



ANNUAL PERFORMANCE PLAN 2021/22



NATIONAL LOTTERIES COMMISSION

a member of [the dtic group](#)



| | |
|--|----|
| Executive Authority Statement | 3 |
| Accounting Authority Statement | 6 |
| Official Signoff | 7 |
| | |
| PART A: NLC's MANDATE | 8 |
| Constitutional Mandate | 9 |
| Legislative and policy mandate | 9 |
| Institutional Policies and Strategies over the five-year planning period | 11 |
| Relevant Court Rulings..... | 11 |
| | |
| PART B: NLC's STRATEGIC FOCUS..... | 12 |
| External Environment Analysis | 13 |
| Internal Environment..... | 52 |
| | |
| PART C: MEASURING OUR PERFORMANCE..... | 63 |
| Joint KPI's with Executive Authority..... | 64 |
| Programme 1 | 66 |
| Programme 2 | 70 |
| Programme 3..... | 74 |
| Programme Resource Considerations | 79 |
| Updated Key Risks | 82 |
| | |
| PART D: TECHNICAL INDICATOR DESCRIPTIONS (TID)..... | 89 |

Executive Authority Statement



This Annual Performance Plan (APP) of the National Lotteries Commission (NLC) has been prepared by the management for consideration by the Executive Authority and tabling in Parliament.

The Annual Performance Plans (APP) of public entities identify the outputs, output indicators and targets that an entity aims to achieve in the new financial year. The Executive Authority is responsible to ensure that each entity APP or Corporate Plan is aligned with the Strategic Plan, the institution's mandate and government's priorities and must provide direction on the development and implementation of strategic priorities and policies.

The Covid-19 pandemic changed the landscape within which DTIC-entities operate and they are therefore expected to adjust their operations to address the new environment and new priorities. There is an urgent need to boost levels of economic growth and economic recovery, support transformation and build a capable state. In particular, the APP for the 2021/22 financial year will need to reflect the policy priorities set out in Budget Vote statements tabled in Parliament during this Administration and those that arise from:

- The Economic Recovery and Reconstruction Plan tabled in Parliament in October 2020 by President Ramaphosa;
- The priorities set out in the 2021 State of the Nation Address;
- The new performance compacts between members of the Executive and the Presidency signed in November 2020; and
- The New District Development Model as an integration of development efforts at local level.

This APP is tabled and updates to the Plan – when these are effected – will be tabled in Parliament in due course, taking account of the above.

As the practical means to ensure alignment between APPs and policy priorities, the Annual Performance Plan for the DTIC itself sets out the requirement to ensure integration between the

work of the department and all public entities that report to it. Seven new Joint-Indicators (J-KPIs) have been developed for the DTIC that contain the major policy priorities and these are expected to be included in the work of the NLC, with progress against these to be reported to the Ministry on a quarterly basis.

The NLC will be expected to show how, within its legal mandate, it has contributed to the achievement of the outcomes for the following seven Joint Indicators (details of which are contained in more detail in the APP of the department itself):

- Joint Indicator 1: Integrated Support to Drive Industrialisation
- Joint Indicator 2: Contribution to the development of an AfCFTA Export Plan
- Joint Indicator 3: Investment Facilitation and Growth
- Joint Indicator 4: Development Model and Spatial Equity
- Joint Indicator 5: Actions to Promote Transformation
- Joint Indicator 6: The Green Economy and Greening the Economy
- Joint Indicator 7: Strengthening and Building a Capable State

In this way, the combined efforts of all public entities will begin to be aligned to the national priorities in a more explicit manner. The Joint-Indicators cover, among others, the work of sector masterplans, initiatives to boost levels of investment and localisation in the economy, expanding trade within the continent, enabling better local economic development, supporting the growth of new industries (in the green economy and through beneficiation) and building a capable state.

In respect of Joint-Indicator 7 for example, all public entities will be required to review their procedures, timeframes for delivery, forms to be filled in and public communication of services to simplify these, make processes expeditious where possible, remove unnecessary red-tape where these exist and make it easier for users to access services.


A number of allegations involving NLC funding has been made in the past few years.

As part of building a capable State, the NLC will need to restore public confidence and trust in its affairs through initiating, or cooperating with, investigations that are credible and thorough. This must be a critical focus of the NLC during the financial year.

In addition to this concern, I have taken note of the introduction of a new indicator, to register and accredit funding agents. This may create new challenges (costs to clients or perceptions of an

inside track to the NLC). This system, if introduced will require checks and balances and be subject to regular independent oversight. I will request the Department to engage the NLC more on the matter including alternatives with potentially fewer risks and direct that the Department and Parliament be fully and regularly briefed on the matter.

This APP is not about many new objectives but rather on a new way of implementation, with the focus on integration, to enhance the development impact of the work. I therefore endorse the work to align the APP of the NLC with the national priorities and accordingly table the APP for the NLC in accordance with the request by the Speaker.



EBRAHIM PATEL

MINISTER OF TRADE, INDUSTRY AND COMPETITION

Date: 14 April 2021

Accounting Authority Statement



At the start of the financial year, we looked forward to entering a third decade of operations with an invigorated vision and mission, now working towards becoming not only a continental, but a global innovative leader in regulating safe and sustainable lotteries and sports pools.

Recent, world-changing events have amplified the need to fully embrace the innovations of the Fourth Industrial Revolution (4IR) not only to remain relevant - but as the COVID-19 lockdowns have shown us – to ensure that services can continue to be delivered to those who rely on organisations like the National Lotteries Commission (NLC) are not compromised.

In response to the impact of COVID-19, the NLC rolled out three key interventions:

- R 50 million directed to the Solidarity Fund;
- R 10 million for basic foods and hygiene hampers that were distributed nationwide through 54 organisations during Lockdown Level 5; and
- R 150 million Relief Fund to assist struggling NPOs to keep afloat in order to continue offering much needed social services.

The current economic climate has highlighted the foresight that was integrated into the amendment of the Lotteries Act as the organisation was called upon to be responsive in the face of unprecedented events.

The NLC remains committed to social upliftment, and as such, have reviewed our plans to ensure that even under these circumstances, we continue to create maximum impact, and that we protect the public through compliance, monitoring and enforcement of lotteries and sports pools.

MS A. BROWN

ACTING CHAIRMAN OF THE BOARD


Official Signoff

It is hereby certified that this Annual Performance Plan was developed by the management of the National Lotteries Commission (NLC) under the guidance of the Board of Directors and takes into account the relevant policies, legislation and mandate of the NLC. The plan accurately reflects the impact, outcomes and outputs which the NLC will endeavour to achieve over the 2021/2022 MTSF period.


X. Ntuli
Chief Financial Officer

Signed: 

A. Maharaj-Domun
Official Responsible for Planning

Signed: 

TCC Mampane
Commissioner

Signed: 

Approved by:

Ms A. Brown
Acting Chairman
28 January 2021

Signed: 

PART A:
OUR MANDATE

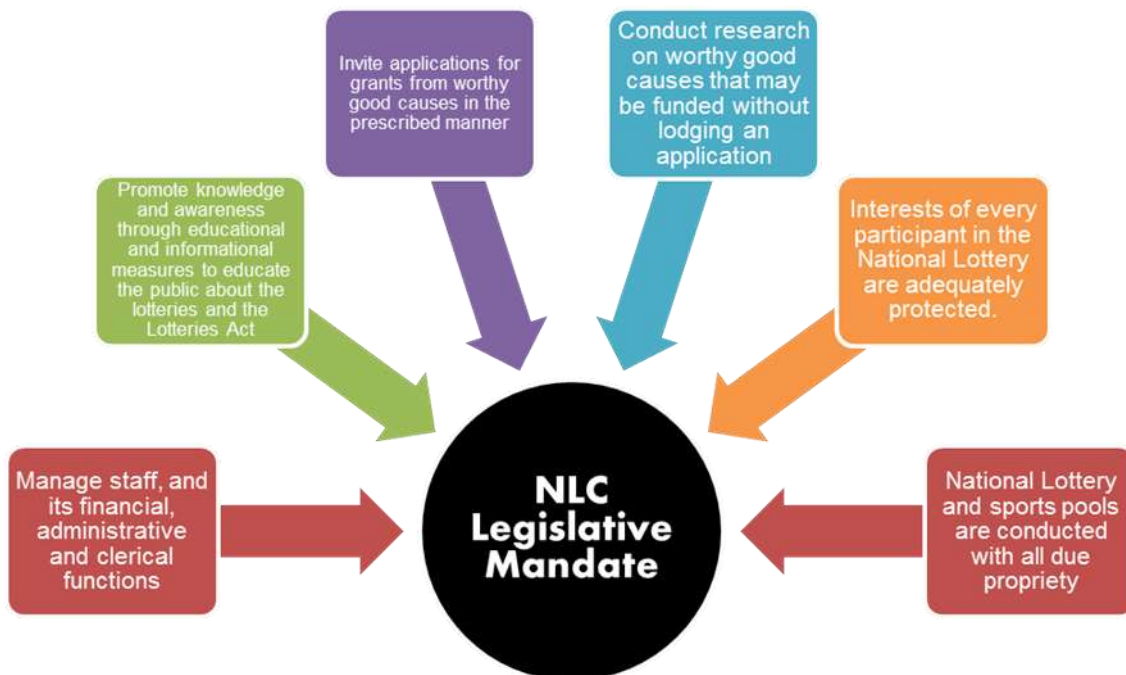
PART A: NLC's MANDATE

1. Constitutional Mandate



The NLC has the sole mandate to regulate and prohibit lotteries and sports pools and to provide for matters connected therewith.

2. Legislative and policy mandate



- o To ensure that the National Lottery and Sports Pools are conducted with all due propriety and strictly in accordance with the Constitution, this Act, all other applicable law and the licence for the National Lottery, together with any agreement pertaining to that licence and that the interests of every participant in the National Lottery are adequately protected.

- Conduct research on worthy good causes that may be funded without lodging an application prescribed in terms of the Lotteries Act, upon request by the Minister, Board or on its own initiative in consultation with the Board.
- Invite applications for grants from worthy good causes in the prescribed manner.
- Promote public knowledge and awareness by developing and implementing educational and informational measures to educate the public about the lotteries and provisions of the Lotteries Act, as amended, and educating the public by explaining the process, requirements and qualifications relating to the application for grants in terms of this Act.
- Manage staff and its financial, administrative and clerical functions and exercise any other function as delegated or directed by the Minister or the Board.

3. NLC Core Values



4. Institutional Policies and Strategies over the five-year planning period

In line with its mandate, vision and mission, NLC's formulation of programme activities and targets is aligned to the political, social and economic realities of South Africa. In particular, the NLC's role and functions as outlined in the Amended Lotteries Act places an obligation on the organisation to support (directly and indirectly) the electoral mandate of Government. From a strategic perspective, the sight of government priorities provides a major opportunity for the NLC within the disciplinary context of social development and social upliftment. This includes addressing unemployment and alleviating poverty as aligned to the NDP and the seven identified priority areas of government:

1. Economic transformation and job creation
2. Education, skills and health
3. Consolidating the social wage through reliable and quality basic services
4. Spatial integration, human settlements and local government
5. Social cohesion and safe communities
6. A capable, ethical and developmental state
7. A better Africa and world

The new MTSF combines a 5-year NDP Implementation Plan with a revamped integrated monitoring system and accountability framework that incorporates resourcing through private sector investment, development finance institutions and SOEs and public entities' roles. It further outlines the budget prioritisation framework, labour movement's involvement on the skills revolution and civil society in promoting participatory democracy.

The NLC is therefore driven by government policies on economic and social development.

5. Relevant Court Rulings

Not applicable to the NLC.

PART B:
OUR STRATEGIC
FOCUS

PART B: NLC's STRATEGIC FOCUS

4. Updated Situational Analysis

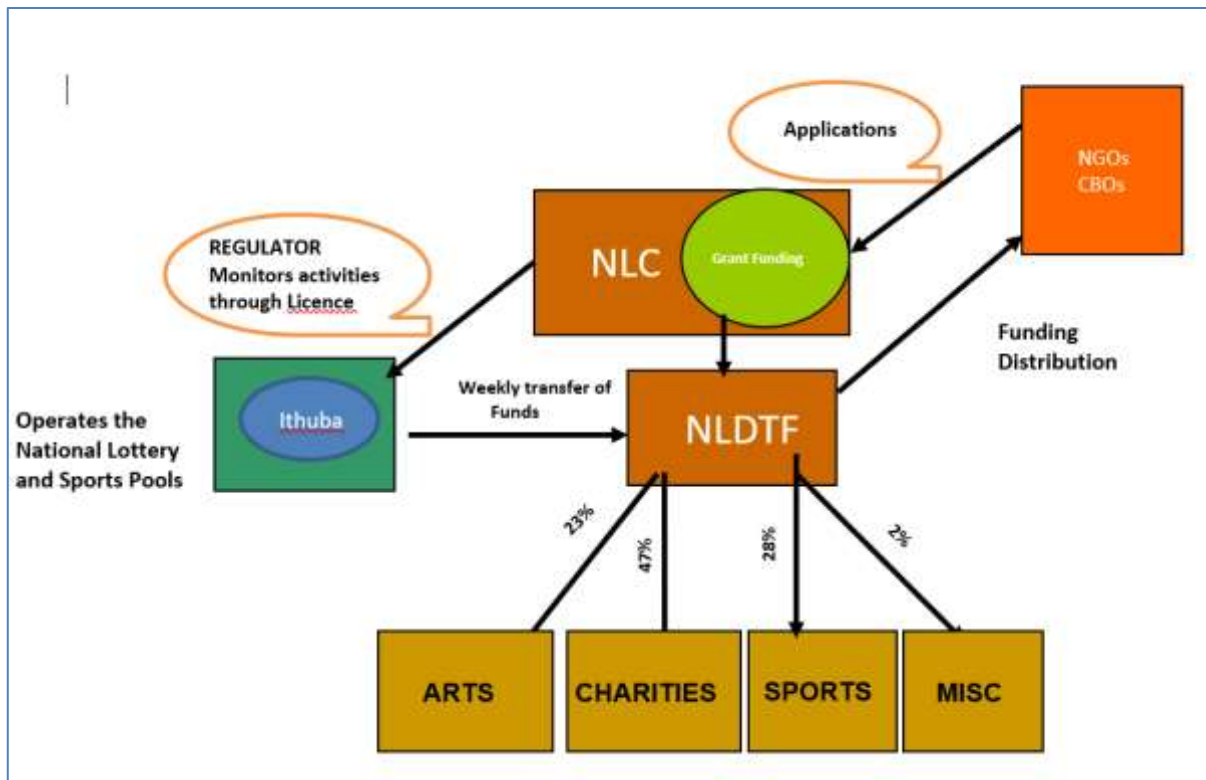
4.1 External Environment Analysis

The NLC is a public entity established by Lotteries Act No. 57 of 1997 (as amended) to regulate the South African lotteries and sports pools industry. Primarily, the organisation was established to undertake the functions of:

- Regulation of the National Lottery and other Lotteries and sports pools
- Administration of the National Lottery Distribution Trust Fund (NLDTF)

The NLC is governed by a board, whose mandate is to:

- regulate all lotteries and sport pools with integrity;
- ensure the protection of all participants;
- maximise revenue for good causes in a responsible manner; and
- distribute funds equitably and expeditiously



NLC Operating Model

Environmental Analysis for Strategy Development

A company’s strategy generally outlines the pathway(s) that will be followed in order to achieve long term goals. For such goals to be achieved, the strategy must, according to Thompson, Peteraf, Gamble and Strickland (2012) pass a three-dimensional test which interrogates internal, external and dynamic fitness. Internal fitness is concerned with the extent to which an organisation’s strategy is compatible with its resources, competencies and structure. External fitness relates to the degree to which an organisation’s strategy matches the prevailing conditions in the macro- environment. Dynamic fitness signals the potential of an organisation’s strategy to evolve over time so as to reflect effective alignment with changing micro- and macro-environmental conditions. The environmental scan and analysis whose results are captured in this report, lends itself to the external-fitness requirements of a winning strategy. At the heart of the environmental analysis effort, according to Johnson, Scholes and Whittington (2009), is the need to identify opportunities and threats in the business environment, so that the organisation can adapt its resources and competencies to effectively respond to them.

The environmental factors that may affect a strategy differ from organisation to organisation. Consequently, it is imperative that in undertaking the exercise of environmental scanning and analysis, the focus must be placed on strategically-relevant factors.

The PESTEL framework, illustrated in figure 1, would be utilised for the purpose of environmental scanning and analysis. In accordance with the PESTEL framework, the results of the environmental analysis will be reported in compartments of the Political, Economic, Social, Technological, Ecological and Legal sub-environments.



The Political Sub-Environment

Trends in the Political sub-environment

All developmental activities, including those pursued by public entities such as the NLC in South Africa, do not occur in a vacuum; rather they occur in an environment that is sensitive to the political climate. Thus, the nuances that colour the political milieu should be considered at the commencement of any strategic activity. To ignore such, would result in an unrealistic effort that does not reflect the exigencies of the macro environment in which the organisation operates and is expected to survive in.

During the 2020 State of the Nation Address (SONA) on 13 of February, 2020, President Cyril Ramaphosa set the tone for a nation working in unison to recapture its developmental aspirations and accelerate policy implementation by building confidence in the “new dawn” – the slogan for the President’s term. The following seven key priorities were pronounced on by the President in the 2020 SONA:

- Economic transformation and job creation
- Education, Skills and health
- Consolidation social wage through quality basic services
- Spatial integration, human settlement and local government
- Social cohesion and safe communities
- A capable, ethical and developmental state
- A better Africa and the world

Armed with this directive from the political principals, there seemed to be a recommitment to improved implementation of the National Development Plan (NDP), as the nation hoped for a prosperous 2020. However, that was not to be, as the unimaginable calamity of COVID-19 descended on all countries but even with more devastating consequences for a developing country like South Africa with huge inequalities and alarming levels of unemployment.

As soon as the COVID-pandemic hit South Africa, the President speedily and successfully rallied the nation to halt the spread, through a lockdown. There was trust and confidence shown in his leadership and it was supported across the political spectrum, as he organised resources to cushion the effects of the pandemic in March 2020.

Extant opportunities in the Political sub-environment

- *A stable democracy*

South Africa has a stable democracy that is underpinned by a constitution that remains the envy of many across the world. The democratic process over the past 25 years has yielded some legitimate outcomes, as the electoral results have always been accepted as the will of the people. That is priceless especially in a world where political contestation and the outcome thereof do not always reflect the will of the people. Examples are littered all over the world, both in developing and developed countries, as political leadership have sought to extend their reign. Consequently, South Africa, remains a beacon of hope as political outcomes from electoral processes are accepted as legitimate and not disputed.

This political legitimacy sustains political stability. It underpins every other aspect of governance of the state and brings about a functional state where political leaders actually have the mandate from majority of the people to lead. It is important to note that degrees of legitimacy and stability are not necessarily absolute but rather they lie along a continuum. In the South African polity, this continuum is identifiable according to spheres as there are instances where political legitimacy and stability have been somewhat diminished to various extents, especially at the local spheres. Another contributing element to governance stability is that fact that elections have been held regularly as per the provisions of the law and the electoral agency in the country commands considerable respect. The situation of a stable democracy is one that should never be under-estimated as the socioeconomic strain that its absence could cause a country can be profound.

- *Policy congruence*

Since the advent of the South African democratic state in 1994, the state has consistently articulated its intention to pursue a number of key objectives. One of which has been to address the socio-economic conditions of the people given the brutal legacy of the apartheid state. This fundamental quest has influenced key policy levers that govern state activities. Thus, the constitution, various Acts, including The Lotteries Act 57 of 1997, as amended, have sought to contribute to a developmental state that enables opportunities while assisting in repairing some of the damages caused by the pre-1994 apartheid policies. Consequently, it can be argued that there is a high degree of policy congruence as it relates to policy choices and public opinion in matters that pursue redress, issues of equity and the need to improve the socio-economic conditions of the majority of South Africans.

This degree of policy congruence in post-democratic South Africa underpins the development of interventions in the form of programmes and projects that benefit society. However, while these policies are recognized as well-formulated and appropriate, their implementation has not always been effective (Ile, Eresia-Eke & Allen-Ile, 2019). Nevertheless, the high degree of congruence represents an attractive situation which NLC can leverage off; especially assured about the certainty of its existence and the continuation of its mandate as it relates to supporting good causes in local communities that enhance the socio-economic well-being of South Africans.

- *Well-established political oversight mechanisms*

This situation of a well-established political oversight mechanism, which is fully embraced by the NLC, ensures that the most important stakeholders who are the citizens represented indirectly by the parliamentarians, enables useful interactions and promotes accountability. The existence of the oversight mechanism provides an opportunity for the NLC to demonstrate that it remains subject to the greater will of the people of South Africa and is not an autonomous institution.

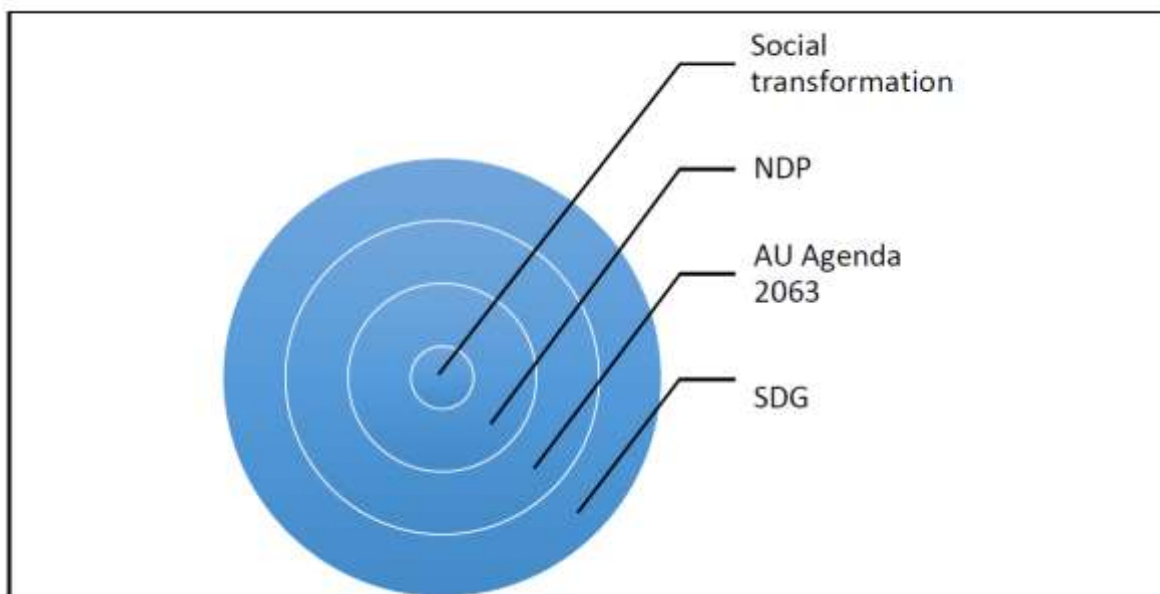
- *State-endorsement of the SDGs/AU Agenda 2063*



Envision 2030: 17 Goals to transform the world

The steering of developmental initiatives is usually guided by key strategic thrusts that must be aligned to be effective. For one, the SDG provides clear goals to be pursued across countries under the auspices of the United Nations. According to the United Nations (2015), the SDGs are anchored by the 5Ps (People, Planet, Prosperity, Peace and Partnerships) model that the NLC may be inclined to align with. The situation is even more favourable as the intentions of the UN resonate with AU 2063 aspirations for the Africa we want as well as the NDP in South Africa.

South Africa subscribes to the UN and AU commitments and is working hard to meet them (StatsSA, 2019a). All the strategic thrusts fit well with NLC’s mandate to contribute to national development in terms of reducing poverty, reducing income inequality, contributing to job creation and improving quality education and health. They are also in harmony with NLC’s social transformative goals in respect of sports, culture and heritage, arts, socio-economic upliftment and pursuit of good causes.



Key strategic thrusts for social transformation

As a state-owned entity, the seamless alignment of the Sustainable Development Plan (SDG), AU Agenda 2063 and the National Development Plan (NDP) can be favourable for the NLC. This is the case as it eases the pathway of developing an institutional plan that is in congruence with national, continental and global developmental commitments at the same time. This certainly creates veritable grounds for the forging of partnerships with other organisations at a continental or indeed at a global level, whose operations synchronise with the SDGs and/or the AU agenda.

- *The support of the Department of Trade, Industry and Competition and other government departments*

In the pursuit of developmental vision and activities, the interface of political and administrative actors is crucial. In other words, when there is clarity, agreement, and commitment from both political and administrative leadership in ensuring that the vision is actualized, progress towards the vision is accelerated. The political and administrative leadership of the Department of Trade, Industry and Competition (DTIC) as well as the administrative leadership of NLC over the years seem to be on the same page and are pulling in the same direction. This is an attractive situation as it makes it easier to strengthen current initiatives with DTIC, ministerial engagements and a host of other mechanisms.

In the governmental sector, some departments have been favourably disposed towards

NLC-funded interventions in communities. This disposition lends itself effectively to the forging of stronger inter-governmental relationships that ultimately pave the way for the realisation of institutional mandates, in a mutually beneficial manner. In this vein, the NLC shall continue to nurture and develop strategic partnerships across both the public and private sector to enhance its mandate.

Extant Threats in Political sub-environment

- *Perceived Risk of Influence from Political office bearers*

Politicians and political office bearers wield a lot of power. Over the years, there are numerous cases of the political elite influence in the management of institutional activities, due to their proximity to power and this erodes public confidence. The extent of this threat is heightened by imminent elections; as could be the case with the impending municipal elections currently scheduled for 2021. In order to woo citizens and win votes, politicians have the propensity to exert undue influence on state institutions to do their bidding, expeditiously, in order to impress citizens. The pressure may come from office bearers of the ruling party (Bureau of Market Research, 2019) and indeed other parties. Typically, on the eve of elections, politicians seek to utilise all possible avenues, including institutions like the NLC, to fund selected interventions in communities, so as to lower the extent of discontent around poor service delivery that exists in the population.

The inherent danger is that such pressures often result in the usurpation of well-designed processes, which in the case of the NLC may be manifest in the fast-tracking of approvals for grants, bias towards specific interventions or causes, among others. The threat that such occurrences bode can be immense as they can compromise the integrity of the organisation and damage the NLC brand.

The Economic Sub-Environment

Trends in the Economic sub-environment

The market prospects and future sustainability of lotteries in South Africa is directly dependent on the economic environment within which it operates. South Africa, as an emerging economy, has had significant challenges over the past few years, driven by both global and domestic factors. On the global front, tensions in trade and technology, geopolitical conflict, climate change and suppressed global growth, especially in the EU block; which happens to be South Africa’s largest trading partner (International Monetary Fund, 2019) have negatively impacted on South Africa’s development trajectory in the post-global financial crisis era.

On the domestic front, these external developments have had the knock-on effect of stalled growth that is concomitant with increased levels on unemployment, inequality and poverty. Indeed, in comparison with counterparts in the important block of emerging economies known as BRICS (see Table 1), South Africa has the smallest population and by far the highest unemployment rate. Remarkably, as at 2018, South Africa’s unemployment rate of 26.7% was more than double the unemployment rate in Brazil, the country that ranks second in the group (Businesstech, 2018). For emphasis, the situation may have gotten worse given that in the first quarter of 2020, unemployment stood at 29% of the adult population (narrow definition) and this is even much higher among the youth (StatsSA, 2020a).

| Country | Current Population | Unemployment rate |
|--------------|--------------------|-------------------|
| South Africa | 57.7 million | 26.7% |
| Brazil | 209.2 million | 11.8% |
| Russia | 156.9 million | 4.7% |
| China | 1.39 billion | 3.9% |
| India | 1.33 billion | 3.4% |

Table 1: A comparison of population and unemployment levels in BRICS countries

Source: Businesstech (2018)

South Africa’s economy is projected to contract by 7% in 2020 (StatsSA, 2020a) after three consecutive quarters of economic decline from the third quarter of 2019 to the first quarter of 2020 as shown in figure 4. South Africa’s recession from the production perspective is driven by declines in mining, manufacturing, electricity, construction and trade.

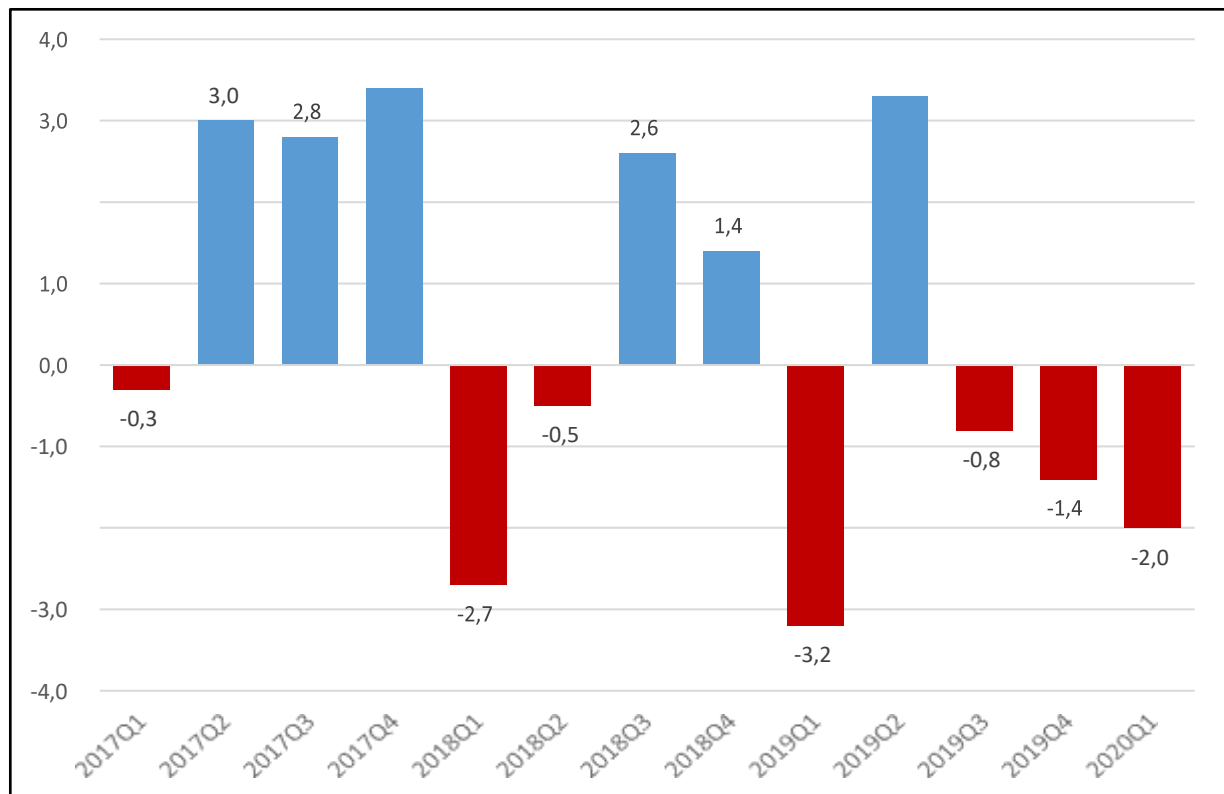


Figure 4: Quarter-on-quarter percentage growth in GDP (measured by production) seasonally adjusted and annualised

Source: StatsSA (2020a)

In contrast, gross fixed capital formation, inventory and net exports are responsible for South Africa’s economic decline from the expenditure perspective (StatsSA, 2020a). With respect to inequality, poverty and unemployment in the South African context, they take a multidimensional flavour, driven by racial, gender and spatial disparities. These relate to access to jobs, productive resources, basic services, income, quality of education, health service delivery and opportunities of all kinds (StatsSA, 2019a).

Markedly, as at the end of 2019, more than half of South Africa’s population (55.5%) lived under the upper bound poverty line of R1 227 per month, while approximately a quarter of the population were living below the food poverty line of R561 per month (StatsSA, 2019a). The socio-economic outlook is worsened by the fact that South Africa unfortunately remains the most unequal society in the world as reflected by the Gini index of 0,69 (World Bank, 2015).

South Africa's development challenges are in spite of several policy and programme interventions employed by government to redistribute assets, ensure affirmative action, preferential procurement, BBBEE and a well-managed social protection scheme that are collectively aimed at alleviating poverty and mitigating inequality as multidimensional forms of deprivation in South Africa. South Africa's persistently adverse socioeconomic trends present certain opportunities and threats that the NLC should consider in the execution of its mandate to regulate lotteries and fund key societal causes.

Extant Opportunities in the Economic sub-environment

- *Social protection interventions in response to COVID-19.*

Child Support Grants were increased by government as one of the interventions to quickly address the severity of the socioeconomic impact of COVID-19 on the South African society. In addition, a special R350 COVID-19 Social Relief of Distress (SRD) grant was targeted at the unemployed, informal employed and vulnerable workers. These social relief measures are expected to be implemented for an initial period of 6 months, after which a review and assessment of the management, disbursement and its sustainability under the current fiscal and economic constraints, will advise the policy pathway forward, in terms of a Basic Income Grant.

Currently, over 3,019,471 grantees, out of an estimated total number of 6,099,000 eligible applicants have successfully received their special R350 SRD grant. In monetary terms this amounts to R1,056,814,850.00 (South African Social Security Agency, 2020). This disbursed amount to date represents a significant boost to household income; some of which is likely to be channeled into leisure and entertainment such as lotteries.

- *Increasing household debt*

The South African Reserve Bank has had to cut the repurchase rate on two occasions in the first quarter of 2020 in an expansionary monetary policy stance aimed at stimulating aggregate demand to mitigate the current economic recession. Prior to the onset of the COVID-19 pandemic, South Africa's economy was in a technical recession, requiring expansionary monetary policy as part of several measures to stimulate economic activity.

These measures have the pass-through effect of lowering household monthly debt-service obligations. Rather unfortunately, the economic downturn has been further aggravated by the

onset of the COVID-19 pandemic and the lockdown measures required to curb its spread. This has resulted in significant job losses, rising unemployment and company shutdowns across various sectors of the economy. The resultant loss of household income has to some extent neutralised the intended benefits of expansionary monetary policy interventions, leading to upward pressures on household debt to disposable income ratio from the fourth quarter of 2019 onwards. These contradictory outcomes are illustrated in figure 5.

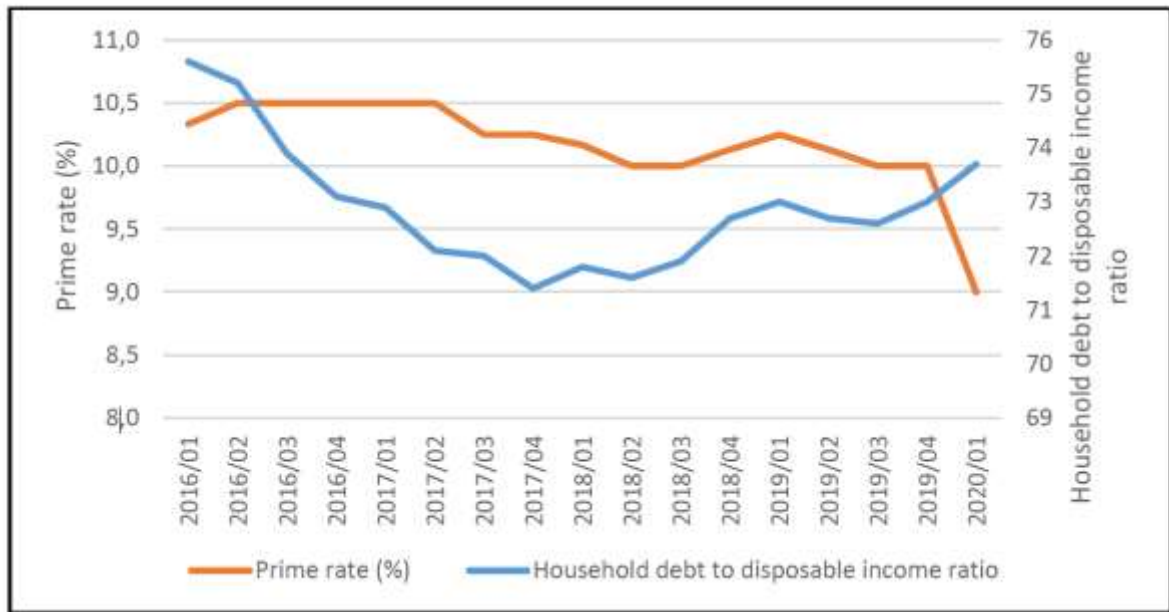


Figure 5: Households debt to disposable income ratio and the prime rate (%)

Source: South African Reserve Bank (2020)

- *Decreasing cost of credit*

Reductions in the policy rate by the Reserve Bank of South Africa translates into lower lending rates and lower cost of credit. In practical terms, this means that consumers who still earn their original incomes will find it cheaper to borrow for the first time or access additional credit to supplement earnings.

The ability to access additional credit due to declining cost of credit translates into additional household liquidity, which could have a favourable knock-on effect on entertainment as well, including lotteries. In addition, lockdown restrictions on tourism, restaurants, the ban on the sale of alcohol and cigarettes have limited the number of options available to households for entertainment and recreation.

Extant threats in the Economic sub-environment

- *The rise of illegal gambling*

Illegal gambling has been a challenge in South Africa since the mid-1990s, during which it was estimated that there were approximately 2000 illegal gambling dens (Rising Sun, 2020). This number is believed by industry practitioners to have been grossly under-estimated as illegal gambling in South Africa has been a growing phenomenon. Although the National Gambling Act of 2004 established licensing systems and the regulatory regime for what is permitted and not, these regulations have the tendency to encourage the emergence of an “underground” or “illegal parallel” market operating beside the formal licensed system. This creates challenges for effective regulation of lotteries and other forms of gambling by market regulators such as the NLC.

Illegal gambling does not only affect the bottom line of the legal industry, but also affects tax revenue to government, employment opportunities and other related economic activities along the industry value chain. In 2018, R37m of revenue was lost to illegal gambling, 36% of which would have been paid in fees and taxes to government (Rising Sun, 2020). The situation is not likely to be different in 2020 and beyond, given that in 2019 approximately R2.4b was spent on illegal gambling activities while the loss in tax revenues to government was estimated at R140m (Bureau of Market Research, 2019). This substantial revenue loss to activities in the illegal gambling arena is clearly a threat to the financial sustainability of NLC given its

profound effect on the revenues generated through the National lottery and sports pools.

Beyond this, the fact that the proceeds of illegal gambling activities are prone to being used to fuel other forms of crime such as armed robbery, drug-dealing and money laundering, inflates the threat that illegal gambling avenues embody. There is no gainsaying that illegal lotteries pose a significant challenge to the NLC and other gambling authorities in terms of ensuring effective industry regulation and mitigating leakages and revenue losses in the gambling industry. Such an industry structure threatens the financial sustainability of lotteries and sports pools over time, and aggravates associated adverse developments such as crime, conflict and money laundering which ultimately destroys the stability, growth and appeal of the industry.

- *Poverty state of majority of patrons of lotteries*

As shown in Table 2, the income profiles of most gamblers are very low. For lotteries, most patrons either earn no income or between less than R2 000 and R10 000 per month. Patronage of the lotteries could be further sabotaged as the severity of poverty worsens in South Africa. The fact that most people who play the lottery are in the low-income brackets and could be considered poor, poses a challenge to the NLC.

Table 2: Income categories of gamblers and types of gambling patronised

| Gambling Types | Monthly Household Income | | | | | Total (%) |
|----------------------|--------------------------|---------------------|----------------------------|----------------------|-----------------------------|-----------|
| | No income (%) | Less than R2000 (%) | Between R2001 & R10000 (%) | More than R10000 (%) | Do not want to Disclose (%) | |
| National Lottery | 8.1 | 25.7 | 29.9 | 11.2 | 25 | 100 |
| Lucky draws | 7.5 | 27.0 | 29.3 | 12.1 | 24.1 | 100 |
| Scratch cards | 4.8 | 27.5 | 30.5 | 9.6 | 27.5 | 100 |
| Horse/Sports betting | 5.9 | 20.9 | 38.6 | 11.8 | 22.9 | 100 |
| Casinos | 9.0 | 23.4 | 30.5 | 15.6 | 21.6 | 100 |
| L.P.M | 17.4 | 34.8 | 26.1 | 8.7 | 13.0 | 100 |

| | | | | | | |
|---------|------|------|------|------|------|-----|
| Bingo | 14.7 | 20.6 | 35.3 | 11.8 | 17.6 | 100 |
| Illegal | 9.8 | 31.5 | 29.5 | 6.7 | 22.6 | 100 |

Source: National Gambling Board (2017)

- *Poor economic outlook*

South Africa’s economy was in dire straits even before the COVID-19 outbreak. Three successive quarters of economic contraction already placed enormous pressure on business and private enterprises, as well as jobs. The effect of these adverse economic developments has been further aggravated by the socioeconomic impact of the pandemic especially on the informal sector which employs most people.

Underlying South Africa’s economic instability are structural challenges such as lack of sustainable energy supply, prolonged drought and climate variability, corruption and systemic decline, all of which have cast a heavy shadow on inclusive economic growth and sustainable development. The energy shortfalls and other structural challenges could create operational disruptions for the lotteries and sports pools industry.

In addition, these structural challenges create a gloomy outlook over South Africa’s economic prospects, adversely affecting investor and consumer confidence (South African Reserve Bank, 2019). On a general note, declining investor and consumer confidence do not augur well for the financial sustainability of the recreation, hospitality and entertainment industries in which the NLC operates and this represents an organisational-level existential threat.

- *Inadequate electricity supply*

The entertainment and leisure industry, gambling and for that matter lotteries have not been spared the harsh realities of inconsistent energy supply as they have been impacted both directly and indirectly. For instance, a negative direct effect of load-shedding may be the interruption of the business operations of the NLC and other lottery businesses while an indirect effect may be the reduced expenditure on lottery tickets due to lower levels of disposable income arising from the downscaling or shutdowns of businesses. Additionally, power outages further

imply that many of the lottery terminals are also offline with implications of further loss in revenue. Whatever the case may be, the direct and indirect effects of load-shedding, as an expression of the energy crisis in South Africa, warrants that it should be considered as an environmental threat by the NLC.

The Social Sub-Environment

Trends in the social sub-environment

While social issues may not be peculiar to South Africa, it is important to note that considering South Africa's fragile economic state, social ills have the capacity to put enormous pressure on government utilities thus requiring the support of community-based organisations and NGOs/NPOs.

Many social ills emerge from inequality, poverty, poor educational foundation (Francis & Webster, 2019) and unemployment. According to McClelland and Macdonald (1988), they include severe financial hardship, debt, homelessness family tensions, crime, erosion of confidence and increased social isolation.

Extant Opportunities in social sub-environment

- *A large pool of NGOs and NPOs*

Progressive organizations find opportunities during a crisis to renew themselves. The global crisis of 2008 massively shrank NGOs/NPOs resulting in an extensive reduction in traditional charitable incomes (Gayle, Harrison & Thornton, 2017). Since then NPOs/NGOs have had to search for funds to remain in operation. NGOs/NPOs serve communities and address causes that the government is unable to tackle. These causes are often related to the cohort of low-income earners, needy patients, and those without health insurance. This essentially means that NGOs/NPOs play important roles in providing needed support such as health care, culture and recreation and education to communities.

NGOs drive social transformation in South Africa by creating jobs, alleviating poverty by reaching the poorer population that remains unserved through social welfare services (Oosthuizen, 2014), supporting the strengthening of social systems including research and information service (Anbazhagan & Surekha, 2017). Majority of the funds that NGOs get, comes

from local donations, government subsidies and membership subscriptions (StatsSA, 2017). With more than 230 000 registered organisations in the non-profit sector, Akintola, Gwelo, Labonte and Appadu (2016) argue that the reduction in funding allocation by funding sources would lead to closure of some of these organisations and reduced service options to beneficiaries.

The steady growth of organisations in the sector is justified by their relevance to South Africa's humanitarian ecosystem (Rossouw, 2020) and yet they continue to struggle with the challenge of insufficient funding. This is why, only recently, NPOs petitioned South Africa's minister for trade, industry and competition demanding that the commission should make funds available to them to provide essential services to communities (Ngopulse, 2020).

While the call may be justified, it perhaps ventilates the fact that the funding model of these organisations that seems to promote dependency on consistent external support may be problematic. This challenge arguably represents an opportunity for the possible emergence of a more sustainable funding model for these organisations, which the NLC may opt to explore through the enhancement of its Grant Funding Model. NLC's mandate extends to facilitating the implementation of social responsibility programs in communities. In South Africa, owing to increasing poverty gaps and poor living conditions there is an increasing need for social support for under-privileged communities and NGOs, NPOs and CBOs are veritable vehicles for doing this. Indeed, CBOs, though largely ignored by many funding institutions may be critical players in this regard.

The indisputable role of CBOs in actively supporting the fight against the COVID-19 pandemic in communities (Hamman, 2020; Naicker, 2020) is indicative of their value in society. This possibly furthers the proposition for more funding consideration to be accorded to CBOs, more so because of their close proximity to members of many communities in the rural area where NLC may desire to make a positive socio-economic contribution. In this respect, the large pool of NGOs/NPOs and arguably, CBOs means that catalytic vehicles that the NLC could exploit to better fulfil its mandate to the people of South Africa, are not in short supply.

- *An active and engaged citizenry*

An engaged citizen is one who takes an active interest in the affairs of the state. Active citizens assist with local projects, raise issues, and generally liaise with community members to identify

issues that require attention. This is largely descriptive of the South African citizenry. The palpable enthusiasm in the community enables for enriching civic engagements that would inevitably improve NLC's understanding of specific community idiosyncrasies. This would subsequently correctly inform the interventions funded by the NLC in such communities as well as how those interventions are implemented.

Community-based organizations – CBOs – are also active participants in the development programmes of the communities in which they operate and they abound in South Africa. Contrary to the anecdotal deduction of an endemic hostile disposition in South African communities, the numbers and diversity of cultural events held within these communities, signal that they are hospitable (Mbiyu, 2014). Consequently, the fact that South African communities have an active and engaged citizenry represents an opportunity for the NLC as it could be effectively exploited to advance the interests of the organisation as it relates to supporting good causes in the community.

- *Low levels of local economic development*

Currently, the levels of economic activity in most of South Africa's rural communities is relatively low. Increased community development can stimulate economic activity in such rural areas. Community-based tourism, for instance, driven by investments in arts, culture and heritage can positively impact employment rates and standards of living of underprivileged communities (Koens & Thomas, 2016). Growth in tourism creates accessible employment opportunities, drives geographic diversification of development, and supports rural communities (South African Government, 2020a). There is a lesson to be learnt from the Kenyan case, wherein community-based tourism is seen as an important strategic component for poverty alleviation and the sustainability of underprivileged communities (Juma, & Khademi-Vidra, 2019).

Unfortunately, the consequences of South Africa's dwindling economy are compounded by the current COVID-19 pandemic, putting thousands of community-based businesses including those in the tourism, arts and culture businesses and jobs at risk. In fact, many businesses have closed shop while several of their workers are without jobs (StatsSA, 2020c). The absence of a burgeoning local economy is worrisome as it feeds frustration in local communities and fuels rural-urban migration. The situation however presents the right social environment that provides impetus for developmental interventions, the like of which NLC provides. To this extent, existing demand for more local economic development amounts to an opportunity for NLC as it paves

the way for the supply of initiatives that could effectively address the situation.

- ***Rising unemployment***

Unemployment has been on an upward trend in South Africa over the past decade. Figure 6 illustrates unemployment by gender and age. As at end 2019, prior to the onset of the COVID-19 pandemic, 6.7 million South Africans were unemployed (narrow definition). Out of this number 26.8% were males and 30.5% females. Among the male unemployed, 52.3% were youth, while among the female unemployed 61.7% were youth, between the ages of 15-24 years (StatsSA, 2019b).



Figure 6: Unemployment by gender and age cohort

Source: StatSA (2019b)

These figures are likely to have deteriorated further since the onset of the COVID-19 pandemic with the resultant company shutdowns and job losses.

Extant Threats in social sub-environment

- *Low levels of education*

There is no common definition for what counts as being literate, as individual countries use country-specific assessments and standards to define it (Kapiar, 2018). However, according to StatsSA (2019e), the literacy rate in South Africa measures the percentage of people aged 15 and above who can read and write. From a global perspective South Africa's educational system is not the most competitive (UNESCO, 2020).

It is concerning that educational attainment remains comparably low in South Africa as over three million people in South Africa remain illiterate (StatsSA, 2019e). Since a significant proportion of the population have low education levels, limited understanding of economic opportunities within the environment is not uncommon. In fact, the prospective beneficiaries of grants provided by the NLC may be unaware of available funding opportunities or have experienced difficulty in applying for them. This may be predominant in the townships and rural areas of the country. It is troubling as the World Bank Group (2018), reports that 33.14% of South Africa's population are found in rural communities where there is limited access to infrastructures such as electricity, and the internet. Consequently, this segment of the society may be ill-equipped to apply for grants, even when they have strong and attractive ideas with indigenous flavours. In the light of this, the NLC may be losing out on becoming informed about meaningful interventions that qualify as good causes that may have made significant differences in communities.

Furthermore, this problem of low levels of education across the South African society could make it difficult for people to distinguish between legal and illegal gaming. This is because it takes some level of literacy and social awareness to decipher which enterprise is legal or not. In the face of the absence of requisite knowledge, the unlicensed gaming outlets would continue to draw customers away from the National Lottery and this would obstruct NLC's pursuit of its mandate.

Low levels of education also make it difficult to distinguish the NLC from the regular government departments that are primarily responsible for service delivery. When such lines are blurred, community frustration arising from poor service delivery could be unleashed on NLC's community programmes. The outcome of this would be an uncooperative disposition of the community towards NLC's projects.

- *Role of the media*

The media plays a role of keeping the public informed, and also speaking truth to power particularly in the spirit of democracy and good governance. The media therefore is able to break and peddle truths and untruths at the same time. In cases where truthful stories unveil malpractices, the brand of affected organisations suffer significantly. The impact is also not different for cases where the media for known or unknown reasons, embarks on inaccurate reporting and the pursuit of sinister agendas.

The burgeoning problems with the media have been well documented. In South Africa, there is a tendency for the press to play up and dwell on stories that are sensational - murders, car crashes, corruption, kidnappings, sex scandals and the like. In a study by the South African National Editors Forum (2016):

- 80% of the public indicated that journalists chase sensational stories because they think it will sell papers; not because they think it is important news
- 85% of the public felt that newspapers frequently over- dramatize some news stories just to sell more papers

The Technological Sub-Environment

Trends in the Technological sub-environment

Unavoidable and broadened in scope, technological changes influence numerous parts of an organisation. These effects find expression in services, products, processes and materials that are employed for operations or produced for an identified market. Interestingly, the technological sub- environment has the potential to affect organisations faster than the other sub-environments.

Given the rapid pace of technological change and risk of disruption, it has become necessary for organisations to meticulously scrutinise the technological segment (Grodal, 2015) in order

to fashion strategic approaches that are relevant. The significance of such scrutiny is amplified by the finding that early adopters of new innovations regularly attain higher market share and consequently earn higher returns. Therefore, both large and small organisations ought to constantly scan the general environment to recognise potential alternates for technologies that are available and emergent technologies that could be used to support a competitive advantage (Fuentelsaz, Garrido & Maicas, 2015).

The technological sub-environment gives rise to opportunities and threats that can either support or hinder a company's efforts to achieve strategic competitiveness. Notably, occurrences in the technological sub-environment can drive changes in the lottery sector especially as they lend themselves to the advancement of product developments and increased adoption rates. At the epicentre of many of the technological developments that have had ramifications for business organisations, is the emergence and increased utilisation of the internet space.

The leap in internet usage has actually been astronomical. In 2000, there were only 394 million internet users scattered across the world and this figure has grown rapidly to almost 7.75 billion, in 2019. Interestingly, the African continent outstrips the rest of the world, as far as growth in internet usage is concerned. While Africa accounted for a mere 2% of global internet users in 2005, it is currently responsible for approximately 28.2% of the global population of internet users (MarketLine, 2019a).

In the specific case of South Africa, the rate of internet access is growing though the extent of internet penetration is generally considered as moderate.

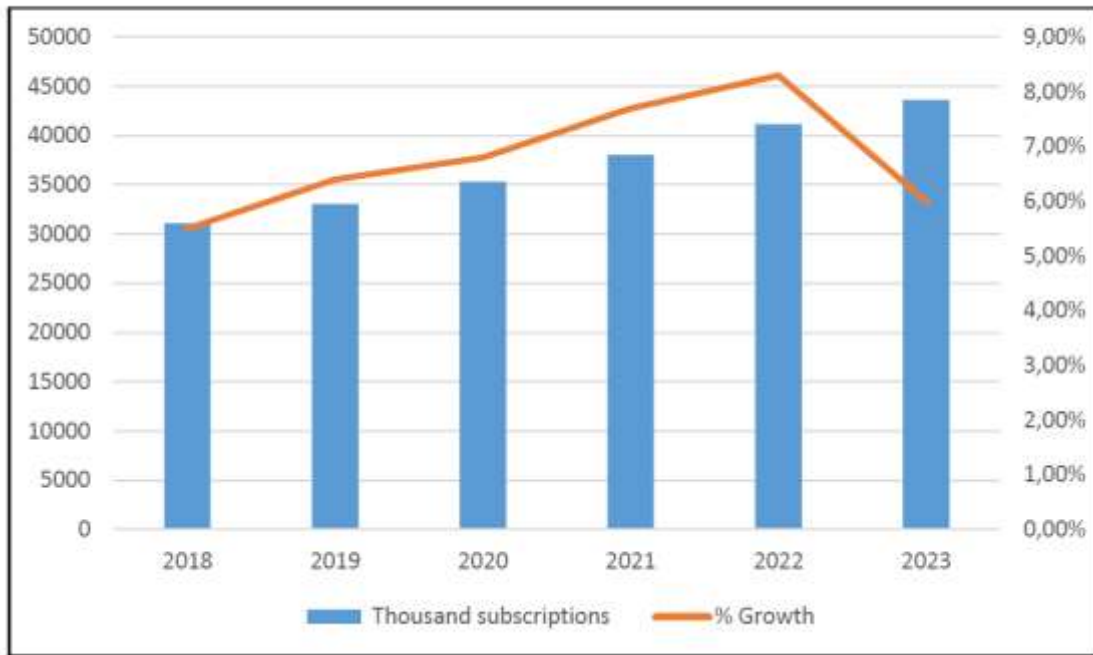


Figure 7: South Africa internet access market volume forecast: thousand subscriptions, 2018–2023

Source: MarketLine (2019a)

This assessment is cognisant of the fact that as observed by MarketLine (2019a), only about 56% of the South African population are active internet users, only 28% of households in South Africa have a personal computer while all others typically access the internet through their smartphones. As depicted in figure 7, the compound annual growth rate of the internet access market in the period 2018–23 is forecasted to be 7%, although this may be surpassed with the introduction of the 5G.

Under its National Broadband Policy, the government is planning to enhance broadband speed and coverage across the country, prioritising schools, healthcare, and public sector facilities. This will drive opportunities for fixed operators and infrastructure vendors and consequently all those who derive sales from this market. Certainly, developments in the technological sub-environment have provided opportunities for interested organisations to improve their operations and the case is not different for the NLC.

Extant Opportunities in the Technological sub-environment

- *Increased access to the internet*

The National Lottery saw a surge in users registering to play the lottery online as the country was in lockdown as a result of the COVID-19 pandemic. Ithuba reported 42,000 new players signed up to play on their mobile app at the onset of lockdown, which provided a safer and more convenient means to play online and this means that over 883,000 players (Caboz, 2020) now play the national lottery.

An international surge in online lottery sales stems from increasing influence of technologies that have made it easier to purchase tickets online. These technological advancements are set to alter customer behaviour and fuel growth in this sector. Therefore, as more and more South Africans gain access to the internet, the option for organisations like the NLC to serve more of the population through an online medium becomes possible. The online medium therefore has the potential to extend the lure of the lottery to audiences for whom the rigours of going to purchase tickets physically may have sometimes been prohibitive. In effect, the situation of higher levels of internet usage is favourable for the NLC, as it inevitably expands the market of potential patrons.

- *Availability of the blockchain technology*

In the era of the fourth industrial revolution, technology can be leveraged to optimise lottery games while ensuring fairness and transparency. Given that NLC as the regulator is tasked with bestowing trust in a lottery system, the discharge of this responsibility can become increasingly complicated as increased numbers of people and organisations rely more and more on online systems. The emerging blockchain technology however shows traces of being a possible antidote for issues of fairness and transparency faced by lottery industries (Swan, 2015).

Utilising a blockchain-based framework could prompt decentralisation as it would apply a system of hubs containing the punters. The blockchain technology which is at the heart of the bitcoin and other virtual currencies, is an open, distributed ledger that can record transactions between two parties in an efficient manner, in a verifiable form and in a permanent way. In a recent survey, global business leaders were asked what best describes how they currently view the relevance

of blockchain in their business in the coming 24 months and the results are illustrated in figure 8.



Figure 8: Views of blockchain’s relevance within organisations (2019 vs. 2018)

Source: Deloitte Touche (2019)

The results of the survey clearly highlight the extent to which blockchain is being adapted into various applications outside crypto currencies and its increasing relevance. While the notion of using blockchain for a lottery system is not novel, the benefits of its adoption by organisations especially with extensive numbers of transactions can be substantial. As a regulatory body, providing an enabling environment for such technological innovations is critical. The need for a regulatory body like the NLC to recognise the effects that blockchain applications can have, may be pivotal even if it only propels the NLC to create an environment that encourages enterprises in the business of lotteries to adopt the blockchain technology. This is the background against which the availability of the blockchain technology, amounts to an opportunity that could be considered for exploitation by the NLC.

- ***Application Programming Interfaces possibilities***

Though application programming interfaces (APIs) have existed for some time now, the systemic move to online integration and the improvements of machine learning have culminated in what some have called the API economy. As a result, APIs have been elevated from a development technique to a business model driver and boardroom consideration. To this

end, the availability of the API for the improvement of organisational functions is a favourable occurrence.

Traditionally thought of as extensions of a software company or platform, APIs have transformed into so much more; driving value chain activities across various sectors and allowing companies to grow at unprecedented rates by sharing services with external stakeholders. More importantly, APIs have garnished a new era in promoting effectiveness and efficiency in dealings with regulatory partners while providing a more robust and secure form of business integration (Myers & Stylos, 2016). For instance, regulators of the Revised Payment Service Directive and the Cash Management Account in the UK have induced an 'Open Banking Ecosystem' through the forced adoption of open API or public APIs that aim to break up a largely enclosed financial service infrastructure. The API enables this by giving third-party providers access to banking account through its routines, protocols and tools. APIs can enable smaller market participants to sell tickets and provide additional complimentary services. With the internet-of-things bringing digitisation to a multitude of products and services, the impact of APIs has risen far beyond technology firms.

Furthermore, the application of data science technologies such as big data, artificial intelligence (AI), Internet of Things ('IoT'), predictive analytics and behavioural analytics are poised to revolutionise regulation and compliance (Ranchordás & Klop, 2018) locally as well as globally. For instance, for state regulators, the use of chatbots and intelligent assistants for public engagement, robo-advisors to support regulators, real-time management of the compliance ecosystem using IoT, automated compliance/regulation tools, online regulatory and dispute resolution systems, and in future regulations encoded as understandable and executable computer programs (Treleaven & Gray, 2019) could all, individually or in concert enhance operations in organisations like the NLC.

Extant Threats in the Technological sub-environment

- *Cyberattack incidents*

Lotteries are built on integrity. This integrity can, however, be viewed as a commodity that is difficult for lottery operators and regulators to defend; especially as it pertains to online information and transactions. This is due, in part, to the increasingly complex and dynamic nature

of cybercrime that beyond the loss of invaluable information, can rapidly weaken stakeholder confidence in the integrity of a lottery system (Boda, 2020). The threat posed by a cyberattack within the technological sub-environment has become pronounced as the lottery operators, transition further online.

With the levels of increased sophistication that attends cybercrime, more time, human and material resources have to be dedicated to resolving cyber-attacks whenever they occur. IBM (2020) estimates the average cost of a data breach in an organisation to be around USD 3.86 million. Due to a cyberattack incident, Camelot, which runs the UK National Lottery, advised over 10 million players in 2018 to change their passwords as hackers had hit several online accounts of the lottery.

In South Africa, an attempted cyberattack resulted in the shutdown of the City of Johannesburg's systems (Retief, 2019) and caused immense panic in the polity. The network breach, which resulted in unauthorised access to the city's information systems, highlight how vulnerable some vital local systems are and understandably, the NLC will not be immune to such attacks. It is important to emphasise that one major cyberattack can inflict long term damage on the integrity of the national lottery system and so cyberattacks pose a threat that organisations like the NLC have to take seriously.

- *High cost of data*

As industries migrate more of their service offerings online, often resulting in cheaper transaction costs, more consumer convenience and greater added value, the impact of data costs must also be taken into consideration. Despite government efforts to drive down broadband costs, South Africa still arguably has the most expensive mobile data on the continent.

Figure 9 illustrates the countries colour-coded by the average price of one gigabyte (1GB) of mobile data. South Africa ranks 148 out of 228 countries on the price of mobile bandwidth, ranked from the lowest price to the highest price. The average price of 1GB in SA is R88 or \$4.30. That positions South Africa within the same region as the likes of Japan (137th) and Germany (140th) whose levels of unemployment, poverty and inequality pale into insignificance when compared against those of South Africa.

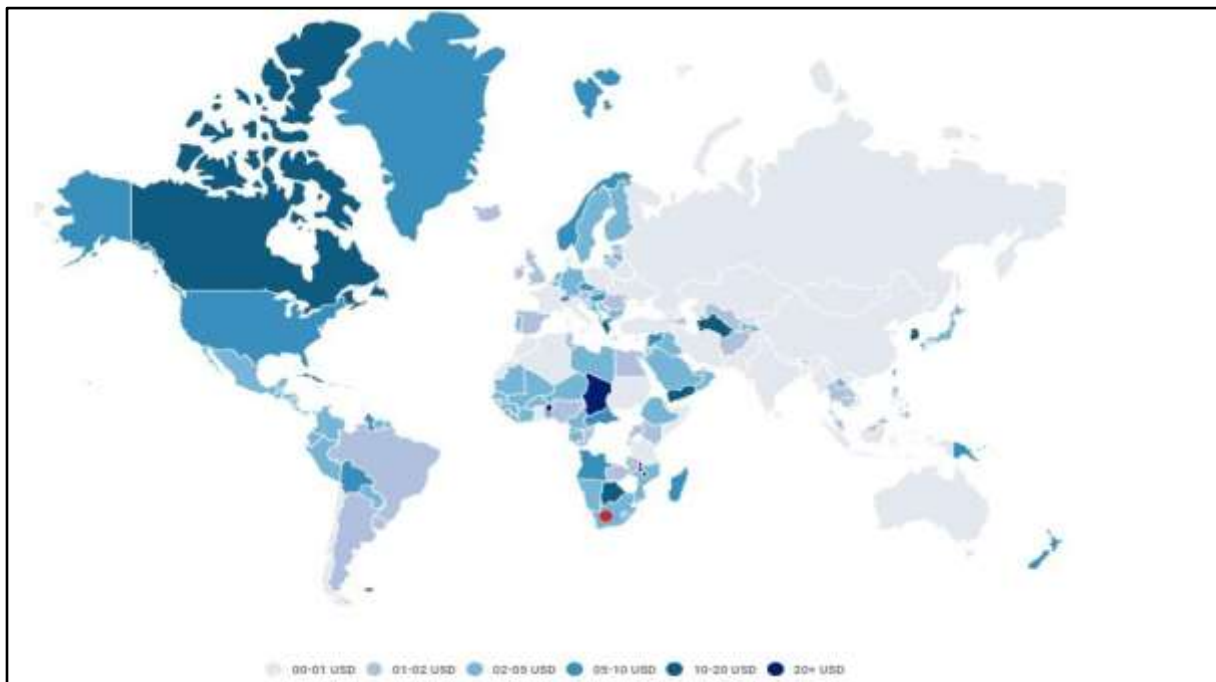


Figure 9: The cost of 1GB of mobile data across 228 countries

Source: Howdle (2020)

The high cost of data inevitably means that a sizeable proportion of the population cannot afford data, as they channel their resources towards more basic needs. The corollary of this is the inability to play the lottery, online, which diminishes possible revenues that might accrue to the NLC. While zero-rated internet services offered by many of the financial services apps have been able to overcome this problem, this cost is not entirely avoided but rather transferred. Furthermore, these zero-rated internet services do not extend to various other lottery competitions.

- ***Proliferation of online illegal lotteries***

The NLC is required by legislation to control, track and regulate all lottery operations in South Africa and to protect lottery operations against fraudulent schemes, to guard the prize money of winners, to enforce measures to discourage underage and unfair play and to ensure accountability. Whilst the popularity of playing online might be deemed as a source of growth, it also poses some evident threats. For instance, offshore lotteries with larger jackpots have become more accessible (Mail & Guardian, 2018) to the local South African market and this threatens the NLC.

In addition, illegal lotteries have also become prominent online, posing a serious threat to the National Lottery and the various other lotteries or competitions that fall within the jurisdiction of the NLC. Furthermore, as global crypto-currency maintains its popularity and application in illegal lotteries, it will continue to be difficult to counteract these operations. A study into the impact of illegal lotteries in South Africa conducted by the NLC (2019), revealed that if left unchecked, the havoc that such illegal operations may wreak may be irredeemable. More recent data suggest that the threat of illegal online lotteries remains prevalent (MarketLine, 2020a) and is therefore deserving of some attention by the NLC.

The Ecological Sub-Environment

Trends in the Ecological sub-environment

The ecological sub-environment refers to possible and current changes in the physical environment (Hitt, Ireland & Hoskisson, 2017). The environment is a fast-growing consideration in business studies and practice. Organisations now need to concern themselves with trends oriented to sustaining the world's physical environment. Companies recognise that ecological, social, and economic systems interactively influence what happens in this particular sub-environment and that they are part of an interconnected global society (Larraneta, Zahra & Gonzalez, 2014). Given the role of the NLC in society, the ecological sub-environment should be carefully considered as the organisation has an obligation, beyond its mandate, to reflect on its own impact on the environment.

South Africa is renowned for its distinctive and diverse environmental landscape. The South African government has worked together with other emerging economies to ensure safer urban biodiversity while it unapologetically advocates for environmental sustainability efforts. The National Climate Change Response Policy of South Africa outlines clear strategies for responding to climate change in the aim of pursuing a green economy. To some extent, the development of the policy has been necessitated by, South Africa's adoption of the UN Agenda 21 that aims to achieve global sustainable development.

To this end, South Africa has increased its efforts to promote green energy in various arenas. The South African government is encouraging investment in renewable energy and is collaborating with other countries to develop four renewable power plants with a combined installed capacity of 288 MW. This forms part of the arrangement with Multilateral Investment Guarantee Agency (MIGA) - a subsidiary of the World Bank Group - that is expected to invest USD116m in the four power plants. In the COP 21 Paris agreement, the country pledged to keep the greenhouse gas (GHG) emissions trajectory range between 398 and 614 Mt carbon-dioxide equivalent by 2025 to 2030 (USAID, 2016). The instruments that are expected to be used to achieve the target are carbon taxes, emission reduction outcomes for sectors, company level carbon budgets, and regulatory standards and controls.

Generally, the country is facing a complex agenda in relation to its ecological sub environment. Figure 10 presents an outline of South Africa’s environmental landscape.



Figure 10: South Africa’s Environmental Landscape

Source: (MarketLine (2020b))

Recent acid mine drainage is a major health and safety concern and the rise in rhino poaching is threatening the very existence of the species (MarketLine, 2019b). It would seem, though, that the country is certainly committed to addressing the ecological challenges that it faces. Perhaps the NLC may contribute to these efforts by carefully considering factors in the ecological sub-environment as it crafts its strategy for the present and the future.

Extant Opportunities in the Ecological sub-environment

- *Insufficient green projects in local communities*

Many of the charities and non-profit organisations that are supported by the NLC possibly reside in local communities. These local communities are most vulnerable to the risks posed by natural disasters and increasing carbon emissions.

For the local communities, many of whom are disadvantaged, obtaining hot water from a tap

can be a luxury, regardless of whether it flows from a traditional or solar geyser. The norm in these communities seems to be a dependence on fuels like paraffin, coal and wood for heat to be utilised to boil water and other things. The reliance on these fuels poses health problems and fire safety risks for these homes. Knowing this, the availability of systems based on renewable energy sources, poses an attractive prospect as this can be exploited to catalyse the socio-economic revival of rural communities.

The fact that many communities lack basic services created on the basis of ecologically conscious solutions is certainly a gap that is worthy to be filled. Such solutions, which often integrate renewable energy provisions, have the tendency to save significant amounts of energy and water while contributing to the overall preservation of the natural environment. There is therefore some fertile ground for the sowing of seeds that would strengthen the resilience of ecosystems to climate-induced change.



Figure 11: Papwa Sewgolom Golf Course, Durban, South Africa.

Figure 11 illustrates how poor communities are interconnected with the larger society and so these communities must be included in all efforts to promote a more sustainable society. In essence, the absence of green projects that enhance ecosystems and improve the economic and social well-being of communities, presents veritable ground for developmental interventions and constitutes an opportunity. Exploiting this opportunity could give environmental relevance to the endeavours of the NLC, especially in an era when the challenge of global warming has become evident to most people.

- *Positive attitude towards “green” or ecological products*

The attitude of South Africans toward “green” or ecologically-friendly products has shifted in recent years, though it still lags behind that of many developed nations. Conditioning societies to support the rhetoric that will drive the necessary changes in our behaviour has proven difficult. While the SDGs have featured prominently among politicians and multinational corporations, the only meaningful change will only take place on the ground with business and consumer support.

As the NLC drives impact through their grant funding model in a manner that aims to change people’s lives, due consideration could be accorded to the need for the changing of mind-sets as this moulds the psyche of society. It is therefore unsurprising that green marketing or ecological marketing has become a subject of interesting discourse in today’s fast-paced society. As Drucker (2007) argues:

“Every social and global issue is a business opportunity just waiting for the right kind of inventive entrepreneurship, the right kind of investment, the right kind of collective action.”

The absence of a renowned driving force or beacon of environmental protection in the league of public and private sector institutions leaves an opening that can be filled by a well-meaning organisation. The coat of credibility that society adorns institutions that champion such causes enhances the affinity for them, among the people. Society’s preference to reduce, recycle, or eliminate waste can be latched upon to demonstrate how in-tune an organisation, like the NLC is with the leanings of the people.

This is itself a master-stroke in stakeholder management as it demonstrates that some of the objectives of the organisation are duly reconciled with the aspirations of society. The options of waste-free digital substitutes to printed tickets and paper play-slips, and web based purchases rather than physical play stations are certainly available in today’s world and these substantially align with the growing ‘green’ attitude of the South African population

- *Carbon offsetting incentives*

South Africa is one of Africa’s most industrialised nations and has the continent’s second largest economy after Nigeria. After attaining its democracy, its economy has more than tripled in size. While it currently ranks 32nd in the world, the country is the world’s 14th largest emitter of greenhouse gases (GHGs). As Figure 12 illustrates, South Africa’s contribution to

global carbon emissions is expected to continue rising.

Funding is a major influencer in driving down a country's carbon emissions. Some institutions are allocating capital and steering funding flows towards more low carbon, climate resilient activities. Others are taking steps to change business behaviour by embedding climate concourse incentives into their funding conditions. The need to reduce carbon emissions represents an opportunity as organisations seek to move towards more environmentally friendly operations.

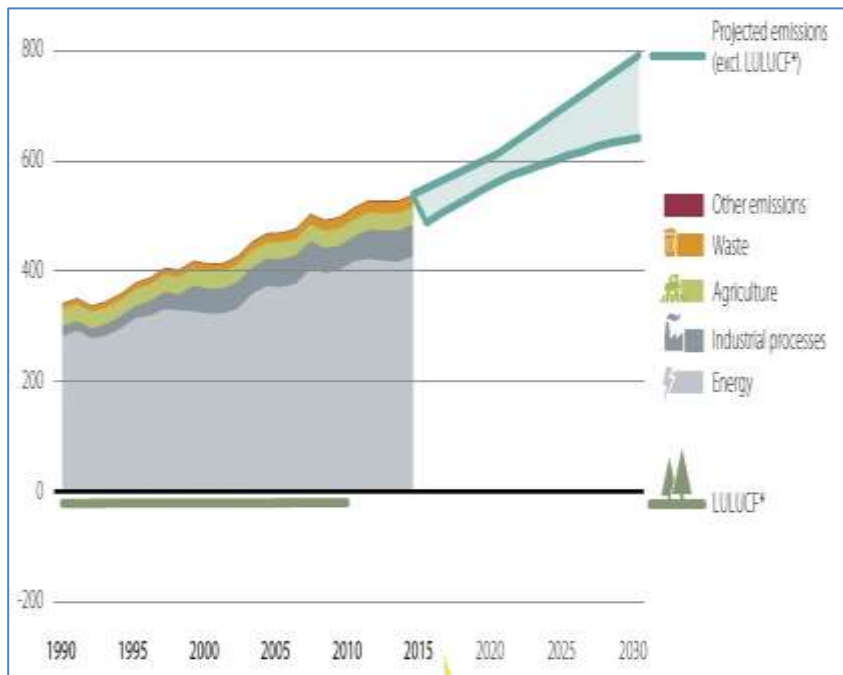


Figure 12: Total emissions across sectors (MtCO2e/year)

Source: Climate Transparency (2017)

- **Natural disasters**

Meteorologists believe that climate change will lead to an increase in natural disasters, particularly in Africa, because the continent is warming faster than the rest of the world (Coulibaly, Islam & Managi, 2020). The case of natural disasters in South Africa is especially instructive as they seem to occur almost on a yearly basis. These disasters typically take the form of flooding and fires. Indeed, climate change is extending the fire season in Southern Africa owing to high sun-temperatures which has increased the number of extreme fire-danger days in the year.

The costs associated with these natural disasters are quite significant as in the case of fires, substantial damage is done to the ecosystem owing to plants being consumed by fires. In some cases, property and even lives are lost to these fires. To make matters worse, research suggests that the incidence of 'mega fires' is on the rise (Forsyth, Maitre, van den Dool, Firesun, Walls, Pharoah & Fortune, 2019).

The nature of losses is not necessarily different when the natural disaster relates to floods. The floods sweep away property, erode the land and in some cases results in the loss of lives. The recurrent nature of these natural disasters possibly exposes the fact, that stakeholders who are committed to arresting the scourge of the natural disasters have been more reactive than proactive.

On this score therefore, a gap exists in the ecological sub-environment, which if filled may reduce the propensity of occurrence of these natural disasters. In a sense, the existing situation amounts to an opportunity for an organisation that might be able to fashion a more proactive approach towards managing the natural disasters.

Extant Threats in the Ecological sub-environment

- *Pressurising environmental activism*

As in the case of most lottery regulators, they often gain the attention of the media and consequently that of activists as they control the flows of substantial amounts of grant funding. The press and activists can sometimes, through their agitation, encumber the allocation of grants. The extent of threat that environmental activists pose cannot be easily estimated, especially for organisations who have not wholly subscribed to the pursuit of environmental protection and sustainability.

Environmental activists have the potential to sway public opinion against a targeted organisation. While many of NLC's projects may not be at a scale where they attract the close scrutiny of environmental activists, it would be unnecessary to wait for the scrutiny before an organisation begins to signal that it functions in an environmentally-friendly manner.

- *Adverse climate change*

South Africa’s National Climate Change Response White Paper (NCCRWP) and the NDP address the immediate and observed threats of climate change to the society, economy and environment and provide the basis for tracking South Africa’s transition to a climate resilient society and lower carbon economy. Numerous studies have signaled that the impact of the COVID-19 pandemic has led to an unrivalled drop in carbon output. Despite this massive fall in carbon-dioxide emissions this year, the concentrations of carbon-dioxide that are already in the atmosphere and warming our planet will not stabilise until the world reaches net-zero.

As shown in figure 13, subsequent to the Spanish flu which took millions of lives over 100 years ago, the worldwide expansion of emissions of carbon- dioxide, from the use of oil, gas and coal has risen massively. The commission, as of all organisations, bound by NCCRWP and NDP must continue to drive the necessary changes in their arenas to enact the changes required to combat the country’s carbon-dioxide emissions as its contribution towards managing the unfavourable change in the climate.

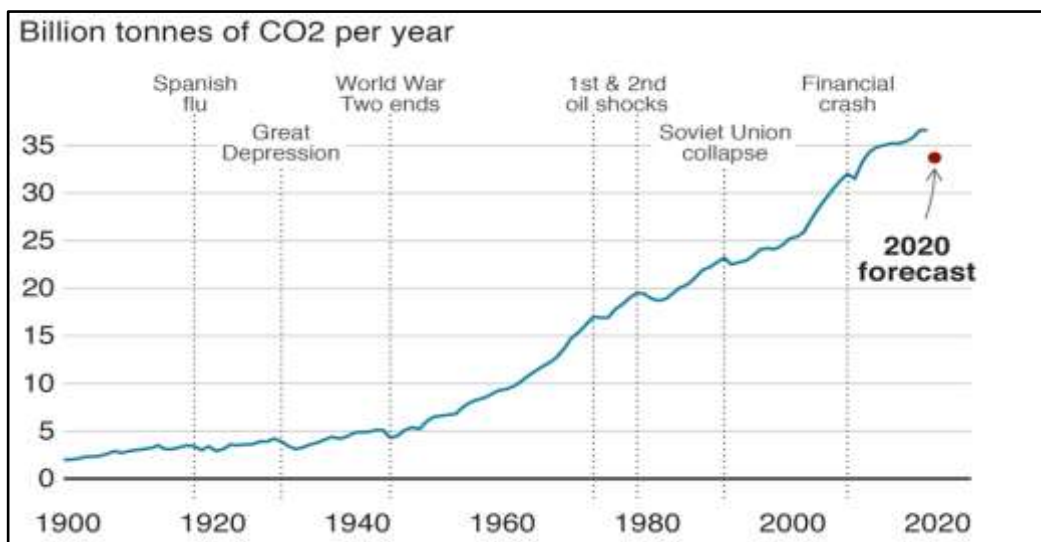


Figure 13: Global CO2 emissions, 1900– present

Source: McGrath (2020)

The impact of adherence to some of these climate change statutes amounts to the commitment of resources to them. Invariably, this could deplete resources that would be earmarked for other endeavours that are more squarely in line with NLC’s mandate and that makes climate change a threat in the ecological sub-environment.

The Legal Sub-Environment

Trends in the Legal sub-environment

The legal environment is underpinned by the constitutional mandate. It consists of laws that regulate institutional activities across the South African state. These laws as well as regulations and policies, as enacted by the legislature and adopted by government, constitute the legal framework. The legal framework in South Africa is well developed and robust, consisting of both domestic/national laws and international conventions that apply to activities within the South African jurisdiction and may have implications, in this instance, for the NLC and other public institutions.

To date, several Acts have been enacted and/or sharpened through amendments. This is often done to ensure better functioning of the relevant instruments and agencies. The National Lotteries Act (no. 57 of 1997) for instance, was amended in 2015, to improve its fitness for purpose, and like many others could be amended further, if warranted. This suggests that there is a continued willingness on the part of the legislative arm of government to improve various legislative instruments to meet the developmental objectives of the country.

In some instances, the enactment and/or amendment of these Acts have been driven or initiated by public interest. For instance, with the increase of Gender Based Violence (GBV), calls are intensifying for the necessary legal instruments to be used to bring about the desired outcome, where the GBV scourge is reduced significantly or even eliminated altogether. However, such advocacy demands are considered within a larger legal environment.

The legal framework is also an enabler of government efforts, even in uncertain times. The example of the Disaster Management Act underpinning the management of the COVID-19 lockdown period in March 2020 demonstrates this. Expectedly, segments of society challenged the rationality of the executive decisions and the issues related to them were

ventilated in court.

The above insights provide a glance into the dynamism in the South African legal environment. It shows the dynamic relationship between societal policy preferences (GBV related advocacy, or even land reform advocacy) and legislative instruments (legislative reform). It also demonstrates the independence of the judiciary. Accordingly, the Chief Justice of the country, Justice Mogoeng notes that:

“the rule of law is one of the constitutional controls available for the regulation of public power. The legislature and executive are constrained by the principle and they should exercise no function beyond that conferred to them by the law... when the judiciary enjoys both individual and institutional independence and is faithful to its constitutional mandate, then peace, good governance and sustainable development is achievable”.

Extant Opportunities in the Legal sub-environment

- *Legal endorsement through the Lotteries Act*

The South African constitution is the cornerstone of the legislative and regulatory framework of the country. So, policies that contradict the constitution are deemed invalid. Within the public administration space in South Africa, the key governance principles of accountability, openness and transparency are guiding pillars.

The development of the Lotteries Act (No 57 of 1997) as amended in 2015, governs the mandate of the NLC and has an impact on the work of the institution. It demonstrates the state’s endorsement of the need for and contribution that NLC makes to the South African developmental state. The Act specifically entrusts the NLC with the regulatory role in the sector i.e.:

- Regulating and/or prohibiting private lotteries and sports pools and all related matters.
- Ensuring due propriety in the conduct of National lottery and sports pools including licensing
- Allocating grants for identified and worthy good causes

Thus, this singular legislative instrument allows NLC to contribute to social development priorities and social upliftment in order to tackle the triple challenges of poverty, unemployment and inequality, all of which are national priorities. In pursuance of government obligations, NLC is in the process of remedying “challenges with the legislation” to ensure that it is well placed through this explicit mandate as a sector leader.

- *Well-developed policy architectural framework*

A well-developed policy framework is as a result of very many legal instruments that together form the base for the guidance of institutional activities and ultimately, the achievement of desired goals. Over the years, various policies have been developed for specific goals however, they are not implemented in isolation. These policies interact in the policy framework and all together may impact on the activities of an organization such as the NLC.

Within the NLC policy framework, a number of policies interact to support NLC’s work. Some of these are identifiable (including the Lotteries Act 57 of 1997, being a key Act for the sector) and implemented alongside a range of other policies. The quality of the policies is vital as their nature may be varied and thus, they may support various aspects of the work that the NLC does. For example, these policies could be regulatory, administrative, redistributive, economic or social in nature but still have relevance for NLC. Thus, the policy appropriateness would either support or hinder the attainment of NLC’s desired outcomes.

To this end, the Consumer Protection Act (No 68 of 2008), the B-BBEE Act (No 53 of 2003), treasury regulation and good governance principles, the PFMA (No 1 of 1999), are some of the important legal instruments that frame the architecture and make up the policy corridor that adds value to the work that the NLC is currently doing. The existence and coherence of these instruments act as enablers of NLC’s work and so to this extent, they are favourable conditions that NLC can exploit to better actualise its mandate.

Extant Threats in the Legal sub-environment

- *Possible Litigations against the NLC*

With the increasing pool of applicants for various funding opportunities managed by the NLC, the reality is that some applications would not be successful. Besides, the possibility of discontent with projects that NLC is executing in communities also exists. Currently, while a dispute resolution mechanism is in place within the NLC and has indeed reduced the chances of litigation in courts of law, in an economically-challenging environment as expected post-COVID-19 pandemic era, rising dissatisfaction, discontent and anger may fuel an inclination for the lodging of claims in courts. This is because aggrieved persons typically strive to explore all possible options to realise more favourable judgements. The litigation that arises from lodging claims against the NLC can be lengthy, especially as the wheels of justice typically turn relatively slowly.

Generally, litigations have substantial resource implications. So, the immediate consequence of the threat of litigations is the strain that it might put on the funds of the NLC. More profoundly, however, litigations are an unwelcome distraction for the management; the implication of which is that energies that may have been channeled towards more constructive NLC initiatives are dispensed on the lawsuits.

More to this, for many litigations involving state-owned institutions like the NLC, there is a parallel public jury of interested citizens outside the judicial system that operates from the premise that the institution is guilty until it proves itself as innocent. This would have a negative effect on the image of the NLC and impede the institutions journey towards realising its goals. Consequently, such litigations constitute a threat to the NLC, given their propensity to negatively interfere with the organisation's functions.

- *The Application of the Protection of Personal Information Act 4 of 2013 (POPI)*

The POPI Act seeks to give effect to the constitutional right to privacy, by safeguarding personal information as defined in the Act, when processed by a responsible party. In that regard, POPI makes provision for justifiable limitations, which are aimed at balancing the right to privacy against other fundamental rights, particularly the right of access to information. The NLC, as a public entity

as defined in the POPI Act, is under obligation to safeguard personal information in its custody, in accordance with the POPI Act. The NLC's obligations in compliance with POPI must be read in conjunction with its obligations in terms of its governing legislation, the Lotteries Act, in particular, the obligation to open and transparent governance.

- *Role ambiguity*

Lottery is perceived as a form of gambling. While there may be some distinguishing elements, there may be overlaps in meaning and in practice. Thus, the concepts of gambling and lottery may be intertwined in meaning and application. To this end, there are varied conceptualizations as different countries and jurisdictions have sought to regulate either or both activities with one legislative instrument or separately. Regardless, the need for clarity still exists in the terms and in practice.

In the South African context, this issue may be blurred and it could help to iron out real or perceived overlaps in the guiding legislations (including Gambling Act 7 of 2004 and the Lotteries Act 57 of 1997, as amended) as well as role clarification of key structures such as the NLC, Gambling board, Provincial Gambling Boards etc. as unclear mandates are already heightening competition and have an impact on the management of activities in the 'gaming' sector.

Currently, promotional competitions that meet the conditions of lottery cannot be authorized in terms of the amended Act, thereby impacting on NLC's regulatory authority. This is against the background that NLC has a better understanding of the workings of lottery schemes and may therefore be better placed to authorize and regulate games of chance. This threat of role ambiguity is further emphasized by the continued existence of different regulators including provincial structures.

- *Limited regulatory governance capacity*

There is now even more increased competitiveness in the sector because of the emergence of 'new' gaming modes. This increase in actors brings about a proliferation of lotteries and is likely to intensify unsavoury practices and pose a threat; a situation exacerbated by the slow economy and reducing market share. This lottery 'black market' is a major threat and may be as a result of various factors including lagging behind emerging contemporary practices.

The threat of inadequate legal provisions for effective enforcement (including the regulation of online lotteries, some of which may be illegal or foreign) is complex as NLC has no prosecutorial powers and relies on relevant state agencies, all of whom are external agencies. With reliance on the present state infrastructure (which is currently over-subscribed and dealing with a range of capacity and capability issues), this threat is heightened and adversely impacts the regulatory mandate of the NLC.

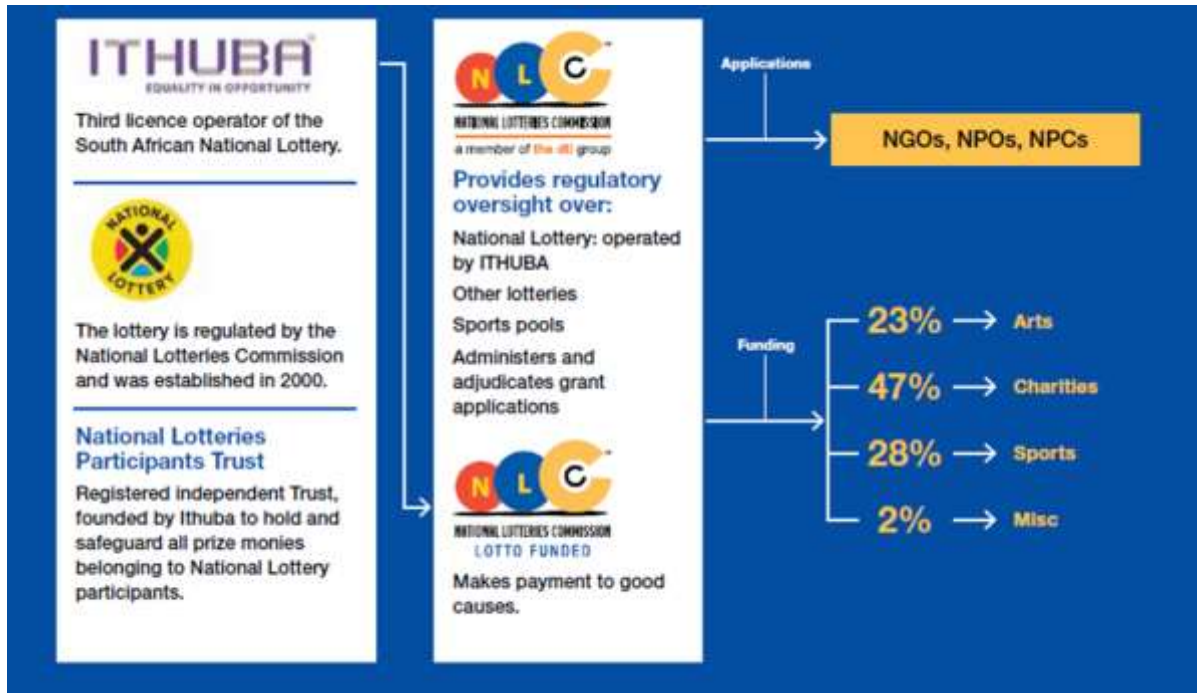
- *Restrictive legislated revenue-generation prescription*

At present, there is basically only one source of revenue for NLC, being a percentage of the proceeds from the National Lottery and sports pools. In an era where diversification of revenue streams seems to be an attractive option for organisational sustainability, the legislation that guides the operations of the NLC appears grossly restrictive.

This factor equates to a threat as it restrains the NLC from exploring other avenues that could have helped boost its revenue. Suffice it to say that increased revenues would be expected to enable the organisation achieve more in South African communities as dictated by its mandate. While this threat may not necessarily change in its make-up, the net effect that it would have on NLC's operations is likely to increase with the years. This is because as revenues from the single source reduce, the organisation would find it increasingly difficult to execute its initiatives.

4.2 Internal Environment

As an independent regulatory body that serves the public interest with integrity and professionalism, the NLC creates value by carrying out two primary activities as demonstrated by the operational mandate illustrated below:



The NLC has a national footprint with 9 provincial offices and a total staff complement of approximately 300 employees. The NLC is mandated by legislation to regulate, monitor and police lottery and sports pools operations in South Africa and to protect lottery operations from illegal schemes, protect winners' prize monies, implement measures to prevent under-age and excessive play and ensure responsibility. Our value-creation starts with the ordinary South African who become participants when they purchase a lottery ticket. Ithuba Holdings, runs the national lottery and sports pools. A percentage of the proceeds from the sale of tickets are transferred to the NLDTF. Prizes won but not claimed and advance play funds are kept secure in the NLPT. The NLPT is a legal entity constituted in terms of a Trust Deed. The NLDTF received approximately 27% of ticket sales used to fund deserving projects.

The NLC is also mandated to distribute funds in a way that strategically supports the objectives of the National Development Plan ("NDP"). The NLC carries activities to ensure that funds are distributed to worthy good causes. Prospective projects apply through an open call mechanism. Funding is also granted proactively to projects initiated by the Commissioner, Minister or broad-based research. Decisions on grants are made through committees known as the Distributing Agencies.

REGULATORY COMPLIANCE

Regulatory Compliance is the cornerstone of the NLC, holding in custody, the primary mandate of the organisation being that of a Regulator. The NLC’s mandate to regulate all lotteries and sports pools with integrity and ensure protection of all participants is realised through the activities of the Division. The NLC’s regulatory mandate continues to be one of the main priority areas, focusing on monitoring compliance and performance of the National Lottery Operator and Sports Pools against the Amended Lotteries Act and Licence Agreement.

The licence of the current operator expires in May 2023 and the NLC has therefore commenced with the process of the 4th National Lottery and Sports Pool RFP Licencing process.

The NLC ensures optimum and balanced regulation of lottery operators through the Regulatory Compliance model depicted below:



NLC Regulatory Model

Source: Dr Lea Meyer (2013)

Regulating the National Lottery Operator:

The National Lottery comprises of various games of chance, and is mainly built on integrity, which is the main objective of our regulatory work to ensure that the integrity and reputation of the National Lottery and Sports Pools is maintained.

Participant Protection:

The protection of lottery participants further remains top of our agenda for the reviews that we conduct to ensure adherence to the Act and Licence Agreement by the Operator; coupled with the NLC's legislative mandate outlined in the Act to ensure that:

- The National Lottery and sports pools are conducted with all due propriety and strictly in accordance with the Constitution, the Act, all other applicable laws, as well as the Licence for the National Lottery;
- Interests of every participant in the National Lottery are adequately protected; and
- Net proceeds of the National Lottery are as large as possible.

The political, social and economic circumstances and uncertainty on how these environments are affecting the operations of the National Lottery have contributed to the need to explore the participation and attitudes of the general public of South Africa regarding the National Lottery. This priority was set by the National Lotteries Commission at the end of 2018 in support of the need to constantly monitor the changing preferences, attitudes and participation levels of lottery players among the general public.

Against this background, the Bureau of Market Research Proprietary Limited (BMR) of the University of South Africa (Unisa) was commissioned by the NLC to conduct a national representative survey on the attitude, behaviour and participation levels of South Africans in lottery activities and sport pools. In addition, the study aimed to determine the propensity to gamble/play lotteries as well as the extent of household expenditure displaced to gambling/lotteries. To achieve the study objectives, a hybrid of research methods was applied to collect information from 3 090 households across all nine provinces of South Africa. These included internal and external secondary and primary data collection methods that were co-designed in a complementary style to address the research objectives of the study. Whereas the external secondary research was essential to design the survey questionnaire and the sampling plan for the national survey, the internal secondary research largely serves to estimate the propensity and redistributive effect of gambling prizes. In turn, the primary

research constituted computer-aided telephonic and face-to-face personal interviews proportionally distributed across all nine provinces of South Africa.

This quantitative study was further complemented by qualitative research, inclusive of four group discussion sessions among judgmentally sampled lottery and non-lottery participants in the Gauteng, Limpopo and North West provinces.

Key findings include the following:

- The most common reasons for people playing National Lottery games is to win money to (i) improve their standard of living, and (ii) alleviate high levels of unemployment experienced, which contributes to poverty in urban and rural areas.
- Lottery games are seen to be an easy route for many people to get quick cash to get rich.
- People who participated in National Lottery games were also motivated by the contribution of the National Lottery funds for good causes.
- Lotto and PowerBall are the most frequently played games. The relatively higher participation frequency in these games is associated with intensive marketing of the games in the mass media and relatively higher payouts and big jackpot prizes, particularly for PowerBall.
- Participation in games such as Sportstake13 was influenced merely by the interest in sporting activities by participants.
- A general preference for sports games over the lottery games was evident based on the broader betting options and instant payouts of the winnings offered by sports games. The fun element of betting on sports games was also highlighted as reason among those preferring these types of games.
- Inherently low levels of awareness in 'other' National Lottery games (Sportstake 13, Eaziwin, Raffle, Pick 3 and Rapido) were associated with poor marketing of the games, which was cited as the primary reason for the relatively low and/or non-participation in these games.
- Big jackpots attract a considerable number of participants from all walks of life, thus spending on big jackpot tickets is relatively higher than smaller jackpot prizes.
- There is a lot of scepticism regarding the odds of winning National Lottery games.
- There was a general consensus that the odds of winning the Lotto and PowerBall games are very slim particularly for more than three numbers. A number of questions were raised regarding the odds of winning the jackpot and the distribution of winnings thereof. The odds of winning the jackpot were seen to be extremely low if not

impossible, and that raised much suspicion, particularly in cases where very few people win with many numbers while the majority win with a few numbers (such as three numbers), which goes hand-in-hand with meagre payouts.

- The odds of winning with more than three numbers in the lottery were almost non-existent.
- Alternative strategies to mitigate the perennial downside of the National Lottery games associated with lower odds of winning came through strongly and were notable in various ways, including the suggestion to reduce the betting numbers (eg from 52 to 40), allocation and distribution of higher prizes (such as the jackpot prize), to lower winning numbers such as to three numbers (increasing the stake) instead of one person winning the entire jackpot prize.
- A sense of mistrust towards the National Lottery is apparent with participants indicating that they become downhearted by always losing.
- Efforts to provide any form of advice to the NLC to increase the chances of winning are regarded as a pointless exercise.
- The majority of participants in the focus groups were not aware of the Lotteries Act nor the NLC and its role. The lack of awareness of the NLC was attributed to the lack of interest in other gaming aspects except to win money.
- The majority of participants in all focus groups were of the opinion that National Lottery games are affordable.
- Some participants of the focus groups felt strongly that due to the nature of National Lottery games the likelihood of becoming addicted were very slim.
- The time it takes to play (buying a ticket and waiting for the draw in the evening) leads to less frequent play, which is highly unlikely to lead to addiction.
- Interestingly, there were counter-arguments in this regard with some participants being of the opinion that increasing the frequency of play and the amount spent to increase the chances of winning, especially after winning small amounts, may lead to addiction.
- It was also mentioned that people become obsessed with numbers (always thinking about the numbers), which may adversely affect their daily activities (such as poor levels of productivity at work).
- It was further emphasised that winning smaller prizes may trigger a desire to start spending more money to increase the chances of winning big jackpots resulting in irresponsible behaviour.

To improve trust in the National Lottery, enhance participation in National Lottery games and attract new participants, the NLC aims to promote transparency and fairness in the system

and methods used to draw winning Lotto and PowerBall numbers and the elimination of the long time-interval before the draw of winning numbers as an assurance that there is no manipulation of winning numbers through the established “Education and Awareness” mechanism.

We shall further continue to create awareness to lottery participants on game rules and the claim period for prizes to ensure that winners claim their prizes in a timely manner. We also assist participants who had their tickets lost or stolen through the verification processes of the Operator, as well as reporting such theft to the relevant law enforcement agencies. Based on the Board’s directive to give impetus to player protection, the following activities will be reinforced:

- ensuring that the Operator pays prizes promptly by conducting regular reviews of payments to prize winners;
- protecting players against possible fraud, by checking that the Operator implements appropriate security measures to verify the identity of winners who claim prizes;
- conducting reviews to ensure that the Operator protects the anonymity of winners, in line with the Licence requirements;
- approving and monitoring descriptions and procedures for key processes;
- ensuring that clear information is available to players, including information on games available, how to play and how to claim prizes;
- developing an Alternate Dispute Resolution Strategy to address the handling of complaints from players should they be unhappy with the service they have received from either a Retailer, Operator and the NLC, after having exhausted the complaints handling procedures;
- ensuring that there are controls in place to protect players against excessive play; and
- ensuring that there are controls in place to protect against underage play.

Society and other lotteries

With the introduction of the Lotteries Act in 1997, the Fund-raising Act was repealed and introduced a new method for Non-Profit Organisations (NPOs) to raise funds through conducting society lotteries (which must be authorised by the NLC), private lotteries and lotteries incidental to exempt entertainment. Regulatory Enforcement assesses applications for societies and lottery schemes. As part of our campaign to promote sustainability of non-profit organisations (NPOs), we encourage civil society organisations to register society lotteries for the purpose of fund-raising to support their various community-based initiatives. The Act allows an NPO to operate up to 6 schemes in a year raising a maximum of R2 million per scheme.

Competition for the National Lottery

Betting on the outcome of the National Lottery was allowed as a form of bookmaking for betting operators registered with respective provincial gambling boards. This was a great concern both for the Operator and the regulator as it is seen to be in direct competition with the National Lottery. At face value, prize pay-outs from these games offered by bookmakers are far greater than those won when playing the National Lottery. The proposed National Gambling Amendment Bill 2017 amends the definition of permissible “Bets and wagers” in Section 44 and expressly excludes bets on the national lottery, foreign lottery, lottery results and sports pools. It further goes on to explicitly confirm the NLC’s regulatory responsibility for both “numbers betting” and sports pools. Going forward, bets on the outcome of the national lottery and other lotteries will be the jurisdiction of the NLC and these provisions need to be captured in the Amended Lotteries Act.

Illegal Lotteries

There is a general consensus that business innovation is always advancing at lightning speed and regulation is often-times playing catch-up. It emerged that regulation was not seen as the complete solution to deal with illegal lotteries, and alternative approaches to restrict illegal lotteries had to be identified through conducting research. The comprehensive “*Impact of Illegal Lotteries*” (2016) study documented the proliferation of illegal lotteries in the country. It included an analysis of totalisators offering sports pools, fahfee, bookmakers offering fixed odd bets on the outcome of a lottery, some promotional competitions, bets placed on international lotteries and lottery scams. According to the study, the amount typically lost to the economy equates to R6 billion per annum. Historically, the NLC took punitive action against the operators of these illegal lottery schemes. However, NLC has considered the

possibility of legalising and licensing some additional lottery schemes. In this way, to adapt the famous US anti-prohibition saying to our current purpose, we hope to bring popular but illegal games “out of the underground and into the sunlight” where they can be appropriately monitored and regulated. In this way, the reputation and integrity of the National Lottery can best be protected, whilst revenues for the National Lottery and for good causes are maximised. This subsequently led to the “*Feasibility Study on the Regulation of Illegal Lotteries*”. In essence, the study gives rise to a number of recommendations, including amending the current legislation; blurred lines of regulatory responsibility and jurisdiction between the lotteries and gambling legislation; and the consideration of new regulatory approaches.

Investigations

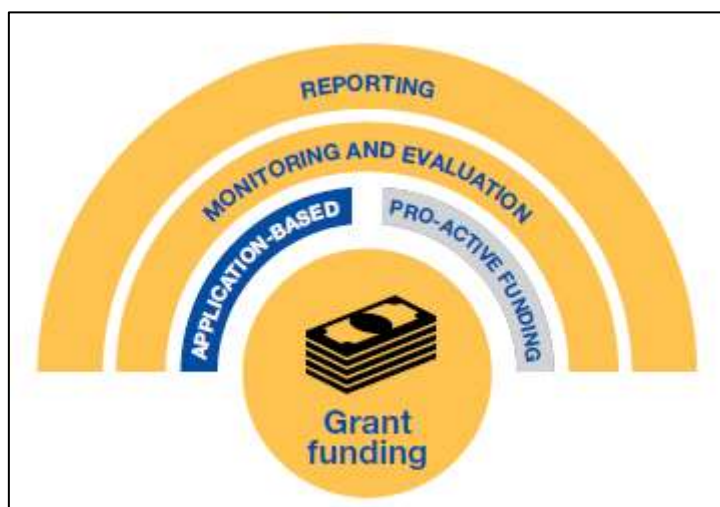
Promotional competitions, which are regulated under the Consumer Protection Act, taking the form of lotteries, have been the subject of investigations. Operators of these activities who are found to be in contravention of the Lotteries Act are issued warning letters, letters of demand, and mostly signed undertakings to cease with their operations and properly register their lotteries, where applicable. Promotional competitions are always difficult to regulate, as they are both a form of lottery and a tool to promote business. Section 36 of the Consumer Protection Act (CPA) defines promotional competitions as “any competition, game, scheme, arrangement, system, plan or device for distributing prizes by lot or chance”. This definition applies regardless of whether participants need to demonstrate any skill or ability in order to win a prize. Due to the element of chance, promotional competitions are often categorised as lotteries or gambling. The massive expansion in social media in South Africa has made promotional competitions an increasingly popular way for businesses to interact with potential customers. Promotional competitions may not charge a consideration or subscription as a condition of entry. As such, they are not supposed to compete with the National Lottery and are not intended to be money-making schemes in their own right. The Impact of Illegal Lotteries study confirmed that this does not always occur, and that many promotional competitions “either charge too high an entry fee, sell more than the allowed number of tickets, or have a prize where the value exceeds a prescribed limit. As a result, these promotional competitions are being run more for commercial gain than for promotional purposes” (NLC 2016: 38). It is clear that promotional competitions are abused, and that many illegal schemes are offered under the guise of promotional competitions. Some form of regulation is needed to protect consumers from this abuse.

The Lotteries Amendment Act, 2013 removed the definition of a promotional competition from the Lotteries Act, despite the fact that the term is still used in sections 1, 56, and 57 of the

Lotteries Act. This means that promotional competitions that meet the conditions of a lottery cannot be authorised in terms of the Act. The argument in favour of the NLC regulating promotional competitions directly is that the NLC has a better understanding of the workings of lottery schemes and is therefore better placed to regulate this particular game of chance and to protect the consumer. From this perspective, the Lotteries Act should be amended to make provision for both the authorisation and the regulation of promotional competitions.

GRANT MAKING

Grant Funding Department is responsible for ensuring that grants are administered efficiently and economically. The current Grant Funding Model is designed to promote and support the NLC's strategic mandate by responding to socioeconomic problems and leverage on opportunities through strategic funding. The key principle of the NLC's funding model is to utilise NLC capitals to create opportunities for communities to realise their potential. The funding model is driven by an overall objective to Fund for Impact to maximise return on limited resources.



NLC's Grant Funding Model

Apart from developing a better understanding of local needs, the NLC is committed to the optimisation of beneficiary support. To achieve impact in funding organisational capabilities such as a programmatic approach as well as results-based management are being developed. A programme approach recognises that development takes place through interconnected actions within a specified geographical location. It further recognises that there may be multiple needs that are often better addressed by multiple actors. Development is not a linear occurrence but a cross pollination of multivariate factors coalescing to produce desired

change. A programme approach is better positioned to impact various socio economic and political factors which produce a “defective” social system in a specific environment. Adopting a programming approach goes some way in unearthing the underlying factors which produce the social conditions that grant funding aims to address. The conceptual relationship between funding for impact and beneficiary-centricity is a causal one. Beneficiary-centricity is one of the key interventions, that if undertaken successfully will enable more impactful funding in the context of the NLC. Beneficiary-centricity is therefore one of the strategic and operational capabilities that is implemented by the NLC in order to achieve impact in funding. Focus has therefore been aligned to map out funding outcomes so that the broad societal impact that we aim to achieve extends beyond financially sustaining the organisations that we fund but to change lives of the beneficiaries that benefit from our funding as well as the communities in which they live.

The NLC prides itself on the attraction of a skilled and experienced work force. Aligned to the commitment to be a better regulator and beneficiary centric funder, the entity has embarked on investing in the upskilling of critical positions to improve efficiencies. The establishment of the Grant Funders Professional Standards in partnership with tertiary institutions and other funding organisations remains a focal point. Moreover, NLC has realised the impact and the looming changes as a result of the 4th IR. On the whole governments will increasingly face pressure to change their current approach to public engagement and policymaking, as their central role of conducting policy diminishes owing to new sources of competition and the redistribution and decentralization of power that new technologies make possible.

Ultimately, the ability of government systems and public authorities to adapt will determine their survival. If they prove capable of embracing a world of disruptive change, subjecting their structures to the levels of transparency and efficiency that will enable them to maintain their competitive edge, they will endure. If they cannot evolve, they will face increasing trouble.

This is particularly true in the realm of regulation. Current systems of public policy and decision-making evolved alongside the Second Industrial Revolution, when decision-makers had time to study a specific issue and develop the necessary response or appropriate regulatory framework. The whole process was designed to be linear and mechanistic, following a strict “top down” approach.

But such an approach is no longer feasible. Given the 4th IR’s rapid pace of change and broad impacts, legislators and regulators are being challenged to an unprecedented degree. The primary question is about how regulators and legislators can preserve the interest of the consumers and the public at large while continuing to support innovation and technological

development. The general consensus is that entities need to embrace “agile” governance, just as the private sector has increasingly adopted agile responses to software development and business operations more generally. This means regulators must continuously adapt to a new, fast-changing environment, reinventing themselves so they can truly understand what it is they are regulating. To do so, governments and regulatory agencies will need to collaborate closely with business and civil society.

To this end, the NLC has adopted a forward-looking skills agenda, one that focuses on infusing a digital mindset in the workforce by making technology and innovation the pinnacle of all training programmes.

PART C:
MEASURING OUR
PERFORMANCE

PART C: MEASURING OUR PERFORMANCE

JOINT INDICATORS DTIC & NLC

The following Joint Indicators set out areas of focus that the NLC will report to on a quarterly basis to the Executive Authority. The areas of focus represent key priorities of government that are set out in more detail in the Annual Performance Plan for 2021/22 for the dtic.

NLC will contribute to achievement of the Joint indicators and the output required is a report to the Executive Authority that sets out the actions taken by the entity highlighting the contributions to achievement of the dtic outcomes.

| JOINT INDICATOR NUMBER | OUTCOME | OUTPUT | INDICATOR TITLE | INDICATOR DEFINITION | ANNUAL DTIC TARGET | CONTRIBUTION BY THE NLC |
|------------------------|--|--|--|---|--|---|
| 1 | Increased industrialisation and localisation opportunities implemented | Report documenting the integrated support to drive industrialisation through master plans in national priority sectors; increased and diversified localisation through government and private sector procurement; and promotion of beneficiation | Report on integrated support across DTIC to drive industrialisation that supports economic recovery; covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation | Integrated support across DTIC to drive industrialisation that supports economic recovery; covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation. | Integrated support to drive industrialisation that supports economic recovery; covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation | A quarterly report on ways in which the NLC work contributes to the achievement of the indicator. |
| 2 | Increased export-readiness by South African firms, measured by knowledge of market opportunities and firm-level actions to utilise these opportunities | A clear plan that indicates the potential opportunities to grow exports in terms of the AfCFTA, with responsibilities assigned to facilitate implementation | Completed AfCFTA Export Plan to grow value-added exports to the rest of Africa, setting out the opportunities by product, sector and country | AfCFTA export plan to grow value-added exports to the rest of Africa setting out the opportunities by product, sector and country | Completed AfCFTA export plan to grow value-added exports to the rest of Africa setting out the opportunities by product, sector and country completed | A quarterly report on ways in which the NLC work contributes to the achievement of the indicator. |
| 3 | Strategic investment by enterprises (private | Investment projects facilitated and | Report on Investment facilitation and growth: | Investment facilitation and growth through | Report on investment facilitation and growth: | A quarterly report on ways in which |

| | | | | | | |
|---|--|---|---|---|---|---|
| | and public) to support growth of South African economy | investment directed towards key sectors of the economy | steps taken to support new investment in key sectors | steps taken to support new investment in key sectors | steps taken to support new levels of investment in key sectors developed. | the NLC work contributes to the achievement of the indicator. |
| 4 | Contribute to intergovernmental action in implementation of the District Development Model towards district economic development | District integrated report with district development economic maps | Report on District Development Model and Spatial equity including incorporating all work within the District Model | District Development Model and Spatial equity including incorporating all work within the District Model District Development Model and Spatial equity including incorporating all work within the District Model. | District Development Model and Spatial equity including incorporating all work within the District Model. | A quarterly report on ways in which the NLC work contributes to the achievement of the indicator. |
| 5 | Promoting a growing and inclusive economy | Report on actions to promote transformation through structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities | Report on actions to promote transformation through structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities | Actions to promote transformation through structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities | Actions to promote transformation through both structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities. | A quarterly report on ways in which the NLC work contributes to the achievement of the indicator. |
| 6 | Growing the Green Economy and greening the economy | Report on growing the Green Economy and greening the economy | Report on growing the Green Economy and greening the economy through actions to support project facilitation, policy development, investment promotion, | Actions to green the economy | Actions to grow the Green Economy and greening the economy, through measures such as support for project facilitation, policy development investment promotion, | A quarterly report on ways in which the NLC work contributes to the achievement of the indicator. |

| | | | | | | |
|----|--|---|--|--|--|---|
| | | | new product development or industrial processes | | new product development or industrial processes | |
| 7B | Functional, efficient and integrated services within the DTIC to improve economic development and ease of doing business | Actions to promote functional, efficient and integrated government and measures to reduce red tape across DTIC and entities | Report on strengthening and building capabilities and agility in the DTIC and its entities, to improve efficiencies in programmes and entities, to contribute to economic development and ease of doing business | Strengthening and building capabilities and agility in the DTIC and its entities, to improve efficiencies in programmes and entities, to contribute to economic development and ease of doing business | Review of unnecessary red tape and compliance reporting requirements in DTIC entities and programmes; monitoring implementation times of DTIC services | A quarterly report on ways in which the NLC work contributes to the achievement of the indicator. |

5. Institutional Programme Performance Information

| | |
|-------------|---|
| Programme 1 | Administration & Business Support |
| Purpose | To ensure that the NLC remains a professional and sustainable organisation with innovative and agile frameworks, systems and standards that are globally competitive. |

Outcomes, Outputs, Performance Indicators and Targets

| Outcome | Outputs | Output Indicators | Annual Targets | | | | | | |
|----------------|------------------------|--------------------------------|------------------------------|---------|---------|------------------------|------------------------------|--------------------|--------------------------------|
| | | | Audited / Actual Performance | | | Estimated Performance | MTEF Period | | |
| | | | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| A professional | Research & Development | 1.1 The action plan on raising | - | - | - | Stakeholder perception | Implementation of the action | Implementation and | Report back on the progress of |

| Outcome | Outputs | Output Indicators | Annual Targets | | | | | | |
|--|---|--|--------------------------------------|---------------------------------------|---------------------------------------|--|--|---|--|
| | | | Audited / Actual Performance | | | Estimated Performance | MTEF Period | | |
| | | | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| and sustainable organization | to measure stakeholder satisfaction | service delivery standards implemented. | | | | survey concluded, and action plan approved by the Board | plan on raising service delivery standards | Monitoring of the interventions as per the action plan | the interventions on raising standards |
| | Education & Awareness | 1.2 Number of education and awareness engagements conducted nationally | 54 stakeholder engagements conducted | 182 stakeholder engagements conducted | 187 stakeholder engagements conducted | 20 stakeholder engagements focused on regulatory mandate conducted | Conduct 40 education and awareness engagements nationally | Conduct 50 education and awareness engagements nationally | Conduct 60 education and awareness engagements nationally |
| | Protect and Strengthen NLC's Brand Reputation | 1.3 NLC Reputation Brand Management Action Plan developed and implemented. | - | - | - | - | Develop and implement the NLC Reputation Brand Management Plan | Implementation and monitoring of NLC reputation brand management plan | Review of the NLC reputation brand management plan |
| Innovative and agile frameworks, systems and standards that are globally competitive | Optimise returns to good causes | 2.1 Percentage disbursement of grants as per GNR644, 6(c)(iv) | 66% of grants disbursed | 83% of grants disbursed | 91% of grants disbursed | 80% of grants disbursed | 85% of grants paid in line with the regulated 60 day timeframe | 90% of grants paid in line with the regulated 60 day timeframe | 95% of grants paid in line with the regulated 60 day timeframe |
| | Organisational Compliance | 2.2 Level 7 BBBEE score obtained | - | - | BBBEE Level 8 | BBBEE Level 8 | Obtain a Level 7 BBBEE score | Level 6 BBBEE score achieved | Level 5 BBBEE score achieved |

| Outcome | Outputs | Output Indicators | Annual Targets | | | | | | |
|---------|--|---|------------------------------|---------|---------|--|---|---|---|
| | | | Audited / Actual Performance | | | Estimated Performance | MTEF Period | | |
| | | | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| | Awarding of the 4th National Lottery Licence | 2.3 2nd Phase of the 4 th RFP National Lottery Licence implemented | - | - | - | 4 th RFP Licence Strategy developed | Implement Phase 2 of 4th RFP National Lottery Licence | Evaluation and awarding of 4 th National Lottery Licence | Monitoring of 4 th National Lottery Operator |

Indicators, Annual & Quarterly Targets

| Output Indicator | Annual Target | Q1 | Q2 | Q3 | Q4 |
|--|--|--|---|---|---|
| 1.1 The action plan on raising service delivery standards implemented. | Implementation of the action plan on raising service delivery standards | Develop implementation framework and appoint the committee | Implement Action Plan | Implement Action Plan | Implement Action Plan and table progress report to the Board for noting |
| 1.2 Number of education and awareness engagements conducted nationally | Conduct 40 education and awareness engagements nationally | Conduct 10 education and awareness campaigns nationally | Conduct 10 education and awareness campaigns nationally | Conduct 10 education and awareness campaigns nationally | Conduct 10 education and awareness campaigns nationally |
| 1.3 The NLC Reputation Brand Management Action Plan developed and implemented. | Develop and Implement the NLC Reputation Brand Management Plan | Devise the response plan for Board Approval | Implement Plan | Implement Plan | Measure results of the response plan |

| Output Indicator | Annual Target | Q1 | Q2 | Q3 | Q4 |
|--|---|--|--|--|--|
| 2.1 Percentage disbursement of grants as per GNR644, 6(c)(iv) | 85% of grants paid in line with the regulated 60 day timeframe | 85% of grants paid in line with the regulated 60 day timeframe | 85% of grants paid in line with the regulated 60 day timeframe | 85% of grants paid in line with the regulated 60 day timeframe | 85% of grants paid in line with the regulated 60 day timeframe |
| 2.2 Level 7 BBBEE score obtained. | Obtain a Level 7 BBBEE score | Develop Action Plan to achieve the Level 7 certification | Implementation of Action Plan | Implementation of Action Plan | Obtain Level 7 BBBEE certification |
| 2.3 2 nd Phase of the 4 th RFP National Lottery Licence implemented. | Implement Phase 2 of the 4th RFP National Lottery Licence | Advertise call for proposals | Vetting of proposals and Preparation of evaluation | Evaluation of proposals | Evaluation of proposals |

| | |
|-------------|---|
| Programme 2 | Regulatory Compliance |
| Purpose | To ensure that the trust and integrity of the lottery landscape is maintained through exercising our regulatory oversight in enforcing safe and sustainable lotteries and sports pools. |

Outcomes, Outputs, Performance Indicators and Targets

| Outcome | Outputs | Output Indicators | Annual Targets | | | | | | |
|---|--|--|--|---|---|---|--|--|--|
| | | | Audited / Actual Performance | | | Estimated Performance | MTEF Period | | |
| | | | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| Safe and sustainable lotteries and sports pools | Fair and safe national lottery | 3.1 The National Lottery monitoring matrix implemented. | Compliance with licence conditions monitored | Compliance with licence conditions monitored | Compliance with licence conditions monitored | Compliance with licence conditions monitored | Implementation of the National Lottery Monitoring Matrix | Implementation of the National Lottery Monitoring Matrix | Implementation of the National Lottery Monitoring Matrix |
| | Fair and safe sports pools | 3.2 The Sports Pool monitoring matrix implemented. | - | - | - | Compliance with licence conditions monitored | Implementation of the Sports Pool Monitoring Matrix | Implementation of the Sports Pool Monitoring Matrix | Implementation of the Sports Pool Monitoring Matrix |
| | Enforcement Policy for regulating the national lottery by providing a framework for the decisions made | 3.3 The National Lottery and Sports Pools Enforcement Policy implemented. | - | - | - | National Lottery and Sports Pools Enforcement Policy developed and implemented | Implementation of the National Lottery and Sports Pools Enforcement Policy | Implementation of the National Lottery and Sports Pools Enforcement Policy | Implementation of the National Lottery and Sports Pools Enforcement Policy |
| | Protecting the interests and preventing harm to participants | 3.4 An evaluation into actions to reduce the risk of harm to children and those most susceptible to excessive gaming conducted | - | Developed the Participant Protection Strategy | 9 Participant Protection Programs implemented | Responsible Play and Complaints Resolution strategy developed and approved by the Board | Conduct an Evaluation of actions to reduce the risk of harm to children and those most susceptible to | Implement and monitor actions | Implement and monitor actions |

| Outcome | Outputs | Output Indicators | Annual Targets | | | | | | | |
|---------|---|--|---|---|--|--|--|---|---|--|
| | | | Audited / Actual Performance | | | Estimated Performance | MTEF Period | | | |
| | | | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | |
| | | | | | | | | excessive gaming | | |
| | Retailer Inspections to ensure the integrity of the National Lottery | 3.5 Number of retailer inspections conducted nationally | - | - | - | 600 retailer inspections conducted | 650 retailer inspections conducted | 700 retailer inspections conducted | 750 retailer inspections conducted | |
| | Protecting the interests and preventing harm to participants | 3.6 Percentage investigations on reported and identified lottery schemes | 78% of all identified and reported lottery schemes investigated | 96% of all identified and reported lottery schemes investigated | 100% of all identified and reported lottery schemes investigated | 100% of all identified and reported lottery schemes investigated | Conduct investigations on 100% of all identified and reported lottery schemes | Conduct investigations on 100% of all identified and reported lottery schemes | Conduct investigations on 100% of all identified and reported lottery schemes | |

Indicators, Annual & Quarterly Targets

| Output Indicator | Annual Target | Q1 | Q2 | Q3 | Q4 |
|---|---|--|--|--|--|
| 3.1 The National Lottery monitoring matrix implemented. | Implementation of the National Lottery Monitoring Matrix | Implement the National Lottery Monitoring Matrix | Implement the National Lottery Monitoring Matrix | Implement the National Lottery Monitoring Matrix | Implement the National Lottery Monitoring Matrix |
| 3.2 The Sports Pool monitoring matrix implemented. | Implementation of the Sports Pool Monitoring Matrix | Implement the Sports Pool Monitoring Matrix | Implement the Sports Pool Monitoring Matrix | Implement the Sports Pool Monitoring Matrix | Implement the Sports Pool Monitoring Matrix |
| 3.3 The Enforcement Policy in relation to the National Lottery and sports pools implemented. | Implementation of the National Lottery and Sports Pools Enforcement Policy | Implement and report on the National Lottery and Sports Pools Enforcement Policy | Implement and report on the National Lottery and Sports Pools Enforcement Policy | Implement and report on the National Lottery and Sports Pools Enforcement Policy | Implement and report on the National Lottery and Sports Pools Enforcement Policy |
| 3.4 An evaluation into actions to reduce the risk of harm to children and those most susceptible to excessive gaming conducted. | Conduct an evaluation of actions to reduce the risk of harm to children and those most susceptible to excessive gaming | Research & Benchmarking of best practices | Analysis of current practices and gap identification | Develop evaluation document and table at Exco | Evaluation report presented to Board for approval |
| 3.5 Number of retailer inspections conducted nationally. | 650 retailer inspections conducted | 150 retailer inspections conducted | 200 retailer inspections conducted | 150 retailer inspections conducted | 150 retailer inspections conducted |
| 3.6 Percentage investigations on reported and | Conduct investigations on 100% of all identified and reported lottery schemes | Conduct investigations on 80% of all identified and | Conduct investigations on 85% of all identified and | Conduct investigations on 95% of all identified and | Conduct investigations on 100% of all identified |

| Output Indicator | Annual Target | Q1 | Q2 | Q3 | Q4 |
|-----------------------------|---------------|--------------------------|--------------------------|--------------------------|------------------------------|
| identified lottery schemes. | | reported lottery schemes | reported lottery schemes | reported lottery schemes | and reported lottery schemes |

| | |
|-------------|--|
| Programme 3 | Grant Making |
| Purpose | Supporting a sustainable and impactful civil society sector to boost economic growth, inclusion and to enable meaningful transformation. |

Outcomes, Outputs, Performance Indicators and Targets

| Outcome | Outputs | Output Indicators | Annual Targets | | | | | | |
|--|---|---|---|-------------------------|---|--|--|---|---|
| | | | Audited / Actual Performance | | | Estimated Performance | MTEF Period | | |
| | | | 2017/18 | 2018/19 | 2019/20 | 2020/2021 | 2021/22 | 2022/23 | 2023/24 |
| A sustainable and impactful civil society sector | Percentage of funding to identified priority areas to ensure impact | 4.1 A minimum of 90% allocated to identified priority areas | - | - | - | 90% of funds allocated to priority areas | Allocation of 90% of funds to identified priority areas | 95% of funds allocated to identified priority areas | 100% of funds allocated to identified priority areas |
| | A revised Grant Funding Model aligned Shito the developmental needs of South Africa | 4.2 The aligned Grant Funding Model implemented | 100% of Grant Funding Model implemented | Impact evaluation study | Grant Funding Model approved by the Board | Alignment of the enhancements of the revised grant funding model | Implementation of the aligned Grant Funding Model | Implementation of the aligned Grant Funding Model | Review of the implementation of the aligned Grant Funding Model |
| | Monitoring and Evaluation of the projects we fund | 4.3 2500 monitoring reports completed | 2333 site visits | 2847 site visits | 2500 site visits | 1400 monitoring reports (site visits) | Completion of 2500 monitoring reports | Complete 3000 monitoring reports | Complete 3250 monitoring reports |

| | | | | | | | | | |
|--|--|--|---|---|---|---|--|---|---|
| | Legitimation of the NLC's relationship with Agents assisting applicants | 4.4 Number of funding agents registered and accredited | - | - | - | Registered and accredit 10 funding agents | Register and accredit 15 funding agents | Register and accredit 20 funding agents | Register and accredit 30 funding agents |
|--|--|--|---|---|---|---|--|---|---|

Indicators, Annual & Quarterly Targets

| Output Indicator | Annual Target | Q1 | Q2 | Q3 | Q4 |
|---|--|--|---|--|---|
| 4.1 A minimum of 90% allocated to identified priority areas | Allocation of 90% of funds to identified priority areas | 90% of funding to identified priority areas | 90% of funding to identified priority areas | 90% of funding to identified priority areas | 90% of funding to identified priority areas |
| 4.2 The aligned Grant Funding Model implemented | Implementation of the aligned Grant Funding Model | Develop the action plan and table to Exco | Implement action plan | Implement action plan | Implement action plan |
| 4.3 2500 monitoring reports completed | Completion of 2500 monitoring reports | Complete 625 monitoring reports | Complete 625 monitoring reports | Complete 625 monitoring reports | Complete 625 monitoring reports |
| 4.4 Number of funding agents registered and accredited | Register and accredit 15 funding agents | Appointment of the cross functional project team | Issue the call for agents | Awareness campaign and the induction of agents | Accreditation of agents |

6. Explanation of Planned Performance over the Medium-Term Period

Programme 1: Administration and Business Support

The National Lottery operates within a dynamic environment that is characterized by the rapidly changing technological advancements, and a competitive gaming industry that is subject to the entry of new and innovative gaming modes, as well as constant changing gaming attitudes and behavioural patterns among the punters. In this regard it is important for the NLC to keep abreast of the technological changes and also be proactive and innovative in terms of product development to remain relevant in the regulation of the industry.

The NLC demonstrates soundness in terms of ensuring employment equity and currently demonstrates more female employees than their male counterparts. The organisation also boasts a 4% staff complement comprising of persons with disabilities. It is envisaged that work in this area shall continue to ensure that both women and PWD are always prioritised.

Institutional knowledge coupled with data that the organisation is the custodian of, must be arranged such that it enables better decision making and safeguards information. The Fourth Industrial Revolution (4IR) can be described as the advent of “cyber-physical systems” involving entirely new capabilities for people and machines. Government sees 4IR as an opportunity for harnessing and pursuing opportunities for inclusive growth and social development. This has a direct bearing on both mandates of the NLC.

Consistent engagement (both direct and indirect) with our stakeholders assists with our planning and related interventions - as not only does it track satisfaction levels amongst stakeholder groups but also provides direction in terms of areas of improvement. Historical trends within the NLC has demonstrated that the medium of “education and awareness” engagement sessions with stakeholders results in effective information dissemination even to grassroots level. It is imperative that the NLC strengthen its marketing campaign regarding the South African lottery. In this campaign the focus should be on encouraging people to participate in the national lottery, to inform people about participant protection, the good uses of lottery funds with an emphasis on how peoples’ lives have been positively impacted by the lottery as well as legal and illegal lottery activities.

The Lotteries Act, as Amended clearly distinguishes the functions of regulator of the Lottery from those of distribution of its proceeds to ensure that the lottery is conducted properly, interest of all participants are protected, and the proceeds that are available for good causes

benefiting under the Act are as great as possible. The Act makes provision for the regulator of the lottery to award a license to the lottery operator, and also make payments of funds to the National Lottery Distribution Trust Fund (NLDTF). The lottery operator's licence is awarded following a bidding process which is subject to a detailed evaluation of the applicants to ensure that the successful operator is fit and proper to run the lottery in line with the statutory objectives. Delivering the 4th National Lottery License is an intense process and work must commence immediately to ensure a seamless transition with minimal / no impact to the public.

Strongly linked to the licence and the related impact on funding worthy good causes is the aspect of revenue maximisation which cannot be negated in effectively fulfilling our dual mandate. The NLC will further focus on ensuring organisational compliance to all applicable laws and legislation in the MTSF.

The combination of outputs in this programme will position the NLC to execute both mandates to ensure a safe and sustainable lottery industry for maximum economic and social impact.

Programme 2: Regulatory Compliance

The developments in the gaming and lottery industry have an influence on the regulatory environment of the lotteries and also contributed to the amendment of the Lotteries Act 57 of 1997. Provisions made in the Lotteries Amendment Act No.32 of 2013 had an impact on the NLC regulatory, functional and governance role namely: amendment of certain definitions; to provide for the establishment of a National Lotteries Commission; to provide for the extension of the powers of the board; to provide for the licensing of an organ of state to conduct the National Lottery; to provide for a clear accountability process for the distributing agency; to provide for the professionalization of the distributing agency; to eliminate overlapping of functions between the Minister and the board; to provide for the removal of the reconstruction and development programme as a category entitled to be allocated money of the fund; and to provide for matters connected therewith.

The outputs in this programme aim to uplift the regulatory function of the organisation to give direct impetus to the Board's directive. It further serves to reinforce the NLC's existence to safeguard participants and the wider public by effectively regulating the lottery industry. The approach will enable the NLC to respond to emerging risks and issues whilst constantly seeking ways to drive up standards. This is especially important due to the challenges and

opportunities online gaming and smartphone technology is bringing to the sphere. Protecting children and the vulnerable from being harmed or exploited by gaming continues to be a priority as demonstrated through the piloting of retailer verification visits. Subject to consultation, we will introduce alternate dispute resolution channels by introducing independent providers who meet our standards.

The outputs in this programme are intended to improve the way we regulate. The combination of outputs in this programme will position the NLC to execute the regulatory mandate to ensure a safe and sustainable lottery industry for maximum economic and social impact.

Programme 3: Grant Making

A large portion of the South African population remains in poverty. The youth are specifically hardest hit by unemployment. 56.4% of economically active youth aged 15 to 24 are unemployed while 35.6% of the youth aged 25 to 34 are unemployed. The highest levels of youth unemployment are found among youth with a matric qualification or lower. While the official unemployment rate increased from about 23% in 2009 to nearly 30% in 2019, the expanded unemployment rate increased from less than 29% in 2009 to nearly 40% in 2019. This is just one aspect we consider when formulating our priority areas. Extensive research is conducted nationally to inform where the need is the greatest. Our approach this year is aligned to the integrated framework of national government in that our focus has shifted from measuring our impact in terms of numbers. For the MTSF period, the NLC will focus on measurable and impactful outcomes. Our revised strategy entails the identification of outcomes that we intend to achieve which will be mapped to the priority areas. The process requires alignment of the entire value chain and work has already commenced in this regard.

The enhanced grant funding model will play a significant impact in meeting the development needs of our country. Some of the recommendations emanating from the research thus far includes a simplified process and reduction in bureaucracy. The alignment of the revised model to business processes must also factor in the proposed legislative amendments that will be presented to the Executive Authority after due consideration and approval from the NLC Board. Additionally, agility of the model is required in addressing the needs of the country during situations such as Covid, without placing the burden on applicants and face to face consultation.

Monitoring and evaluation is critical in assessing the impact of our developmental interventions. Whilst it is not the only mechanism we deploy, the tools used are important to

measure the outputs (products, capital goods, and services that result from a development intervention. E.g. Number of people trained / Number of workshops conducted) and the outcomes (The likely or achieved short-term and medium-term effects or changes of an intervention's outputs. E.g. Increased skills / New employment opportunities) and the impact (The long-term consequences of the program, may be positive and negative effects. E.g. Improved standard of living)

Another project we intend to pilot involves the creation of new employment opportunities centred around the NLC's output of formalising and accrediting "agents" that assist prospective applicants with completing proposals for funding. The organisation has been experiencing challenges in this area and resolved to adopt an "enabling" approach by recognising the valuable role the agents play in the field. It was further acknowledged that the agents have a wider reach to rural communities that will advantage the NLC in ensuring their impact to the most deserving groups.

The outputs in this programme are intended to improve the way we fund. The combination of outputs in this programme will position the NLC to execute the funding mandate to ensure a safe and sustainable lottery industry for maximum economic and social impact.

7. Programme Resource Considerations

NLC's process of preparing its budget is done in accordance to ensure alignment with the strategy and the Annual performance plan outputs. The process factors in the Board of Directors strategic direction; the cascading of these into the divisional planning of core and support business units. The finance division issues comprehensive budget guidelines for the compilation of the budget which is followed by one-on-one sessions with the CFO and team to ensure alignment of the budget with the strategy and APP. Budgets are prepared on an activity-based approach and cost containment measures are always incorporated in the process.

The Board directive to reposition the NLC as a Regulator was incorporated and therefore alignment to the APP and divisional Functional strategies was adequately achieved. Digitalisation, as epitomised in aspects of both the desired impact and outcomes for the NLC,

features boldly in the budget as the organisation continues to automate processes in the fourth industrial revolution era.

The total operational expenditure budget (excl. compensation of employees and depreciation) for the 2021/22 financial year is R260 million (2020/21: R233 million) which translates to an increase of 11% from the 2020/21 financial year budget. Total revenue has increased with 13% from the 2021/22 budget. The 2021/22 revenue projections received from the operator shows a 10% growth from the 2020/21 FY final revenue projections that were received during the September 2020 mid-term budget. The 2021/22 financial year has a critical activity which is the receiving and evaluation of the 4th RFP Licence. This is an activity that occurs once every 5 years and therefore the budget in those financial years will increase as a result of this activity. The total budget for this activity is R35 million (2020/21: R13 million). The 2021/22 financial year budget (excluding the RFP, compensation of employees and depreciation) would therefore be R225 million (2020/21: 221 million). This translates to a 2% increase in the operational expenditure budget. During the 2021/22 budget planning, the NL has made strides in ensuring the costs are contained and ensuring that the RFP costs are accommodated even with the stagnant revenue which was negatively impacted by the COVID 19 Pandemic.

There is a downward trend in the revenue generated from Society Lotteries which is predominantly attributable to the negative economic outlook, which has reduced sponsorships for prizes, which most NPOs depend on when running society schemes. It must be further noted that whilst an “Application for funding” comes at no cost to applicants, they are charged a fee for fund-raising initiatives. The situation is exacerbated by (a) the reluctance/inability of the South African public to donate for good causes, as evidenced by most NPOs when they promote their raffles/competitions; (b) the related cost of advertising, which most NPOs depend on for the success of their society schemes.

The costs associated for programme 1: Administration and Support includes the organisational employee costs of R348 million and related operational expenditure of R556 million.

The costs associated for programme 2: Regulatory Compliance comprises of operational expenditure of R1 million.

The costs associated for programme 3: Grant Funding includes the amount of R1 170 billion which represents the NLDTF budget available for allocations and a related operational expenditure of R59 million.

| | Total Budget | Changes | Projections | Projections |
|--|------------------|-------------|------------------|------------------|
| | 2021/22 | 2021/22 | 2022/23 | 2023/24 |
| | R 000 | % | R 000 | R 000 |
| REVENUE | 1 809 610 | 12% | 1 877 106 | 1 924 120 |
| NLDTF | 1 549 363 | 10% | 1 615 593 | 1 676 317 |
| Interest Received | 74 205 | 24% | 77 915 | 63 000 |
| License Signing Fees | 2 500 | 0% | 2 500 | 2 500 |
| Societies & Other Lotteries | 61 | 74% | 52 | 55 |
| Unclaimed and expired prize money | 140 000 | 17% | 150 000 | 150 000 |
| Withdrawals | 10 000 | 0% | 10 000 | 10 000 |
| Interest from the Participants Trust | 17 481 | 42% | 20 045 | 21 248 |
| Sundry Income | 4 000 | 300% | 1 000 | 1 000 |
| RFP Lottery Fee - Application Fee | 12 000 | 100% | - | - |
| EXPENDITURE | 1 786 035 | 3% | 1 856 248 | 1 902 894 |
| Allocations | 1 170 936 | -1% | 1 206 093 | 1 212 776 |
| Advertising & Publicity | 31 973 | 31% | 33 252 | 34 915 |
| Agency Emoluments | 2 200 | 0% | 2 288 | 2 402 |
| Audit Fees | 5 209 | 4% | 5 417 | 5 688 |
| Bank Charges | 188 | -17% | 196 | 205 |
| Board Members Emoluments | 14 420 | 20% | 14 996 | 15 746 |
| Computer Expenses | 32 488 | 21% | 33 787 | 35 477 |
| Conferences / Meetings | 2 939 | 114% | 3 056 | 3 209 |
| Consulting Fees | 36 952 | 9% | 38 430 | 40 352 |
| Courier & Postages | 598 | -38% | 621 | 652 |
| Depreciation | 7 075 | 0% | 7 358 | 7 726 |
| Electricity, water, rates & taxes | 4 334 | 10% | 4 507 | 4 733 |
| Refreshments & Catering | 884 | 32% | 919 | 965 |
| General Expenses | 905 | 144% | 941 | 988 |
| Insurance | 1 100 | -42% | 1 144 | 1 201 |
| Legal Fees | 42 500 | 16% | 44 200 | 46 410 |
| Motor Vehicle Expenses | 417 | -60% | 433 | 455 |
| Outsourced services | 12 283 | 3% | 12 774 | 13 413 |
| Print & Stationery | 3 659 | 42% | 3 805 | 3 996 |
| Professional fees | 7 000 | -54% | 7 280 | 7 644 |
| Lease costs | 27 526 | 2% | 28 627 | 30 058 |
| Repairs & Maintenance | 4 843 | 69% | 5 036 | 5 288 |
| Removals | 420 | 155% | 437 | 459 |
| Employee Costs | 348 393 | 9% | 372 780 | 398 875 |
| Recruitment costs - Permanent appointments | 700 | 3% | 728 | 764 |
| Staff Training | 1 714 | -40% | 1 783 | 1 872 |
| Staff Welfare | 2 124 | -22% | 2 209 | 2 319 |
| Subscriptions | 429 | -38% | 446 | 468 |
| Security | 6 992 | 29% | 7 272 | 7 636 |
| Telephone & Fax | 1 560 | -11% | 1 622 | 1 704 |
| Recruitment -Temporary Staff appointments | 350 | 150% | 364 | 382 |
| Travel & Accommodation | 8 397 | 114% | 8 733 | 9 169 |
| Workmens Compensation | 320 | 0% | 333 | 349 |
| Trust Administration Fee | 3 535 | 5% | 3 676 | 3 860 |
| Trustee fees | 675 | -7% | 702 | 737 |
| NET SURPLUS | 23 575 | | 20 858 | 21 226 |
| TOTAL CAPEX BUDGET | 52 480 | 176% | - | - |
| Office accommodation | 20 050 | 123% | | |
| Computer Equipment | 20 655 | 818% | | |
| Office Equipment | 1 525 | -15% | | |
| Intangible Assets | 3 950 | 32% | | |
| Furniture and Fittings | 2 350 | 135% | | |
| Network Infrastructure | 3 900 | 95% | | |
| NON CASHFLOW ITEMS | 7 075 | | 7 358 | 7 726 |
| Depreciation | 7 075 | | 7 358 | 7 726 |
| NET CASH INFLOW/(OUTFLOW) | -21 830 | | 28 216 | 28 952 |

8. Updated Key Risks

| Outcome | Key Risk | Risk Mitigation |
|--|---|--|
| <p>A professional and sustainable organization</p> | <p>Fraud and unethical conduct</p> | <ul style="list-style-type: none"> • Whistleblowing policy • Independent whistleblowing hot-line • Ethics policy • Corporate values defined • Audit and Risk Committee oversight • Disciplinary policy and procedures • Anti-fraud and corruption policy • Ethics Function within the office of the Secretariat • Develop and implement compliance framework • Assessment of effectiveness of hotline • Effective screening of employees prior to employment • Periodic screening of employees who work in critical posts • Ethics awareness programmes |
| | <p>Ineffective shareholder relations</p> | <ul style="list-style-type: none"> • Shareholder compact • Shareholder reporting • Stakeholder management process • Shareholder representation on the Board • Regular shareholder interactions |
| | <p>Non-optimal human capital structure and skills to meet mandate and strategic obligations</p> | <ul style="list-style-type: none"> • Human capital strategy (which includes change management strategy) • Skills mapping • Skills audit • Ongoing organisational and team communication processes • Health and safety policy • COVID-19 risk assessment • COVID-19 response plan • Employee wellness program • Performance management and development system • Risk cover (incl. Workmen's compensation, UIF, Pension Fund, Medical Aid) • Revised human capital strategy |
| <p>Innovative and agile frameworks, systems and standards that are globally competitive</p> | <p>Impaired organisational sustainability</p> | <ul style="list-style-type: none"> • Investment strategy • Property strategy (acquiring properties for rental savings) • Cost containment measures • Awareness on cost-containment • Periodic budgeting |

| | | |
|--|--|--|
| | | <ul style="list-style-type: none"> • Targeted budget reviews • Ongoing review and refinement of budgeting and budget management process • Ongoing innovation to create cost containment opportunities • Budget prioritisation adjustment in response to COVID-19 pandemic impacts (revenue & costs) • Finance monitoring of grant adjudication meetings • Finance monitoring of grant budget • Grants limited to available funds • Grant funding calls (focussed to specific areas) • Funding of self-sustaining entities to reduce ongoing pressure on funds • Society lotteries revenue (small due to focus on participant protection) • Business sustainability strategy (that includes revenue diversity) • Daily, weekly, monthly and quarterly reviews of reports generated by the operator • Independent Verification System (IVS) for independent verification of national lottery ticket sales • Performance management of the national lottery operator • Sustainability strategy & Sustainability committee • National Lotteries Participants Trust (NLPT)⁶ • License revocation • Reserving strategy • Reputation management |
| | <p>Ineffective process admin & lack of timely recommendation to the executive authority for the appointment of a national lottery operator</p> | <ul style="list-style-type: none"> • Supply chain management processes • RFP strategy • Supply chain management policy • Evaluation/ study of current revenue structure • Ensure the RFP strategy is aligned with stakeholder considerations during upcoming RFP process • Appointment process for the new lottery operator • Revenue maximisation as part of RFP strategy |
| | <p>Reputational risk</p> | <ul style="list-style-type: none"> • Marketing and communications policy and strategy • Stakeholder management |

| | | |
|--|---|---|
| | | <p>programme</p> <ul style="list-style-type: none"> • Media and social media policy • Media relations • Health and safety policy • Human capital management policies • Labour relations • Internal communications & ongoing meetings • Anti-fraud and corruption policy • Whistleblowing policy • Independent whistleblowing hot-line • Disciplinary policy and procedures • Investigation of reported cases • Due diligence process • Monitoring and evaluation processes • ICT governance framework • Business continuity plan • Prohibition and enforcement processes through Regulatory & Compliance team • Enhanced due diligence of applications • Crisis communications plan |
| | <p>Inefficient ICT infrastructure and systems</p> | <ul style="list-style-type: none"> • Appointment of specialised technology skills (skills required are already defined) • Business process innovation through integration forums • Progressive migration to cloud-environment • Determine strategy for NLC to retain historical information related to the IVS (beyond tenure of operator) • CRM activation and roll-out to enable online interface and transacting • Develop proposals for real-time monitoring tools over regulated transactions • Updated ICT strategy in line with revised organisational strategy |
| | <p>Change management</p> | <ul style="list-style-type: none"> • Revised strategic direction/ plan • Communication management processes • Consequence management • Litigation management (through legal support) • Develop and implement formal change management strategy • Review and update communication strategy |

| | | |
|--|---|--|
| | | <ul style="list-style-type: none"> • Benchmark local approach to regulation vs. international approaches • Sourcing broader literacy in the lotteries market • Develop model to tangibly measure the return from regulatory activities (regulating for impact) • Currently professionalising grant makers through UP academic programme |
| | Cyber security threats | <ul style="list-style-type: none"> • Security reviews • Independent review of systems security • Minimum security standards in agreement • Network vulnerability assessment (annual & ongoing) • ICT Governance Framework (ICT Policies) • Ethical hacking (internal competence) • Independent systems certification at the operator |
| | Ineffective management of information privacy | <ul style="list-style-type: none"> • ICT Governance Framework (ICT Policies) • NLC publishes information in compliance with the POPI Act and must be read in conjunction with its obligations in terms of its governing legislation, the Lotteries Act, in particular, the obligation to open and transparent governance • Security and ICT process & security awareness building • Information classification policy |
| Safe and sustainable lotteries and sports pools | Inadequate regulatory oversight over Lotteries and Sports Pools | <ul style="list-style-type: none"> • Updated ICT strategy in line with revised organisational strategy • Multi-stakeholder inclusive approach to refining regulations (SAPS, SABS, StatsSA, State Security etc) • Develop proposals for real-time monitoring tools over regulated transactions • Establish strategic and operational channels and protocols of communication with the shareholder • Implement the human capital strategy in line with revised organisational strategy |

| | | |
|--|---|---|
| | | <ul style="list-style-type: none"> • Regulation of society lotteries • Media monitoring to identify illegal lottery activities • Collaboration with other regulators such as Gambling Boards • NLC proposal (proactive) on proposed changes to legislation to be completed and submitted to the DTIC • Conduct study on the state of gambling/ lottery/ sports pools in the country and how the organisation can encourage responsible lotteries |
| | <p>Inadequate compliance by National Lottery Operator</p> | <ul style="list-style-type: none"> • Periodic engagements with operator on compliance requirements • License compliance and performance monitoring matrix developed and monitored • Daily, weekly, monthly and quarterly reviews of reports generated by the operator • Performance management of the national lottery operator • Independent Verification System (IVS) for independent verification of national lottery ticket sales • Review conflict of interest clauses and ensure no competing interests/ ventures at lottery operator (as well as going forward with RFP) • Formal studies to determine the viability of leveraging on gaming technologies and monitoring tools for enhanced oversight • Formulate proposals for real-time monitoring tools over regulated transactions |

| | | |
|--|---|---|
| | <p>Ineffective enforcement and prohibition action</p> | <ul style="list-style-type: none"> • Research to identify different forms of illegal lotteries conducted • Assessment of possibility of regulating illegal lotteries (proposal in place) • Media monitoring to identify illegal lottery activities • Collaboration with other regulators such as Gambling Boards • NLC registration numbers for legal lotteries • Ongoing awareness campaigns • Implement recommendations arising from the illegal lotteries research process • Lobby for review of Lotteries Act to include enforcement powers • Regulatory compliance team to engage with the DTIC team regarding amendment of the Act • To conduct study on the state of gambling/ lottery/ sports pools in the country and how the organisation can encourage responsible lotteries |
| <p>A sustainable and impactful civil society sector</p> | <p>Failure to promote socio-economic welfare through funding activities</p> | <ul style="list-style-type: none"> • Grants limited to available funds • Investment Strategy • Cost containment measures • Finance monitoring of grant adjudication meetings • Finance monitoring of grant budget • Grant funding calls (focussed to specific areas) • Funding of self-sustaining entities to reduce ongoing pressure on funds • Develop an income diversification strategy in line with conditions of the Act e.g. section 25 on investment of money not immediately required • Carry out awareness and training workshops for agents • Develop standard operating procedures (SOPs) for agents (assisting in applications) • Formalisation of relationships with agents assisting with funding applications • Review/walk through entire business process and streamline (eliminate redundant procedures) • Implement automation of the application process • To review current, follow up process to cater for GA's created by the involvement of agents (assisting in |

| | | |
|--|---|---|
| | | <p>applications) as the primary beneficiary invariably may end up being unable to fully account for grant funding</p> <ul style="list-style-type: none"> • Review of grant funding model (still aligned to funding for impact) • Improvement plan for areas with low uptake of grant funding |
| | <p>Critical business continuity disruptions</p> | <ul style="list-style-type: none"> • Disaster recovery policy • Off-site backup system • Business continuity plan • Pandemic mitigation strategy • Complaints management process • Litigation management process • Health and safety management in terms of occupational health and safety policy • Employee wellness programme • Crisis communications management • Health and safety policy • Contingency plan to manage adverse outcomes at the Lottery Operator and this should be part of RFP process going forward • Periodically testing the effectiveness of the business continuity plan • Continual enhancements to Pandemic mitigation strategy |

9. Public Entities

Not applicable to the NLC

10. Infrastructure Projects

Not applicable to the NLC

11. Public Private Partnerships

Not applicable to the NLC

PART D:
TECHNICAL
INDICATOR
DESCRIPTIONS
(TID)

| | |
|---|--|
| Indicator Title | 1.1 The action plan on raising service delivery standards implemented. |
| Definition | Stakeholder surveys are a questionnaire-based quantitative tool, often used by organisations to increase their understanding of the knowledge, attitudes, perceptions, interests and experiences of their stakeholders – both internal and external. Findings are used to make improvements in the delivery of programmes and/or services. Stakeholder surveys are helpful in generating critical information required for organisational standards, performance management and for creating and sustaining organisational change. The action plan derived from the stakeholder perception survey is intended to raise and improve service delivery standards and to improve performance holistically. |
| Source of data | Implementation Plan as approved by the Board. |
| Method of Calculation / Assessment | Report on the action plan |
| Means of verification | POE: Progress reports on implementation rollout |
| Assumptions | Adequate participation and buy in from all stakeholders for meaningful end results |
| Disaggregation of Beneficiaries (where applicable) | Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a |
| Spatial Transformation (where applicable) | Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a |
| Calculation Type | Cumulative (year-end) |
| Reporting Cycle | Quarterly |
| Desired performance | Meaningful results to determine stakeholder satisfaction and to identify areas of improvement (where relevant) |
| Indicator Responsibility | EMRC |

| | |
|---|---|
| Indicator Title | 1.2 Number of education and awareness engagements conducted nationally |
| Definition | <p>Education and awareness engagements refer to the promotion of the NLC’s mandate as a regulator and funder through the various communication platforms available to the organisation. During the current financial year, 40 engagements must take place. These educational instruments/engagements may take the following forms:</p> <ul style="list-style-type: none"> ○ Workshops ○ Brochures ○ Posts on social media ○ Internal communication ○ Print and electronic media ○ Awareness Posters |
| Source of data | Attendance registers; Distribution lists; Screenshots of social media posts and developed content |
| Method of Calculation / Assessment | Simple count |
| Means of verification | POE: Production of the sources of data |
| Assumptions | Appropriate and relevant content is developed |
| Disaggregation of Beneficiaries (where applicable) | <p>Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a</p> |
| Spatial Transformation (where applicable) | <p>Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a</p> |
| Calculation type | Cumulative (year-end) |
| Reporting Cycle | Quarterly |
| Desired performance | All stakeholders are aware of the functions of the NLC |
| Indicator Responsibility | COO |

| | |
|---|--|
| Indicator Title | 1.3 The NLC Reputation Brand Management Action Plan developed and implemented. |
| Definition | The reputation of an organisation is crucial for its survival. A good reputation management plan can assist the entity to gain trust. Hence, positive reviews can lead stakeholders to trust the NLC and lend credibility to the good work it does. The target is important in the context of the negative publicity the NLC has been receiving. The plan is multifaceted and is aimed at all media platforms. |
| Source of data | NLC Reputation Brand Management Action Plan with evidence of supporting interventions |
| Method of Calculation / Assessment | Action Plan developed and implemented across media platforms |
| Means of verification | Production of media analysis and interventions |
| Assumptions | Budget implications are permissible |
| Disaggregation of Beneficiaries (where applicable) | Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a |
| Spatial Transformation (where applicable) | Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a |
| Calculation type | Cumulative (year-end) |
| Reporting Cycle | Annual |
| Desired performance | Positive media analysis |
| Indicator Responsibility | COO |

| | |
|---|--|
| Indicator Title | 2.1 Percentage disbursement of grants as per GNR644, 6(c)(iv) |
| Definition | This target refers to the percentage of allocated grants that must be paid (disbursed) as per regulation (GNR644). This implies that payment must be made within 60 days of receipt of a fully compliant grant agreement. A grant agreement is considered to be compliant if all stipulated conditions have been met, including the submission of an acceptable form of verification of banking details. |
| Source of data | Finance reports |
| Method of Calculation / Assessment | Days are calculated from the date of receipt of the grant agreement as date stamped. The date of payment is reflected on the EFT summary or online banking statement. |
| Means of verification | Finance reports and grant agreements |
| Assumptions | Grant agreements received are fully compliant with NLC requirements |
| Disaggregation of Beneficiaries (where applicable) | Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a |
| Spatial Transformation (where applicable) | Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a |
| Calculation type | Cumulative (year-end) |
| Reporting Cycle | Annual |
| Desired performance | Timeous and accurate payments to grant beneficiaries |
| Indicator Responsibility | CFO |

| | |
|---|--|
| Indicator Title | 2.2 A Level 7 B-BBEE score is obtained |
| Definition | Section 10 of the B-BBEE Act requires all organs of state and public entities to report on their B-BBEE compliance and submit these to the B-BBEE Commission to monitor the state of economic transformation. It is important to note that BBBEE compliance and accreditation is assessed on the previous financial period of an entity. |
| Source of data | B-BBEE certificate issued to the NLC |
| Method of Calculation / Assessment | Qualitative Assessment of the B-BBEE certificate which must reflect a Level 7 verification |
| Means of verification | Independent signed BBBEE certificate |
| Assumptions | Level 7 verification is achievable |
| Disaggregation of Beneficiaries (where applicable) | Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a |
| Spatial Transformation (where applicable) | Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a |
| Calculation type | Cumulative (year-end) |
| Reporting Cycle | Annual |
| Desired performance | Organisational compliance |
| Indicator Responsibility | CFO |

| | |
|--|---|
| Indicator Title | 2.3 Phase 2 of the 4 th RFP National Lottery Licence implemented |
| Definition | <p>Section 10(1)(a) of the Lotteries Act, as amended states that one of the functions of the Board is to “<i>advise the Minister on the issuing of the licence to conduct the National Lottery as contemplated in Section 13(1).</i>”</p> <p>The current National Lottery Operator’s term will end in 2023. This implies that the NLC must commence with planning timeously to ensure a seamless transition to the next operator by making a recommendation to the Minister on awarding the 4th licence.</p> |
| Source of data | 4 th RFP Progress Reports |
| Method of Calculation / Assessment | Qualitative analysis of report and progress of the RFP |
| Means of verification | POE of report/s |
| Assumptions | The 4 th National Lottery Licence Strategy is approved by the Executive Authority |
| Disaggregation of Beneficiaries (where applicable) | <p>Target for Women: n/a</p> <p>Target for Youth: n/a</p> <p>Target for People with Disabilities: n/a</p> |
| Spatial Transformation (where applicable) | <p>Reflect on contribution to spatial transformation priorities: n/a</p> <p>Reflect on the spatial impact area: n/a</p> |
| Calculation type | Cumulative (year-end) |
| Reporting Cycle | Annual |
| Desired performance | The 4 th Lottery Licence Strategy embodies world class standards and responds to the needs of South Africa |
| Indicator Responsibility | CS |

| | |
|---|--|
| Indicator Title | 3.1 The National Lottery monitoring matrix implemented |
| Definition | The monitoring matrix refers to the scorecard developed by the NLC in order to monitor the operator's performance and compliance to the license conditions for the national lottery. |
| Source of data | National lottery monitoring matrix |
| Method of Calculation / Assessment | Assessed / Completed National Lottery Monitoring matrix |
| Means of verification | Populated and completed NL monitoring matrix |
| Assumptions | The operator is monitored for compliance to the licence conditions for the national lottery |
| Disaggregation of Beneficiaries (where applicable) | Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a |
| Spatial Transformation (where applicable) | Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a |
| Calculation type | Cumulative (year-end) |
| Reporting Cycle | Annual |
| Desired performance | Optimum compliance of the national lottery operator |
| Indicator Responsibility | EMRC |

| | |
|--|--|
| Indicator Title | 3.2 The Sports Pool monitoring matrix is implemented |
| Definition | The monitoring matrix refers to the scorecard developed by the NLC in order to monitor the operator's performance and compliance to the license conditions for sports pools. |
| Source of data | Sports pool monitoring matrix |
| Method of Calculation / Assessment | Assessed / Completed Sports Pool monitoring matrix |
| Means of verification | Completed Sports Pool Monitoring Matrix |
| Assumptions | The operator is monitored for compliance to the licence conditions for the sports pools licence |
| Disaggregation of Beneficiaries (where applicable) | Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a |
| Spatial Transformation (where applicable) | Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a |
| Calculation type | Cumulative |
| Reporting Cycle | Quarterly |
| Desired performance | Optimum compliance of the national lottery operator |
| Indicator Responsibility | EMRC |

| | |
|---|--|
| Indicator Title | 3.3 The National Lottery and Sports Pools Enforcement Policy is implemented. |
| Definition | The Policy aims to set out clearly the NLC’s approach to enforcement of the national lottery and sports pools against the licence conditions. It details the measures available and the factors that are likely to be considered when deciding on action to be taken. The policy constitutes a key part of the overall regulatory regime implemented by the NLC. |
| Source of data | Regulatory Compliance Report on the National Lottery Compliance against Licence conditions and related non-compliance (if any) |
| Method of Calculation / Assessment | Qualitative Assessment of the National Lottery and Sports Pools Enforcement Policy. implementation and monitoring thereof for any non-compliance and reports to the Board on how best to proceed on such matters. |
| Means of verification | Enforcement Policy document and Regulatory Compliance Reports |
| Assumptions | Non-Compliance by National Lottery Operator |
| Disaggregation of Beneficiaries (where applicable) | Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a |
| Spatial Transformation (where applicable) | Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a |
| Calculation type | Cumulative |
| Reporting Cycle | Annual |
| Desired performance | Optimum compliance of the national lottery operator |
| Indicator Responsibility | EMRC |

| | |
|---|---|
| Indicator Title | 3.4 An evaluation into actions to reduce the risk of harm to children and those most susceptible to excessive gaming is conducted |
| Definition | The target aims to assess the regulatory impact of player protection by defining if NLC's current actions are adequate to prevent underage and excessive gaming. The evaluation will also make recommendations on how to improve this regulatory oversight. |
| Source of data | Evaluation Report |
| Method of Calculation / Assessment | Qualitative Assessment of the Evaluation Report |
| Means of verification | Evaluation Report tabled to the Board for approval |
| Assumptions | Information related to underage and excessive gaming is readily accessible |
| Disaggregation of Beneficiaries (where applicable) | Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a |
| Spatial Transformation (where applicable) | Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a |
| Calculation type | Cumulative |
| Reporting Cycle | Annual |
| Desired performance | Preventing harm and ensuring that the interests of all participants are adequately protected |
| Indicator Responsibility | EMRC |

| | |
|---|---|
| Indicator Title | 3.5 Number of retailer inspections conducted nationally |
| Definition | A retailer refers to vendors who have vetted by the operator to sell lottery tickets to the public. (Excludes B2B and E-Commerce channels). The NLC will conduct 650 inspections by either visiting retailers of lottery tickets and/or obtaining retailer sales reports from the Operator to verify compliance and to audit retailer data. |
| Source of data | Retailer inspection and sales reports |
| Method of Calculation / Assessment | Simple count (650 retailer inspection and sales reports) |
| Means of verification | Number of retailer inspection and sales reports |
| Assumptions | Adequate resources to undertake inspections |
| Disaggregation of Beneficiaries (where applicable) | Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a |
| Spatial Transformation (where applicable) | Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a |
| Calculation type | Cumulative |
| Reporting Cycle | Annual |
| Desired performance | Ensuring the integrity of the National Lottery and sports pools |
| Indicator Responsibility | EMRC |

| | |
|---|--|
| Indicator Title | 3.6 Percentage investigations on reported and identified lottery schemes |
| Definition | <p>Illegal lottery schemes contravene the provisions of the Act and its applicable regulations and statutes. The impact of these unlawful schemes has both an economic and social dimension. As the regulator, the NLC must take reasonable steps to ensure that unlawful activities relating to illegal lotteries are prevented, detected and prosecuted (where relevant) in order to prevent harm to the public.</p> <p>Illegal schemes are usually identified through a process of legal analyses by scanning print and electronic media as well as reports by members of the public.</p> |
| Source of data | Illegal schemes report spreadsheet |
| Method of Calculation / Assessment | Simple count (100% of cases investigated) |
| Means of verification | Regulatory Compliance reports and the number of Illegal Scheme cases |
| Assumptions | Co-operation from scheme operators |
| Disaggregation of Beneficiaries (where applicable) | <p>Target for Women: n/a</p> <p>Target for Youth: n/a</p> <p>Target for People with Disabilities: n/a</p> |
| Spatial Transformation (where applicable) | <p>Reflect on contribution to spatial transformation priorities: n/a</p> <p>Reflect on the spatial impact area: n/a</p> |
| Calculation type | Cumulative |
| Reporting Cycle | Annual |
| Desired performance | Preventing harm and ensuring that the interests of all participants are adequately protected |
| Indicator Responsibility | EMRC |

| | |
|--|---|
| Indicator Title | 4.1 A minimum of 90% allocated to identified priority areas |
| Definition | Priority areas refers to specific categories of funding programmes/projects that a Distributing Agency will focus on. The criteria for a decision to fund or not will be based on the strategic fit of the application submitted. |
| Source of data | Grant Reports on project allocation |
| Method of Calculation / Assessment | Percentage Calculation = $\frac{\text{Total allocated to priority area}}{\text{Total budget available}} \times 100$ |
| Means of verification | As per the above calculation |
| Assumptions | Sufficient applications received to meet the priority area focus |
| Disaggregation of Beneficiaries (where applicable) | Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a |
| Spatial Transformation (where applicable) | Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a |
| Calculation type | Cumulative |
| Reporting Cycle | Annual |
| Desired performance | Impactful and sustainable funding |
| Indicator Responsibility | COO |

| | |
|---|--|
| Indicator Title | 4.2 The aligned Grant Funding Model implemented |
| Definition | This is a follow-on target from the previous financial years wherein the NLC commenced with reviewing the efficacy of the funding model. Due to the broad spectrum of enhancement recommendations, the organisation focused on aligning processes/systems within the control of the entity to accommodate the improvements to the model. In the current financial year, the organisation will focus on implementing the aligned enhancements of the grant funding model. |
| Source of data | Implementation reports |
| Method of Calculation / Assessment | Progress reports tabled at Exco |
| Means of verification | Grant funding reports on the phases of implementation |
| Assumptions | Implementation of the funding model is within legislative limits |
| Disaggregation of Beneficiaries (where applicable) | Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a |
| Spatial Transformation (where applicable) | Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a |
| Calculation type | Cumulative |
| Reporting Cycle | Annual |
| Desired performance | Impactful and sustainable funding |
| Indicator Responsibility | COO |

| | |
|---|---|
| Indicator Title | 4.3 2500 monitoring reports completed |
| Definition | M&E is important for the NLC as it assists us to assess the difference we make and demonstrates our effectiveness in impactful funding. The M&E division will in the year implement their Monitoring and Evaluation plan by conducting 2500 monitoring reports on funded projects as per the revised framework. The revision of the framework was necessitated by the Covid-19 pandemic which called for a new way of conducting monitoring of projects. The reports will be completed from a sample from all 4 sectors (Charities, Arts, Sports & Misc). |
| Source of data | Monitoring reports spreadsheet |
| Method of Calculation / Assessment | Simple count |
| Means of verification | Count of the number of monitoring reports |
| Assumptions | Adequate data sample |
| Disaggregation of Beneficiaries (where applicable) | Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a |
| Spatial Transformation (where applicable) | Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a |
| Calculation type | Cumulative |
| Reporting Cycle | Annual |
| Desired performance | Impactful and sustainable funding |
| Indicator Responsibility | EMRC |

| | |
|---|--|
| Indicator Title | 4.4 Number of funding agents registered and accredited |
| Definition | <p>The NLC has been experiencing a huge influx of applications that are completed on behalf of applicants and submitted to the organisation. These “agents” have demonstrated greater access to grassroots communities and appear to have grounded knowledge of the issues at hand. In response to addressing this matter and in the spirit of job creation - the NLC has adopted an “enabling” approach which implies the recognition of these agents by the organisation.</p> <p>By recognising the agents, the NLC will legalise the matter by accrediting and publicising the formalised arrangement so that prospective applicants can be assisted by a legitimate representative of the NLC.</p> |
| Source of data | Accreditation list |
| Method of Calculation / Assessment | Simple count |
| Means of verification | Number of agents on the accreditation list |
| Assumptions | Policy / process for NLC agents is in place |
| Disaggregation of Beneficiaries (where applicable) | <p>Target for Women: n/a</p> <p>Target for Youth: n/a</p> <p>Target for People with Disabilities: n/a</p> |
| Spatial Transformation (where applicable) | <p>Reflect on contribution to spatial transformation priorities: n/a</p> <p>Reflect on the spatial impact area: n/a</p> |
| Calculation type | Cumulative |
| Reporting Cycle | Annual |
| Desired performance | Impactful and sustainable funding |
| Indicator Responsibility | COO |