource mobilisation, networking and expanding their own operations.

***CSOs resource mobilisation and referrals*** - this intervention is critical for assisting CSOs to identify resources and linking them to available resources at all levels. As the NDA phases out its grant funding for project implementation for CSOs, therefore this intervention will assist them to identify and link them to available funding within their local area and nationally. In addition the intervention will have referrals processes to available resources for funding and ensure that the organisation has the ability to account for any funding they have accessed.

**Figure 8: NDA CSOs package of services and skills requirement to deliver the package**



The re-designing of NDA focus area and the packaging of service will be delivered at district level. This then requires the NDA to first establish district offices, first in the Mikondzo districts and some districts identified by municipalities and provinces as poor local municipalities in the country. For the model to become functionally the following would be required:

***Location*** - NDA has already established Advisory Centres in some districts across the 9 provinces. However, some of these centres are not aligned to the Mikondzo districts or municipalities defined poor nodes. Those that are aligned will be converted into district offices. Where there are no centres new district offices will be established.

***Human resources*** - each centre will require skills at that level to deliver the package of services defined in the model. This will require a combination of up-skilling existing staff based at provincial offices and advisory centres to provide a combination of interventions in the package and also recruiting appropriate staff in terms of skills mix and numbers to appropriately staff the offices. These offices are going to become the engine of the NDA model. Each district office will be managed by a district manager to plan, coordinate and respond to CSOs needs in the district.

***Capital cost*** - the approach and package of services planned for this model will require investment in appropriate infrastructure to deliver the range of service both at the district office and within the community or CSOs location. The district offices must also provide infrastructure to conduct training and incubation of the CSOs and any community member who require a skill provided by the NDA to support community development efforts. Each district office must have the ability to provide information technology needs for both NDA staff and CSOs who may want to access information from these centres.

This business operational model provides the NDA an opportunity to restructure its business requirements and streamline functions whilst integrating service delivery at district level. This approach addresses all concerns raised by the review of the NDA, the environmental scan conducted by the NDA, the issues raised by the Civil Society sector during the engagement, the Executive Authority and the National Treasury. The business case present the NDA is presenting seeks to articulate the rationale for revising its strategy and focus areas. It also defines its target group for the interventions, the operational structure and requirements to implement the revised strategy. The aim is to qualify and quantify benefits to civil society organisations and poor communities through the strategy. The financial outlook of the NDA clearly shows that it require additional funding to remain solvent. At the current funding levels the NDA can be classified as a going concern and its deficit will soon outstrip its reserves and asserts. This is the major risk that the NDA is trying to avoid for the state to face in the not too distance future.

# **7. Transitional requirements**

During the transitional period 2016/17, the NDA will be finalising the revised 5-year strategy and the Annual Performance Plan, including the MTEF allocation which will outline the new programme areas and targets for 2016/17. The budget for 2016/17 is based on the current allocation of NDA. Concurrently, the following activities will be done to refine the mandate, programmes and activities, funding levels, organisational structure, processes and systems to align the NDA to the refined mandate.

I. **Programmes**

***Grant funding:*** The CSOs grant funding programme will be phased out during the 2016/17 period. The current grants provided to CSOs ranges between 12 - 24 months, and there some CSOs grants contracts from previous years which are still active and not closed. The plan is to continue funding the remainder of contracts funding during the 2015/16 financial year until all contracts are closed. This will require the NDA to ringfence all the grants committed and continue to monitor and support those projects through the CSOs social mobilisation and institutional capacity building programmes as defined in the plan.

To ensure that the NDA funded projects remain sustainable, the NDA through its processes of resource mobilisation and referral of CSOs, will ensure that these organisations are referred and assisted to continue accessing funding and other technical support from relevant institutions that would be interested in providing the funding or technical training support they require.

***Technical training:*** NDA currently provide technical training for CSOs. This intervention will not form part of the current capacity building programme. However, the NDA will be referring and linking CSOs with institutions and relevant departments that provide funding for such interventions for CSOs. Where CSOs require such interventions, the CSOs mobilisation through its referral and linkages interventions will assist CSOs to access technical training. Since some of the technical training such as ECD practitioner training where practitioner's were enrolled this current financial year and they will complete next financial year, the NDA will ringfence the Technical training committed funds and disburse the commitment in the 2016/17 financial year.

In both interventions, grant funding and technical training, the NDA will not commit new projects on these areas. This will allow the NDA to re-prioritise funding for 2016/17 from these areas to CSOs social mobilisation and institutional capacity building programmes.

**2. NDA Institutional support**

During the transitional period, which NDA will be required to go through processes for refining the business operations which include implementing outcomes from the following:

* IT systems infrastructure and processes
* Change management
* Organisational restructuring and optimisation
* Staff development and re-skilling

It is inevitable that staff complement may be affected. New IT infrastructure and systems will be required, training of staff would be undertaken all these would require additional capitalisation. The process as a whole has not been budgeted for in the current financial year and would need a once off funding to ensure that all the plans are implemented and are not adversely affecting the deliverables planned for the year.

**Table 3: Transitional Plan for NDA 2016/17**

|  |  |  |  |
| --- | --- | --- | --- |
| **Activities** | **Outputs**  | **Process** |  **Time frame** |
| Organisation re-structuring and alignment to strategy | * New organisational structure aligned to strategy programmes
* Skills requirements and number of staff required
* Policies and procedures
 | * Conducting organisational review (structure, processes, systems, human resource)
* Re-skilling & placement of staff in new functions as part of rationalisation
* Implementation of change management to introduce and institutionalise the new strategy and mandate to all levels of staff.
 | December 2015 - January 2016  |
| Costing of new strategy and programmes | * Costing and cost benefit analysis report for the new mandate for budgeting
* Revised Budget for MTEF 2017/18 - 2019/20
 | * Conduct costing and cost benefit analysis for the new NDA strategy and business model
* Develop and negotiate new budget with Executive Authority and National Treasury through the budgeting process
 | January 2016 - February 2016 |
| Systems, processes (including IT) and NDA service delivery infrastructure  | * IT systems and infrastructure requirements plan to support the new business model
* Upgraded IT infrastructure and systems
 | * Review of IT systems requirements, including infrastructure to support the business
* Designing, developing & upgrading NDA IT infrastructure and IT operations systems
* Training of staff on new IT systems
* Expand access to NDA service at local level
 | Start in January 2016 for 3 years period  |
| Establishment of district offices | * Assess infrastructure requirements
* Identify appropriate location and space
* Procure Office space
 | * Define infrastructure requirements for district offices
* Negotiate office space with DSD district offices/SASSA & Municipalities
* Prepared agreements for space
 | December 2015 - April 2016January 2015 and on going |

**Current Financial Position**

Notes:

**Proposed Required Funding Levels for NDA Business case**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017/2018** | **2018/2019** | **2019/2020** |
|  |  |  |  |
| **NEW BASELINE ALLOCATION** | **487 153 000** | **511 510 650** | **537 086 183** |
| Current Baseline Allocation | 195 153 000 |  |  |
| Current Funding Requirements for New Baseline | 292 000 000 | - | - |
|  |  |  |  |
| **TOTAL EXPENDITURE** | **487 153 000** | **511 510 650** | **537 086 183** |
|  |  |  |  |
| **PROGRAMMES** | **447 198 819** | **493 115 370** | **524 058 233** |
| Programme 1: Administration | 185 556 464 | 190 954 378 | 209 483 372 |
| Programme 2: CSOs Mobilisation | 92 895 225 | 109 336 691 | 113 427 622 |
| Programme 3: CSOs Capacity Building | 149 761 975 | 172 614 738 | 179 578 418 |
| Programme 4: Research and Knowledge Management | 18 985 154 | 20 209 563 | 21 568 820 |
|  |  |  |  |
| **CAPITAL EXPENDITURE** | **29 235 181** | **18 395 280** | **13 027 950** |
| Office Furniture | 15 065 181 | 1 500 000 | - |
| Computer Equipment | 5 331 000 | 1 100 280 | 1 177 300 |
| IT infrastructure & Systems (Software and Intangibles) | 8 839 000 | 15 795 000 | 11 850 650 |
|  |  |  |  |
| **ONCE OFF OFFICE SETUP COSTS** | **10 719 000** | **-** | **-** |
|  |  |  |  |
| **SHOTFALL** | **(292 000 000)** | **-** | **-** |

Notes:

**8, Appendixes**

**Appendix A: Classification of NPOs Operating in South Africa**

For the NDA to effective design appropriate interventions for NPOs in South Africa and identify CSOs that can be utilised in building capacities of other CSOs, we have classified them into four levels. The classification assists in modifying generic interventions into specific and appropriate levels of development of the CSOs. This is useful approach because it enables the NDA to develop capacity building materials and approach that is specific to levels of capacities and complexities of the NPO. In addition the classification allows the NDA to identify, capacitate and support CSOs to provide a range of capacity interventions to other CSOs. The four levels of CSOs are defines as follows:

**Level 1:** CSOs that provide services a local community and they do not have any network except the founder(s). They don’t have any systems and processes in place, no financial sources – in some cases they are only funded through contribution of the funder(s) and they may not have a business operational space, thus making it very difficult to comply with CSOs Act and regulations. In literature they are often referred to as community-based organisations (CBOs).

**Level 2:** CSOs that provide services at local or district level but struggling to source required resources to be fully functional. They have very weak processes for management, financial records, plans and they lack basic infrastructure to operate. These CSOs they also lack skills to manage and operate the CSOs.

**Level 3:** CSOs are usually larger and may operate at district or provincial level. They have structured operational environment and have staff with average skills to deliver on their mandate and objectives. They however, struggle to attract enough financial and human resources to remain fully functional. They have acceptable processes, procedures and management structures. They are likely to remain compliant but are threatened by dissolution because of access to resources.

**Level 4:** these CSOs are usually efficient and effective. They have skilled operational staff and management. They are visible and vocal, they have strategies and abilities to mobilise resources and keep the CSOs operational. They may be affiliated to national or international bodies and they are always compliant to the CSOs Act and its prescripts. They are likely to raise funding from international donors and organisations.

**Figure 4: Classification process for CSOs**



1. *NPO Act 1997* [↑](#footnote-ref-1)
2. *NDA Act 1998* [↑](#footnote-ref-2)
3. *NPO summit report* [↑](#footnote-ref-3)
4. *NDA consultative forum report* [↑](#footnote-ref-4)
5. TollefsenC O (2009). *What Is Public Discourse?* [↑](#footnote-ref-5)
6. *Project Mikondzo (which means “footprint” in Xitonga) compel the department staff and its entities to join frontline officials to interact with communities in a bid to tackle social problems such as poverty, malnutrition, violence against women and child-headed households. This initiative is implemented in 1 300 wards form part of 23 district municipalities from seven provinces which have been prioritised by Cabinet for additional support.* [↑](#footnote-ref-6)
7. *Source document: The National Development Agency: Capacity building framework and approach for civil society organisations in South Africa, NDA October 2013, PP 40-41.* [↑](#footnote-ref-7)
8. UNDP (1999): Decentralization: A sampling of definitions. Working paper prepared in connection with the Joint UNDP-Government of Germany evaluation of the UNDP role in decentralization and local governance. *October 1999* [↑](#footnote-ref-8)