



Part One





Introduction

In this opening section, we provide some background to state-civil society relations in South Africa, explain the definition of 'non-profit organisation' we have chosen to work with, and highlight some methodological issues that should inform the reading of the next section 'Principal findings'.

Background to current state-civil society relations

The current legal and policy framework has been developed in the absence of empirical, quantitative information.

South Africa's history of multiple social formations, created over the centuries, has profoundly affected the evolution of the large and diverse group of organisations that can only with great conceptual difficulty be categorised as the 'non-profit sector'. To the extent that this is a coherent group, its diversity reflects the complexities of present-day South Africa, incorporating the residues of the past. Few would question that non-profit organisations (NPOs) have profoundly influenced the emergence, shape and nature of modern South African society, although a comprehensive history of non-profit organisational and associational life still needs to be written. Even though 'non-profit organisation' is a new – and largely imported – term in South Africa's sociological lexicon, it is so widely defined that it

THE SIZE AND SCOPE OF THE NON-PROFIT SECTOR IN SOUTH AFRICA

captures everything from the racially exclusive cultural and welfarist organisations that have always been central to the social structure of white society, right through the entire spectrum of religious organisations, to the huge and dense networks of community-based NPOs that hold African societies together.

As the modern South African political economy emerged during the course of the twentieth century, a largely interventionist state sought to structure the interactions between the market economy and civil society to suit the dominant interests in white society. During most of the twentieth century, the racially exclusive democracy established by and for whites was characterised by a stable interdependence between the state and racially exclusive NPOs involved in service delivery (health, social services, and education), and culture and sport. NPOs in communities that were both politically disenfranchised and poor tended to be survivalist most of the time, but openly oppositional during periods when social movements formed and took action: the early 1920s, the mid-1940s, the 1950s, the mid-1970s, and the 1980s through to the early 1990s leading finally to the end of apartheid. Although there were periods when the apartheid state did try to repress all forms of civil society organisation (for example in the 1960s), most of the time the white state's attitude to black¹ NPOs was schizoid. It openly repressed oppositional NPOs, and allowed its disinterested neglect of the service-oriented NPOs to justify that black welfare was not the white state's problem.

After the first democratic, non-racial elections in 1994, the state committed itself to the Reconstruction and Development Programme (RDP), which provided for a central role for NPOs in all spheres of development. However, this role needed to be reconciled with a strong role for the state, often articulated in neo-Keynesian terms.² Then, in 1996, the RDP was replaced with a neo-liberal macro-economic programme³ known as the Growth, Employment and Redistribution Strategy (GEAR). GEAR defined central roles for the for-profit private sector in economic growth and service delivery, and for the non-profit sector in poverty alleviation. According to the Minister of Social Development:⁴

The basic twin expectations of government are that NGOs will firstly, continue to act as monitors of the public good and safeguard the interests of the disadvantaged sections of society. This performance of this social watch role requires both transparency and accountability on the part of NGOs. The

*government's second expectation is that NGOs will assist in expanding access to social and economic services that create jobs and eradicate poverty among the poorest of the poor. This requires cost effective and sustainable service delivery.*⁵

'Social watch' and 'service delivery': these are the neatly captured twin roles for South African NPOs in current government policy for the sector. To make these roles possible, government and leading NPOs have co-created an elaborate legal and policy framework that has defined a new public space for managing relations between the state and civil society, and for funding NPOs. In this new space, inevitably some NPOs will be at an advantage in the struggle for resources to meet massive development needs.

The most remarkable feature of the emerging legal and policy framework is that it has been elaborated with very little empirical, quantitative knowledge about the non-profit sector. NPOs lament that they are collapsing due to reductions in donor funding and lack the capacity to deliver, but it is never clear who is talking for whom and who exactly is running short of funds. Government insists NPOs must play some sort of role in poverty elimination, but it is unclear to whom exactly government is referring. Effective development planning is difficult because the post-1994 government statistics agency, Statistics South Africa, has yet to find a way of complementing its databases of for-profit organisations with the same for NPOs. Some very basic questions need answers. Who are these NPOs? Where are they? How many people do they employ? How many volunteers can they mobilise? How are they distributed across the different sectors? How much money do they spend? Where do they get their funds? Who leads them? What do they think their problems are? What do they expect from government?

This study seeks to answer these questions and thus to shed light on the dynamics of the history of the sector and the current complexities facing policy makers and stakeholders.

What is an NPO?

Our research team broadened the Johns Hopkins comparative study's definition of NPO to suit the South African context.

Defining NPOs in the South African context is a particularly hazardous exercise because the constructed notion of 'non-profit sector' is intimately bound up with the unresolved, emotive debate here about the notion of 'civil society'. As South Africans negotiated themselves from racially exclusive authoritarianism to a robust – albeit politically volatile – non-racial, constitutional democracy over the decade starting in 1990, the debate about the state's function and form could not be detached from how South Africans envisaged a future civil society. The only uncontested notion was that 'civil society' refers to associational life somewhere between the state and the individual (or family). But questions about whether or not 'civil society' includes the for-profit sector, its synonymy or antinomy with the market, its homogeneity or heterogeneity, how big or small it is, whether it can move from being oppositional to developmental, and whether, indeed, it is an it at all, pervaded the debates of the time.⁶

The language of the 1980s and early 1990s did not include the term 'NPO'. Discussions were initially about the role of 'service organisations', and then, due to the influences of donor language, about 'non-governmental organisations' or 'NGOs', and 'community-based organisations' or 'CBOs', and the complex relations between them. But between the mid- and late-1990s, the inexorable progress of policy making demanded that a choice be made not on a definition of civil society as such, but on what to call civil society organisations. Eventually, the policy makers and key NGO partners settled on 'NPO': a nice, depoliticised term that transcended the NGO-CBO discussion and delineated the sector from the private sector.

Three definitions

Three significant definitions of what are now called NPOs have gained prominence in South African development discourse over the past decade.

The first strategically important and – given the context – brave attempt to define the non-profit sector was in 1993. A leading, high-profile, Ford Foundation-funded NPO, the Development Resources Centre, published a

paper entitled 'The definition and typology of NGOs', which defined NPOs as follows:

*NGOs are private, self-governing, voluntary, non-profit distributing organisations operating, not for commercial purposes but in the public interest, for the promotion of social welfare and development, religion, charity, education and research.*⁷

The key significance of this definition is the notion of 'public interest', and that activities must be aimed at promoting 'social welfare and development, religion, charity, education and research'. It effectively excluded categories of organisation in the 'Major Activity Group' of the classification system of the International Classification of Non-Profit Organisations (ICNPO)⁸, namely business associations, professional associations and unions.

A second, quite influential definition was advanced in the mid-1990s by analysts associated with the Centre for Policy Studies in Johannesburg. Following Naomi Chazan,⁹ these scholars, notably Steven Friedman, defined civil society as the realm of associations which are 'independent of the state, engage with it but do not seek to take it over'. It is a perspective that tends to regard a liberal democratic state as a precondition for a civil society. One consequence of using this definition is that it excludes much of black associational life – including resistance – under apartheid.

Third, the 1999 report for the most important NPO umbrella structure, the South African NGO Coalition (SANGOCO), prepared by two leading NGO research groups, the Co-operative for Research and Education (CORE) and the Community Agency for Social Enquiry (CASE), presented civil society as comprised of 'civil society organisations' or 'CSOs', which were, in turn, defined as:

*Those organisations and groups or formations of people operating in the space between family and the state, which are independent, voluntary, and established to protect or enhance the interests and values of their members/founders.*¹⁰

This remarkably apolitical definition comes very close to the structural-operational definition used in the Johns Hopkins Comparative Nonprofit Sector Study, and is much broader and less value-laden than the 1993 Development Resources Centre definition. Its significance is in the exclusion of a reference to a public purpose or role.

The most recent attempt

The technical team working for the Department of Welfare and Population Development on drafting what became the Nonprofit Organisations Act of 1997, took legal advice on a definition of NPOs. The first option read:

A private/independent, (voluntary), (self-governing), non-profit distributing association of persons established for the purpose of promoting the well-being, circumstances or prospects of the public and/or addressing the concerns and issues that detrimentally affect the public.

This was the 'tight' definition, mainly because of how the purposes of NPOs are defined. The broader definition contained in the second option was formulated as:

An association of persons established whose objects and activities which when viewed as a whole exhibits the following characteristics. (i) it has been established for a public purpose; (ii) it is private/independent; (iii) it is voluntary; (iv) it is self-governing; and (v) its income and/or profit are not distributed to its members, trustees, directors, except for reasonable compensation for services rendered.

The final definition that was written into the Act was:

A trust, company or other association of persons established for a public purpose and the income and property of which are not distributable to its members or office-bearers except as reasonable compensation for services rendered.

The inclusion here of the notion of a public purpose is significant and resonates with the values-oriented Development Resources Centre definition rather than with the apolitical South African NGO Coalition definition. But why a specific definition of 'public purpose' was not included in the Act was cause for great intrigue and debate. The reason that leaked out was that the drafting group could not reach agreement on a definition that would not be contentious.

The chickens came home to roost, however, when, in 2000, tax exemption legislation needed to be drafted. Without a definition of public purpose, granting exemption from taxation would be difficult. This gave rise to a new term: 'public benefit association' (PBA), which was defined in the Taxation Laws

Amendment Act of 2000 as an organisation engaged in 'public benefit activities'. However, instead of defining these activities, the Act provided for the registration of public benefit activities as schedules to the Act within 12 months of its promulgation. Unsurprisingly, the meaning of 'public purpose' or 'public benefit' was more elusive than policy makers had initially assumed.

Our broad, structural-operational definition

The South African Non-Profit Sector Study used the structural-operational definition of NPO that was used by the Johns Hopkins Comparative Nonprofit Sector Study. The key advantage of this choice was that the South African results would be comparable with those from other countries in the comparative study. The structural-operational definition uses five criteria for defining an NPO:

- **Organised:** institutionalised to some extent; relative persistence of goals, structures and activities; excludes ad hoc or temporary groups
- **Private:** excludes government structures; can receive financial support from government; can carry out government contracts
- **Self-governing:** must control its own activities in accordance with its own procedures; not controlled by outside entities, like government or for-profit businesses
- **Non-profit distributing:** profits generated are not returned to owners or directors; profits ploughed back into the basic mission of the organisation; does not exist to generate profits or other commercial gains
- **Voluntary:** must engage volunteers in operational management; 'non-compulsory' contributions and membership; excludes professions requiring compulsory membership.

The research team tested these criteria and concluded that they could be used in the South African context and were consistent with the official definition and general conception of an NPO in the Nonprofit Organisations Act. There were, however, certain differences and difficulties. Firstly, the critical difference between the Johns Hopkins comparative study's definition and the Nonprofit Organisations Act's definition is that the latter includes the notion of public purpose. But because public purpose is itself not defined, we could use the comparative study's definition without losing relevance in the South African context. Secondly, a narrow interpretation of the

comparative study's definition would have excluded forms of NPO that are important in the South African context: co-operatives, stokvels, burial societies, religious organisations, and political parties.

- **Co-operatives:** South Africa does not have a large, development-oriented co-operative sector; neither in the production nor the consumer sectors of the economy. Where co-operatives do exist, they tend to be small, self-help affairs, initiated and sustained by relatively small groups of people. Although a narrow interpretation of the comparative study's definition would have excluded them from our study, because co-operatives return what could be defined as a 'profit' to their 'owners', in reality South African co-operatives are little more than survivalist structures. (The medium to large financial institutions and commercial trading institutions that are legally registered co-operatives, and which originated in the rise of Afrikaner¹¹ capitalism in the early part of the twentieth century, were obviously excluded.)
- **Stokvels:** Stokvels are common in one form or another across sub-Saharan Africa, and are especially strong in South Africa. They typically comprise a group of people of varying numbers (normally between 5 and 30) who periodically contribute a certain amount of money to a pool. Each member takes a turn to use the pool for whatever purpose he or she chooses. Like co-operatives, stokvels could be seen to contradict the non-profit distributing criterion of the comparative study's definition. However, the financial function of a stokvel is only a part of the role it performs: it also acts as a key organisational focus. Groups of people develop bonds of trust and reciprocity by co-ordinating the money collection and saving, assisting members who cannot always contribute, excluding troublesome members, resolving conflicts, and so on. Stokvels are an important component of the social capital of many communities.
- **Burial societies:** Like stokvels, burial societies are groups in which members contribute monthly to a pool. This money is used to assist with the costs of members' burials and so burial societies too may fall foul of the non-profit distributing criterion. But burial societies have arisen out of the need to transport the deceased over long distances (normally from the cities to rural homes) and to cover the costs of the expensive and elaborate funerals required by tradition and family pressure. And, like stokvels, they require considerable organisational co-ordination over many years within a relatively small group and thus build trust, reciprocity, bonds of solidarity, and strong intra-community networks.

- **Religious organisations:** Over time, religious organisations – the welfare, cultural, educational, and recreational organisations established by religious institutions – have played a central role in building up social capital in South Africa by systematically creating networks of support within disenfranchised communities with no other means of social welfare. The highly bureaucratised, well-resourced churches in developed societies bear very little resemblance to most of the independent African churches in South Africa, where Sunday assemblies often take place in open fields. Even the more established religious institutions have local organisations in poor communities that are often key nodal points of civil society organisation. Religious organisations have become a reliable form of social welfare in these communities, and cannot be excluded from a broad definition of the non-profit sector in South Africa, despite the fact that the comparative study's criterion that an organisation be self-governing may not be entirely applicable to certain of them.
- **Political parties:** The exclusion of political parties from the South African study would have caused considerable confusion, because many political parties have only very recently shed their 'social movement' or 'liberation movement' status and become established political parties. At community level, quite a wide range of activities and structures are sustained by local party branches, which have more to do with traditional civil society functions – such as conflict resolution, agitation around collective consumer demands, and co-ordinating access to welfare and information resources – than with canvassing for the party.

An additional set of distinctions is required in order to make sense of the South African non-profit sector: During the apartheid period, not only did the history of NPOs bifurcate into racially distinctive and exclusive domains, but within these domains different groups of NPOs tended to play particular roles, which can be categorised in crude terms as developmental, oppositional, and survivalist.

- **Development NPOs** can be defined as those engaged directly in improving the social, cultural, and economic well-being of certain sectors of society, quite often supported by resources from the state and/or private donors. Until the late 1980s, most development NPOs catered for white interests.
- **Survivalist NPOs** are concentrated in communities where the majority of people barely survive. A survivalist NPO tends to be created to share or maximise the meagre resources of its members, or to act as a co-ordinator

for community or cultural services not provided by the state or the private sector. Quite often, survivalist NPOs have links with religious institutions (including those related to traditional African religions), which define whom they serve and provide financial sustenance.

- **Oppositional NPOs** are mainly involved in organising and mobilising people, for various purposes, but usually to pressurise government bodies and/or private companies, or even major institutions (such as religious institutions, sports bodies, and trade unions) to make specified changes.

The roles are not mutually exclusive. A given NPO could play one or more of these roles, and this could change over time. Many civic associations, for example, started off as oppositional NPOs and have ended up playing a developmental role, while a number of survivalist NPOs have joined oppositional social movements at certain points.

A note on our methodology¹²

The size and profile of the entire sector has been accurately estimated for the first time.

The first challenge for the South African Non-Profit Sector Study was to develop a methodology for creating a representative sample of all types of NPOs, both formal and informal. Bev Russell developed a unique research methodology for the South African context and which could give results that were useful to the primary South African stakeholders.¹³ It enabled us to estimate the size and profile of the entire non-profit sector in South Africa more accurately than before.

The methodology of the Johns Hopkins Comparative Nonprofit Sector Study was based on government accounts, supplemented with existing lists and the opinions of experts on the size and scope of a particular country's sector. This was not appropriate for South Africa. Statistics South Africa could not provide disaggregated gross domestic product and employment data for the non-profit sector. Neither were government accounts useful, since they relied on information from registered non-profit companies and thus did not reflect the thousands of community-based NPOs in South Africa. Expert interviews were also inappropriate, since the estimates varied widely, influenced largely by the interviewees' backgrounds and areas of expertise.¹⁴

A number of different organisations had attempted to develop a statistically representative sampling frame of NPOs in order to determine the size and profile of the NPO sector, but this was found to be impossible. The main reason was that no comprehensive list of NPOs existed, either in terms of type or number. An alternative approach needed to be taken. The key was to use the community as the basis of the sampling frame rather than the NPO. A representative sampling frame of community types was developed on the assumption that there was a direct correlation between the type of organisation and the type of community. A geo-demographic model was used to select a random sample of 40 communities nationally, covering the full spectrum of community types. Within each community a 'snowballing' technique was then used to obtain a comprehensive list of all the NPOs that existed in each of those communities, which were then identified and interviewed. The results of the survey were weighted¹⁵ back to the total number of communities within each community type in the country, which in turn provided an accurate estimate of the size and profile of the non-profit sector in South Africa.

The survey was undertaken without reference to existing lists of NPOs so that comparisons with other lists could provide a validation mechanism for establishing whether all types of NPOs had been covered by the methodology. We found that, due to the relatively small size of the sample, larger, more formal NPOs that only had one office were under-counted to some extent. We therefore decided to supplement the findings of the survey with the PRODDER database.¹⁶ As a result of PRODDER's self-completion collection approach, the database tends to have a greater concentration of larger, more formal NPOs.

We also found that the trade unions were under-represented in the main survey due to the difficulty of getting their co-operation regarding their financial data. These results were supplemented with data provided by the Department of Labour. In this way we ensured a more accurate picture of the non-profit sector as a whole. It should be noted, however, that compatible data from PRODDER and the Department of Labour was only available for finances and personnel and therefore the analysis of the results was undertaken using our survey data only.

The methodology was designed in late 1997 and piloted in late 1998. The fieldwork was mainly done in 1999 and the data was also analysed and weighted up to a national scale then.

THE SIZE AND SCOPE OF THE NON-PROFIT SECTOR IN SOUTH AFRICA

Notes

- ¹ As is common practice in South Africa, 'black' refers to all groups that were historically disenfranchised, namely Africans, coloureds (mixed race people), and people of Asian origin.
- ² Keynesian economic theory (named after its author, Maynard Keynes) is what gave rise to the welfare state because it argued that the state must take responsibility for social services and welfare, and for ensuring full employment through interventionist economic policies. 'Neo-Keynesian' refers to contemporary economic theories that prescribe a much bigger role for the state than free market liberal theories, but without assuming that the state must deliver everything through its welfare bureaucracy. For neo-Keynesians, partnerships with civil society for delivery are important.
- ³ Neo-liberal macro-economic theory asserts that the best way to grow a national economy is to reduce the role of the state in the economy to a minimum, remove barriers to free trade, privatise state-owned enterprises, and deregulate financial and labour markets.
- ⁴ The Department of Welfare and Population Development was renamed the Department of Social Development in 2000.
- ⁵ D. Barnard and Y. Terreblanche, *PRODDER: The South African development directory 2001 edition* (Pretoria, Human Sciences Research Council, 2001).
- ⁶ See debates in *Theoria*, 79 (May 1992).
- ⁷ M. Honey and D. Bonbright, 'The definition and typology of NGOs' (Johannesburg, Development Resources Centre, 1993). This paper was the precursor to the Development Resources Centre's seminal study, the first quantitative analysis of the size and scope of the non-profit sector, undertaken in 1994. For a discussion of the weakness of these earlier studies, see H. Christiansen Cawthra with G. Kraak, 'Voluntary sector and development sector in South Africa 1997-1998', *Development Update*, 2:3 (1998).
- ⁸ The International Classification of Non-Profit Organisations is promulgated by the United Nations.
- ⁹ N. Chazan, 'Governability and compliance during the transition' in R. de Villiers (ed.), *Governability during the transition* (Johannesburg, Centre for Policy Studies, 1993). See also S. Friedman, 'Golden dawn or white flag? The state, civil society, and social policy', paper delivered at colloquium on Inequality, Democracy and the State in the 21st Century, Woodrow Wilson Center for International Scholars, Washington, D.C., November 1998.
- ¹⁰ Co-operative for Research and Education, and Community Agency for Social Enquiry, 'Civil society in the new millennium: The case of South Africa', report prepared for the South African National NGO Coalition, Johannesburg, May 1999.
- ¹¹ 'Afrikaner' refers to a group whose origins lie largely in Dutch settler society prior to British colonial rule in the late 1700s.
- ¹² A detailed description and discussion of the methodology follows the 'Principal findings' section.
- ¹³ The most significant stakeholders that were defined at the start were: the Department of Welfare and Population Development; Statistics South Africa; the Reserve Bank; the Human Sciences Research Council; the South African National NGO Coalition (and similar structures in the sector); the South African Grantmakers' Association; the National Development Agency; and the Department of Finance.
- ¹⁴ B. Russell, 'Myth or methodology', paper presented to the Fourth International Conference of the International Society for Third Sector Research (ISTR), Trinity College, Dublin, Ireland, July 2000.
- ¹⁵ 'Weighted' is a technical term that refers to a process of manipulating data to create standard parameters for analysis. Weighting is also used to resolve deficiencies in the quality of the data that has been generated by field work. See 'NPO sample' on p. 49 of the 'Methodological issues' section.
- ¹⁶ D. Barnard and Y. Terreblanche, *PRODDER*.



Principal findings

This section presents selected results of the South African Non-Profit Sector Study's quantitative survey in the form of estimations, constructed on the basis of our methodology. They cover the scale of the sector and the contribution made by volunteers, provide an organisational profile and perspectives on the sectors within the non-profit sector, and detail income and expenditure patterns. Comparisons are made with data from the other 27 countries in the Johns Hopkins Comparative Nonprofit Sector Study. All South African data are from our own survey and thus from 1999, with the exception of the financial data which are from 1998.¹ The international data are from the Johns Hopkins Comparative Nonprofit Sector Study and are from different years.

The scale of the sector

The non-profit sector was a major force in the South African economy.

A R9.3 billion industry

The total of the operating expenditures of all South Africa's NPOs was R9.3 billion in 1998, representing 1.2 per cent of the 1998 gross domestic product.

THE SIZE AND SCOPE OF THE NON-PROFIT SECTOR IN SOUTH AFRICA

A major employer

The non-profit sector employed the equivalent of 645 316 full-time workers (made up of full-time, part-time, and volunteer workers).² This is 9 per cent of the formal non-agricultural workforce, or 7.6 per cent of the total non-agricultural workforce.³ Just over half the time that workers in the NPO sector put in is paid for, and just less than half is voluntary. Total employment in the non-profit sector in 1999 exceeded the number of employees in many major economic sectors.

Table 1: Number of full-time equivalent (FTE) employees (including volunteers and part-time employees) in the non-profit sector

Employee type	Number of employees	Percentage of total
Full-time employees	305 011	47
Part-time employees (FTE)	23 314	4
Volunteers (FTE)	316 991	49
Total number of employees	645 316	100

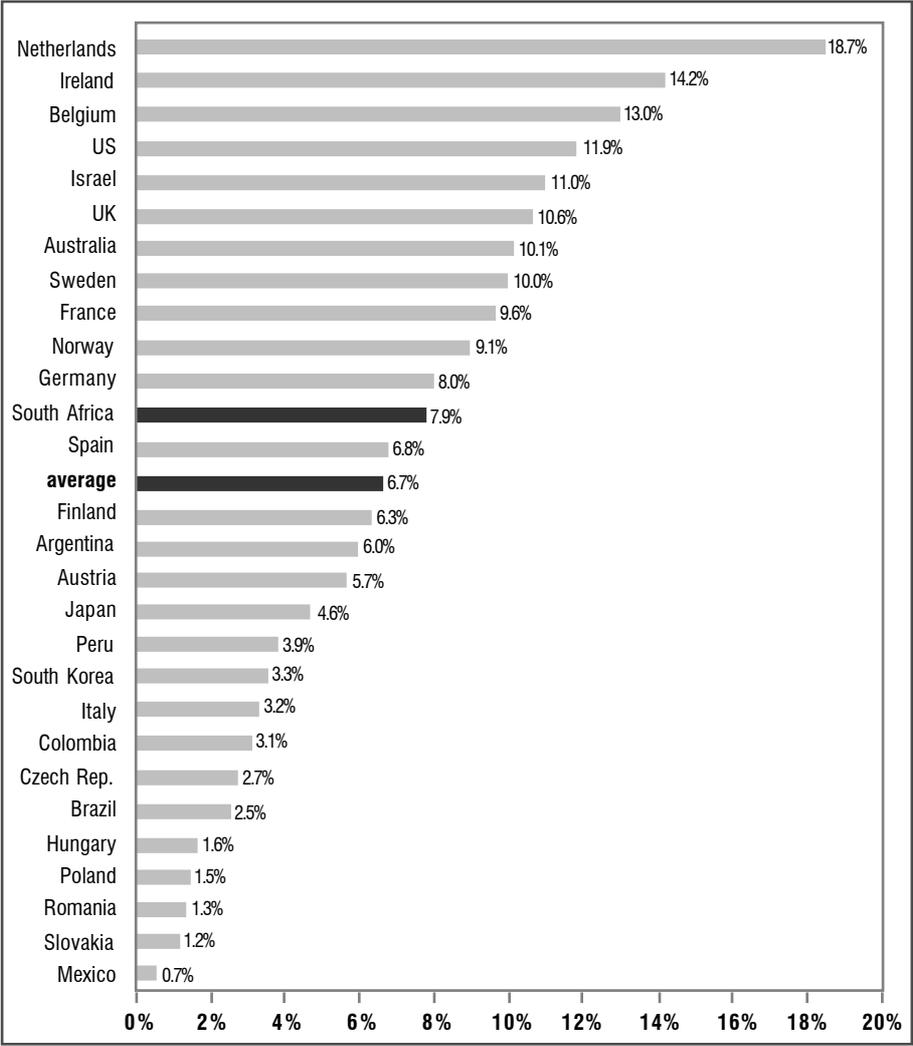
Figure 1: Non-profit FTE workforce compared to workforce in other economic sectors

Non-profit sector		645 316
Mining industry		534 000
Public servants in national departments		436 187
Electricity, gas, and water		309 203
Construction		301 371
Transport, storage, and communication		267 779
Financial intermediation, insurance, and real estate		218 378

A relatively larger sector than in most developed countries

When measured as a share of the formal non-agricultural workforce, South Africa's non-profit workforce is larger than the average among the 28 countries for which we have comparable data. The international comparative figures used here include paid and volunteer workers in all sectors of non-profit activity (excluding in the religion sector).⁴

Figure 2: Non-profit FTE workforce as percentage of formal non-agricultural workforce in 28 countries⁵



Volunteers

Volunteers made a substantial contribution.

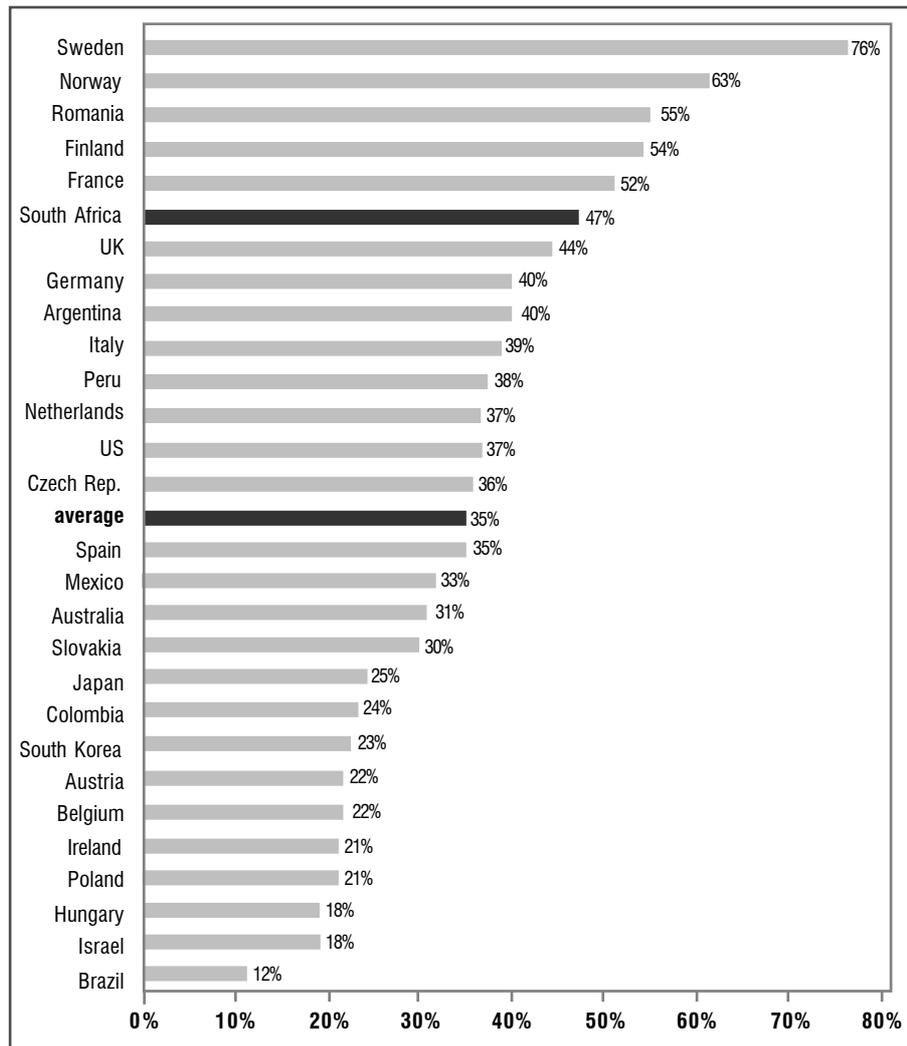
Nearly 1.5 million volunteers

Nearly 1.5 million volunteers actively contributed their time and energy to South African NPOs in 1999. Their contribution is equivalent to the work

THE SIZE AND SCOPE OF THE NON-PROFIT SECTOR IN SOUTH AFRICA

done in 316 991 full-time jobs, and accounted for 49 per cent of the non-profit workforce (or 47 per cent when the religion sector is excluded). This was well above the international average.

Figure 3: Volunteers as percentage of non-profit workforce in 28 countries⁶



Volunteer labour was worth R5.1 billion

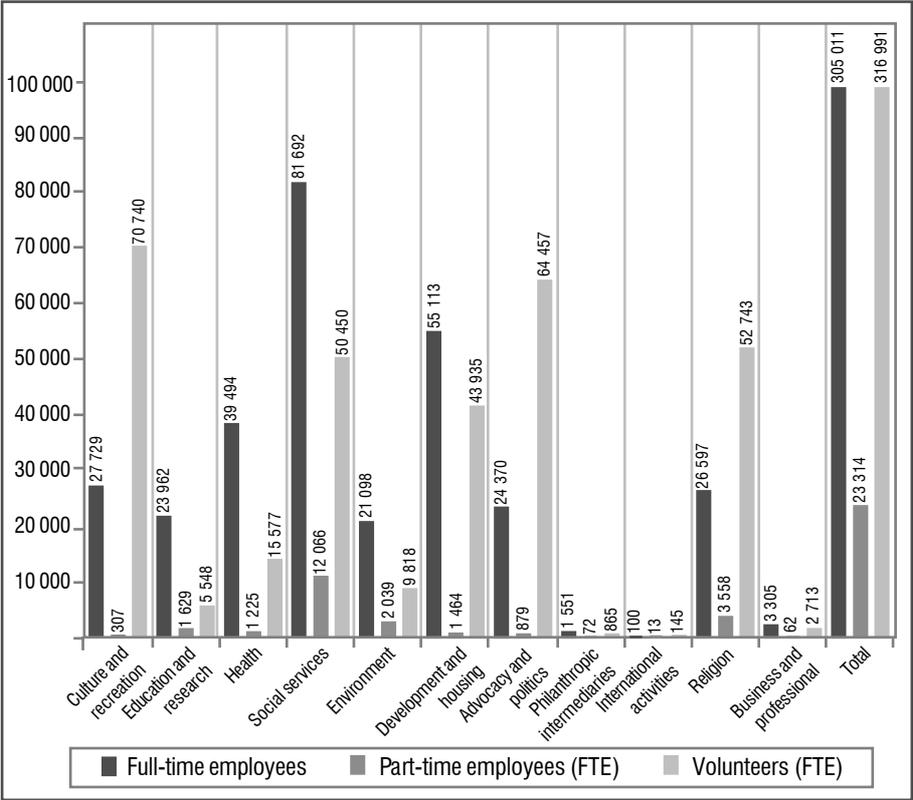
If we multiply the average wage of a full-time employee in the non-profit sector (conservatively calculated as just over R16 000 per year in 1999) by

the number of volunteer FTEs, we can give a Rand value to volunteer work in the sector. In pure economic terms, volunteers represented a significant amount of unpaid labour that contributed directly to building up the country’s social and economic capital.

Volunteers were the main drivers of some sectors

FTE volunteers by far outnumbered full-time employees in the culture and recreation, advocacy and politics, and, to some extent, the religion sectors. These are sectors that are more about values, recreation, and cultural identities than about organisation for service delivery, so it should not be surprising that they attract volunteers. But even in certain major service delivery sectors which have large, full-time, paid workforces, there were significant numbers of active volunteers.

Figure 4: Numbers of non-profit sector FTE employees (including volunteers and part-time employees) by sector



Organisational profile

Most NPOs were less formalised and community-based.

In 1999 our study found that there were 98 920 NPOs. This figure compares favourably with the 1994 estimation by David Cuthbert, executive director of the South African Institute for Fundraising, captured in the table below.

Table 2: Estimates of numbers of NPOs in 1994

	Number of establishments	Data source
NPOs with fundraising number	4 800	Director of fundraising
NPOs without fundraising number	4 000	Director of fundraising (estimate)
Exempt organisations		
Religious institutions	29 000	World Christianity South Africa and South African Christian Handbook
Education institutions	14 000	'Effective Letters' direct mail database
Community institutions	11 500	'Effective Letters' direct mail database
CBOs/CBDOs	30 000	Estimated by Griffiths Zabala and David Cuthbert
Total	93 300	

No less than 53 per cent of the NPOs in our study can be classified as less formalised, community-based NPOs, that is they are not formally structured as Section 21 non-profit companies, trusts, religious institutions, trade unions, or co-operatives. In South African legal terms, some are classifiable as voluntary associations. Unfortunately, our analysis of our data did not correlate employment or revenue flows with the distinction between large, formalised NPOs and less formalised community-based NPOs, so it is difficult to make too much of the estimate that more than half of the NPOs were in the latter category. However, other analyses that dealt with the scope of organisations' work, whether it was community-based, provincially-based, nationally-based, and so on, do provide us with a clear indication that a large proportion of the NPOs in the informal/voluntary category were smaller organisations working at a community level only.

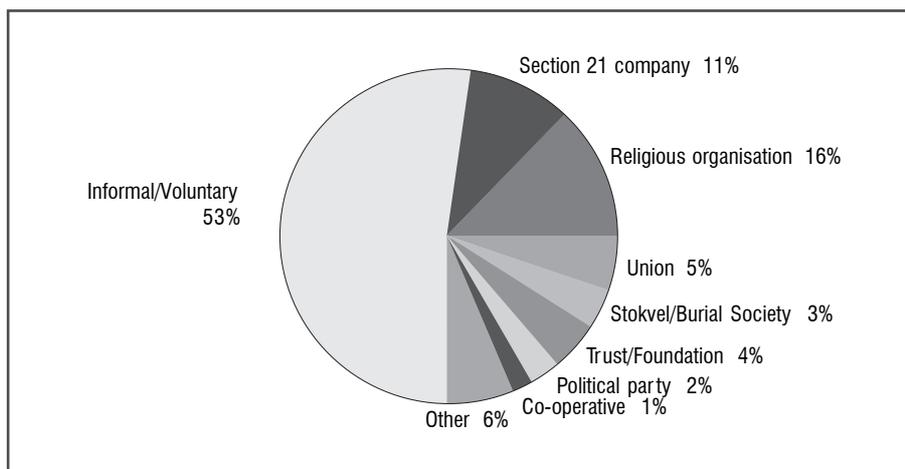
Previously, these smaller community-based NPOs have not been recognised because most existing databases have not been designed to capture them.

This substantial sub-group is believed to have an important contribution to make to poverty alleviation, responding to immediate problems at a community level far more quickly than any more formal structures, particularly the government, can. Anecdotally, their response would be particularly effective for the HIV/AIDS crisis, as they would be providing support and care to the poorest of the poor, who have few other channels of assistance.⁷

Table 3: Number of NPOs by legal status⁸ (weighted)

Legal status	Number of NPOs
Informal/Voluntary	53 929
Section 21 company	11 459
Religious organisation	16 105
Union	4 569
Stokvel/Burial society	2 472
Trust/Foundation	3 891
Political party	2 448
Co-operative	644
Other	5 772
Total	101 289

Figure 5: NPOs by legal status as percentages of total number of NPOs (weighted)



THE SIZE AND SCOPE OF THE NON-PROFIT SECTOR IN SOUTH AFRICA

Table 4: Number of NPOs by sector and legal status⁹ (weighted)

	Informal/ Voluntary	Section 21 company	Religious organi- sation	Union	Stokvel/ Burial society	Trust/ Foundation	Political party	Co- operative	Other	Total (N)
Culture and recreation	15 853	761	137	420	0	1 021	23	106	2 266	20 587
Education and research	4 028	474	352	0	0	0	0	0	837	5 691
Health	4 191	1 570	281	0	0	104	133	0	220	6 499
Social services	10 011	3 614	6 359	192	0	838	576	10	1 140	22 740
Environment	1 826	1 416	0	0	0	148	0	0	0	3 390
Development and housing	12 023	2 943	134	133	2 472	1 733	0	518	421	20 377
Advocacy and politics	3 465	246	104	322	0	47	1 716	0	888	6 788
Religion	2 532	435	8 738	0	0	0	0	0	0	11 705
Business and professional, unions	0	0	0	3 502	0	0	0	10	0	3 512
Total	53 929	11 459	16 105	4 569	2 472	3 891	2 448	644	5 772	101 289

Established, stable organisations

On average, in 1999 South African NPOs had been in existence for 19 years. They were not transient organisations. The oldest NPOs were in the religion and health sectors, with the average age of religious NPOs being 38 years, and of health NPOs 31. The fact that the organisations in the religion sector are older than those in any other sector would appear at least in part to reflect the strong influence of the church in South Africa's social and cultural history. Environmental NPOs were 24 years old on average, and social services 23. The youngest NPOs were in the education and research (8 years old on average) and development and housing (10 years) sectors, and the trade unions (10 years).

Table 5: Period in which NPOs were established by sector¹⁰ (weighted)

	Don't know	Pre-1976	1976-1993	Post-1994
Culture and recreation	624	5 182	4 936	9 845
Education and research	0	142	1 901	3 648
Health	598	2 401	1 288	2 212
Social services	328	6 024	8 350	8 038
Environment	899	699	1 090	702
Development and housing	459	2 139	7 784	9 995
Advocacy and politics	243	1 478	1 913	3 154
Philanthropic intermediaries and voluntarism promotion	0	47	258	0
International	0	0	0	192
Religion	1 892	2 793	4 798	2 222
Business and professional associations, unions	0	88	2 053	1 371
Total	5 043	20 993	34 371	41 379

Women and black people played a leading role

In contrast to the gender profile of the public sector and the gender and race profile of the private sector, black women led and managed the non-profit sector. Of the total managerial staff of all the NPOs we surveyed, 59 per cent were women and 73 per cent were black. In addition, 60 per cent of all full-time employees were women, and 81 per cent were black.

Table 6: Percentage of FTE employees by type and gender¹¹ (weighted)

Employee type	Percentage male	Percentage female
Total full-time	41	59
Total part-time	47	53
Volunteers	51	49
Management (full-time)	41	59
Professional/technical (full-time)	24	76
Support/administration (full-time)	43	57
Blue collar (full-time)	54	46

Table 7: Percentage of FTE employees by type and race¹² (weighted)

Employee type	Percentage black	Percentage white
Total full-time	81	19
Total part-time	84	16
Volunteers	70	30
Management (full-time)	73	27
Professional/technical (full-time)	72	28
Support/administration (full-time)	82	18
Blue collar (full-time)	95	5

Since these figures are aggregated from across the whole sector, they may reflect a pattern that is dominant in the more community-based NPOs. Further analysis needs to be undertaken to assess whether there is a correlation between the gender and race profile and the size and formality profile of the sector. If this analysis is done we are more than likely to find that women and black people play less of a dominant role in the larger and more formal welfare NPOs in the health and social services sectors. The high proportion of black women in managerial positions in South African NPOs hints at an exciting and potentially important source of future leaders, not only in terms of taking the NPO sector into a new era but also in other important areas of development.

Table 8: Percentage of FTE employees by type, gender, race, and sector¹³ (weighted)

	Percentage of managerial				Percentage of professional and technical				Percentage of support and administration				Percentage of blue collar			
	M	F	B	W	M	F	B	W	M	F	B	W	M	F	B	W
Culture and recreation	73	27	91	9	75	25	100	0	56	44	80	20	96	4	100	0
Education and research	15	85	88	12	14	86	88	12	12	88	100	0	6	93	42	58
Health	22	78	38	62	33	68	64	32	6	94	80	20	42	58	94	6
Social services	34	66	74	25	18	82	77	23	58	42	86	14	56	44	80	20
Environment	84	16	24	76	68	32	31	69	0	100	8	92	42	58	100	0
Development and housing	32	68	71	29	24	76	77	23	36	63	79	21	34	66	99	1
Advocacy and politics	73	27	92	8	16	84	87	13	10	90	79	20	30	70	100	0
Religion	64	36	58	42	36	64	17	83	47	53	54	46	63	37	86	14
Business and professional associations, unions	34	66	93	7	24	76	72	28	59	41	91	9	0	0	0	0

The management profiles of the different sectors reflect clear gender and racial biases. The two sectors that were clearly the domain of white-run NPOs were health and environment. The one clear difference between these sectors was that the management of environmental NPOs tended to be more male dominated while the management of health NPOs seemed to have been more female dominated. The group of large, formal NPOs in the religion sector was predominantly male run, although management is more equally distributed racially.

In strong contrast to the health and environment sectors are the culture and recreation and advocacy and politics sectors, which both tended to be led by black males. In culture and recreation a large proportion of the NPOs had sport as their main activity, which may explain the high male involvement. In advocacy and politics the largest group was made up of civic organisations. Civic organisations have played a critical role at a community level in the anti-apartheid struggle, taking on the leadership of communities in opposition to the non-representative white municipal

councils put in place by the apartheid government. The leaders of these organisations were traditionally male. Although most of the previous civic organisations had become the local authorities by 1999, most black communities still had civic organisations that dealt with community and development issues. The white equivalent of these civic organisations is rate payers associations, which also tended to be male dominated in 1999. They were also categorised under the advocacy and politics sector.

The two sectors managed by black females were education and research and development and housing. Education has always been the domain of women and clearly still appears to have been in 1999. It is less clear why the development and housing sector should be so strongly the domain of black women, except possibly in community and neighbourhood organisations. This type of organisation, of which there was a substantial number, is involved in supporting and improving the lives of ordinary people through associations, development organisations, and co-operatives. Anecdotally, these types of activities tend more frequently to be carried out by women.

Sectoral perspectives

NPOs effectively institutionalised the country's social capital.

Most NPOs were in the culture and recreation, social services, and development and housing sectors

There were 22 755 NPOs in social services, 20 587 in culture and recreation, and 20 382 in development and housing. Together these sectors employed 178 370 FTEs (54.3 per cent of the total number employed in the non-profit sector), and made use of the labour time of an additional 165 125 FTE volunteers. This means that the total number of FTE employees and volunteers in the three largest sectors of South Africa's NPO universe was equal to 343 496, or 53 per cent of the total NPO FTE workforce.

Table 9: Number of NPOs and percentage of total by sector (weighted)

	Number of NPOs	Percentage of total
Culture and recreation	20 587	20.8
Education and research	5 730	5.8
Health	6 517	6.6
Social services	22 755	23.0
Environment	3 396	3.4
Development and housing	20 382	20.6
Advocacy and politics	6 800	6.9
Philanthropic intermediaries and voluntarism promotion	310	0.3
International	212	0.2
Religion	11 706	11.8
Business and professional associations, unions	525	0.5
Total	98 920	100.0

The following series of tables describes the major areas of work undertaken by NPOs in each of the sectors as well as the number of NPOs in each of the sub-groups constituting that sector.¹⁴

Table 10: Areas of work in the culture and recreation sector

NPO type	Major areas of work	Number of NPOs	Total number of sub-groups
Culture and recreation	1. Culture and arts	5 172	
	• Media and communications		26
	• Visual arts, architecture, ceramic art		122
	• Performing arts		4 125
	• Museums		899
	2. Sports	10 498	
	• Clubs/sports and associations		10 498
	3. Other recreation and social clubs	4 917	
	• Recreation/social clubs		1 501
	• Service clubs		3 416

THE SIZE AND SCOPE OF THE NON-PROFIT SECTOR IN SOUTH AFRICA

Table 11: Areas of work in the education and research sector

NPO type	Major areas of work	Number of NPOs	Total number of sub-groups
Education and research	1. Primary and secondary education	4 667	
	• Elementary, primary, and secondary education		4 667
	2. Higher education	-	
	• Higher education		-
	3. Other education	1 024	
	• Adult/continuing education		1 024

Table 12: Areas of work in the health sector

NPO type	Major areas of work	Number of NPOs	Total number of sub-groups
Health	1. Hospitals/rehabilitation	-	-
	2. Nursing homes	2 138	2 138
	3. Mental health/crisis intervention	1 473	
	• Mental health treatment		480
	• Crisis intervention		993
	4. Other health services	2 888	
	• Public health and wellness education		1 038
	• Health treatment (outpatient)		416
	• Rehabilitative medical services		187
	• Emergency medical services		1 247

Table 13: Areas of work in the social services sector

NPO type	Major areas of work	Number of NPOs	Total number of sub-groups
Social services	1. Social services	13 519	
	• Child welfare, child services		4 963
	• Youth services, youth welfare		2 291
	• Family services		2 385
	• Services for the handicapped		1 093
	• Services for the elderly		1 242
	• Self-help and other services		1 545
	2. Emergency and relief	908	
	• Disaster/emergency prevention/control		47
	• Temporary shelters		861
	3. Income support and maintenance	8 313	
	• Income support and maintenance		53
	• Material assistance		8 260

Table 14: Areas of work in the environment sector

NPO type	Major areas of work	Number of NPOs	Total number of sub-groups
Environment	1. Environment	624	
	• Pollution abatement/control		-
	• Natural resources conservation and open spaces		165
	• Environment beautification and open spaces		459
	2. Animal protection	2 766	
	• Animal protection/welfare		269
	• Wildlife preservation and protection		148
	• Veterinary services		2 349

THE SIZE AND SCOPE OF THE NON-PROFIT SECTOR IN SOUTH AFRICA

Table 15: Areas of work in the development and housing sector

NPO type	Major areas of work	Number of NPOs	Total number of sub-groups
Development and housing	1. Economic, social, and community development	14 162	
	• Community and neighbourhood organisations		9 017
	• Economic development		3 600
	• Social development		1 545
	2. Housing associations	503	
	• Housing associations		308
	• Housing assistance		195
	3. Employment and training	5 712	
	• Job training programmes		3 790
	• Vocational counselling and guidance		922
	• Vocational rehabilitation and workshops		1 000

Table 16: Areas of work in the advocacy and politics sector

NPO type	Major areas of work	Number of NPOs	Total number of sub-groups
Advocacy and politics	1. Civic and advocacy organisations	3 545	
	• Advocacy organisations		2 734
	• Civil rights associations		21
	• Ethnic associations		237
	• Civic associations		553
	2. Law and legal services	1 546	
	• Legal services		344
	• Crime prevention/public safety		1 202
	3. Political organisations	1 697	
	• Political parties and organisations		1 697

Table 17: Areas of work in the philanthropic intermediaries and voluntarism promotion sector

NPO type	Major areas of work	Number of NPOs	Total number of sub-groups
Philanthropic intermediaries and voluntarism promotion	1. Philanthropic intermediaries and voluntarism promotion	305	
	• Grant-making foundations		-
	• Voluntarism promotion and support		305
	• Fundraising organisations		-

Table 18: Areas of work in the international sector

NPO type	Major areas of work	Number of NPOs	Total number of sub-groups
International	1. International activities	192	
	• Exchange/friendship/cultural programmes		-
	• International disaster and relief organisations		192
	• International human rights and peace organisations		-

Table 19: Areas of work in the religion sector

NPO type	Major areas of work	Number of NPOs	Total number of sub-groups
Religion	1. Religious congregations and associations	11 705	
	• Congregations		10 560
	• Associations of congregations		1 145

Development and housing was a comparatively large sector. Particularly notable in South Africa was the substantial NPO involvement in housing and development activities. If the religion sector is excluded, 18 per cent of the South African non-profit workforce was employed in this field, compared to an average of 6 per cent in the 28 country sample. Interestingly, most of the activities in which NPOs in this sector were involved revolved around economic, social, and community development as opposed to housing itself.

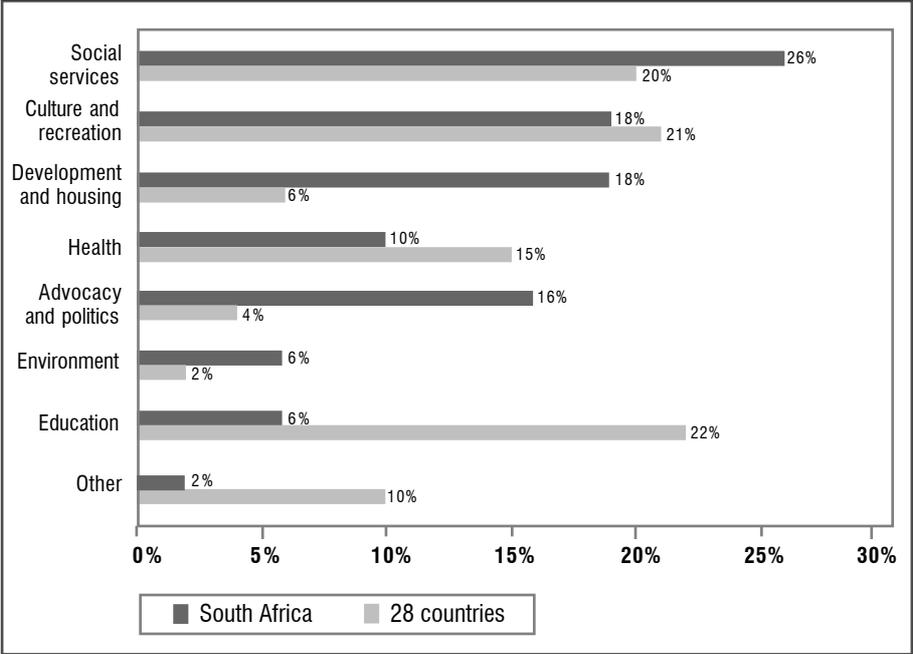
Culture and recreation was volunteer-based

Another distinctive feature of the South African non-profit sector was the relatively large concentration of effort in the culture and recreation sector, which accounted for over 15 per cent of the non-profit workforce (and over 22 per cent of volunteer input). This sector was dominated by sport, recreation, and social clubs, which form an integral part of most South African communities. Related activities are also often used for the greater good of the community, for example by keeping children off the streets and away from crime.

The advocacy and politics and environment sectors were also comparatively large

Issue-based and value-driven organisations in the advocacy and politics and environment sectors were also relatively important. Environmental NPOs accounted for 5 per cent of the NPO workforce, more than in almost all of the other 27 countries studied. Advocacy and politics NPOs accounted for 14 per cent of the total NPO workforce. It needs to be noted that civic and advocacy organisations were grouped under a single category. In many of the other comparative cases advocacy organisations were relatively strong while they were still relatively weak in South Africa. By contrast, civic-based organisations in the form of community organisations, were particularly strong in South Africa, and thus constitute the largest bloc within this category.

Figure 6: Composition by percentage of non-profit workforce comparing South Africa and countries in the Johns Hopkins comparative study¹⁵



THE SIZE AND SCOPE OF THE NON-PROFIT SECTOR IN SOUTH AFRICA

Table 20: Numbers of types of FTE employees by sector and percentage of total

Sector	Full-time employees	Part-time employees (FTE)	Volunteers (FTE)	Total employees per sector	Percentage of total
Culture and recreation	27 729	307	70 740	98 776	15
Education and research	23 962	1 629	5 548	31 139	5
Health	39 494	1 225	15 577	56 296	9
Social services	81 692	12 066	50 450	144 208	22
Environment	21 098	2 039	9 818	32 955	5
Development and housing	55 113	1 464	43 935	100 512	16
Advocacy and Politics	24 370	879	64 457	89 706	14
Philanthropic intermediaries and voluntarism promotion	1 551	72	865	2 488	0.40
International	100	13	145	258	0.04
Religion	26 597	3 558	52 743	82 898	13
Business and professional associations, unions	3 305	62	2 713	6 080	1
Total employees per type	305 011	23 314	316 991	645 316	

Income and expenditure¹⁶

The non-profit sector had an estimated income of R14 billion in 1998.

Government sources

Government contributed 42 per cent or R5.8 billion

The South government's contribution to the non-profit sector was higher than in most countries in the Johns Hopkins comparative study, the average being 39 per cent, but not as high as in Western Europe where the average is 50 per cent. The R5.8 billion includes foreign government Overseas Development Aid (ODA). However, it has been reliably estimated that at most R500 million of ODA actually found its way to NPOs, that is less than 10 per cent of public sector support for NPOs came from ODA.

Social services, health, and development and housing got the lion's share

Not surprisingly, the bulk of government funds (R4.9 billion out of the total R5.8 billion) went to the social services (R2.1 billion), health (R1.7 billion), and development and housing (R1.1 billion) sectors. Despite its size, culture and recreation only received R50.9 million.

Reaching 'the poorest of the poor'

The sectors which received most of government's funds were characterised by well-developed, formal NPOs, which tended to be more active in established, urban working class and middle class communities than in the poorer communities. The following table reveals the pattern.

Table 21: Comparative profile of selected sectors¹⁷ (weighted data where applicable)

	Total number of FTEs per sector	Number of organisations per sector	Average number of FTEs per organisation	Total government funding per sector	Average government funding per organisation	Socio- economic categories in which the majority of organisations are concentrated*
Social services	144 208	22 755	6.3	R2.1 billion	R92 287	47% in category 4-7
Health	56 296	6 517	8.6	R1.7 billion	R260 856	42% in category 5-7
Culture and recreation	98 776	20 587	4.7	R50 million	R2 428	49% in category 9-10
Development and housing	100 512	20 382	4.9	R1.1 billion	R53 969	51% in category 8-10

* 1 = high income through to 10 = below the headline

The last column in the table shows that 47 per cent of social services NPOs and 42 per cent of health NPOs were concentrated in the middle-income socio-economic categories. This contrasts with the culture and recreation and development and housing sectors, in which half the NPOs in both these sectors are concentrated in the poorest socio-economic categories.

The average size of government revenue per organisation is much higher in the health and social services sectors than in culture and recreation and development and housing. This correlates with the figures for the average number of FTEs per organisation, which suggest that the health and social services NPOs were larger (and therefore more well-established) if we measure this by the average number of FTEs.

Given that NPOs in the development and housing sector are concentrated at the poorer levels of South African society, and given that government is a significant funder of development and housing, we can conclude that there is a good chance that government funding of this sector is reaching the kind of poor people that government policy has in mind. This is not necessarily the case for the health and social services sectors, which also receive a lot of government money. Many of the NPOs in these sectors are concentrated in the middle-income categories and were established before 1994. They catered more for the white sector of society, and possibly still do. This is not to say that health and social services NPOs do not meet the needs of the poor, but rather to suggest a possible trend that may raise concerns about who benefits from government funding support for the health and social service sectors. The culture and recreation sector is very different: NPOs in this sector are heavily concentrated at the poorer levels, but there is negligible government funding. Private sector donations account for nearly 21 per cent of total revenue here.

Private sector funding

The South African private sector donated nearly R3 billion

If we include donations from non-governmental international aid, we get R3.5 billion – 25 per cent of the non-profit sector's revenue. This level of private sector funding is one of the highest among the 28 countries that were studied. The explanation has much to do with the high level of funding for NPOs from the corporate sector.

The bulk of private sector funding went to health, development and housing, and education and research

The health sector got R634 million from private sector donors, development and housing R585 million, and education and research R490 million.

Environment, education and research, and culture and recreation relied heavily on private sector funding

Just over 71 per cent of the environment sector's income came from private sector donors. For education and research the figure was 60 per cent, and for culture and recreation 42 per cent.

Volunteers' contributions pushed private sector funding to 46 per cent of total revenue

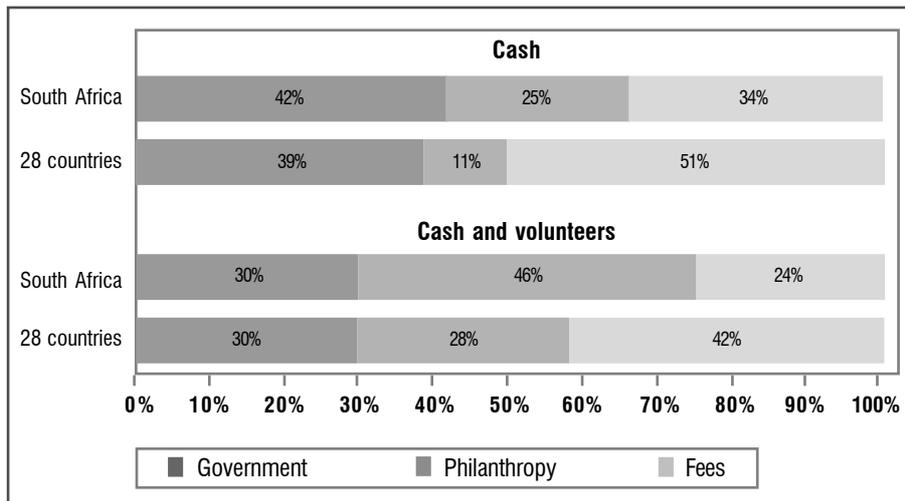
If the value of volunteer work (R5.1 billion) is added to the value of private sector funding (R3.5 billion), we can conclude that the total financial value of all private sector funding for NPOs was R8.7 billion, or 46 per cent of total revenue flows into NPOs. This is significantly higher than the average of 28 per cent for the 28 countries in the Johns Hopkins comparative study.

Self-generated income

Self-generated income accounted for 34 per cent of total revenue

Service fees, dues, and other self-generated income amounted to R4.6 billion, or 34 per cent of all income. Although this is significant in South African terms, it is considerably lower than in the other countries. This is unsurprising given that most of the other countries have large, developed, middle classes with a higher capacity to pay NPOs for services than in South Africa. The social services NPOs were the highest generators of fees for services – together they raised R1.2 billion in this way in 1998. This represents 32.4 per cent of total revenues in the sector, with government grants making up 56.5 per cent and private sector funders 11.1 per cent. The development and housing sector was another large fee generator, raising just over R1 billion, which accounted for 36.8 per cent of the sector's revenues. The rest came from government (42.2 per cent) and private sector donors (21 per cent).

Figure 7: Sources of non-profit revenue by percentage comparing South Africa and 28 countries¹⁸



Development and housing had the best balance of funding sources

Based on the figures in Table 22 below, we can estimate that in 1998 the development and housing sector managed to secure over R1 billion from government (both South African and ODA), R585 million in private sector funding, and just over R1 billion in self-generated income. This contrasts with the health sector that brought in virtually no self-generated income, or social services where private sector donor income was only 11 per cent – a little in relation to what the sector got from government or self-generated income.

Table 22: Income by source for each sector¹⁹ (nearest R million)²⁰ (weighted)

	Private			Government	Total income per sector
	Fees, sales, dues	Investment income	Private sector donors	Grants and contracts	
Culture and recreation	421	0.1	341	51	813
Education and research	286	21	490	17	815
Health	116	30	634	1 705	2 486
Social services	1 031	179	415	2 113	3 738
Environment	228	16	618	8	869
Development and housing	797	228	585	1 177	2 787
Advocacy and politics	50	15	97	750	911
Philanthropic intermediaries and voluntarism promotion	12	0	4	0	16
International	0	0	0	0	0
Religion	366	145	300	0	810
Business and professional associations, unions	723	33	3	6	766
Total income per source	4 029	668	3 487	5 827	14 011

Table 23: Financial summary of the non-profit sector²¹

		R million	Percentage of total
Income	Fees, sales, and dues	4 029	29
	Investment income	668	5
	Private sector donor income	3 487	25
	Government grants and contracts	5 827	42
	Total income	14 011	100
Expenditure	Salaries and wages	5 313	57
	Other	4 042	43
	Total expenditure	9 355	100

NPOs mobilised resources worth R13.2 billion

If the values of volunteer labour (R5.1 billion), private sector funding (R3.5 billion), and self-generated income (R4.6 billion) are added together, we can estimate that in 1998 a massive R13.2 billion was raised in cash and in kind

THE SIZE AND SCOPE OF THE NON-PROFIT SECTOR IN SOUTH AFRICA

by a wide range of NPOs for a large number of social and public programmes without substantially increasing the burden on the government's tax base.

Notes

- ¹ Organisations could give us financial data for 1998, but found it more difficult for 1997. We considered the 1997 data we did receive to be too inaccurate for us to use.
- ² A full-time equivalent (FTE) is the amount of labour time provided by a part-time worker or volunteer expressed in terms of the labour time provided by a full-time, paid worker, that is eight hours a day. So, for example, if a part-time worker or volunteer puts in four days of four hours each, this will be expressed as two days in FTE terms. The 'Methodological issues' section discusses the use of FTEs in more detail, particularly in comparative sets of data.
- ³ The formal non-agricultural workforce is workers employed in the formal sector, but excluding the agricultural sector. The total non-agricultural workforce includes all workers in the formal and informal sectors. See 'Comparative employment data' on p. 56 in the 'Methodological issues' section.
- ⁴ The religion sector is excluded when South African data are compared to the international data, because the Johns Hopkins comparative study excluded it. See the discussion in 'Comparative South African and international data' on p. 57 in the 'Methodological issues' section.
- ⁵ Source: Johns Hopkins Comparative Nonprofit Sector Study, excluding religious NPOs – which in South Africa represent 12 per cent of the total non-profit sector.
- ⁶ Source: Johns Hopkins Comparative Nonprofit Sector Study, excluding religious NPOs.
- ⁷ This is taken from experience gained working with HIV/AIDS home-based care organisations while conducting the Kaiser Foundation HIV/AIDS household study amongst 800 HIV/AIDS-affected households. Fieldwork undertaken by Social Surveys is complete, although the results are still being analysed.
- ⁸ This table is based on the survey data only and not on the figures generated by combining these with the PRODDER and Department of Labour data. This is why the total adds up to 101 786 organisations and not 98 920, the estimate based on the combined data.
- ⁹ Survey data only. In addition, please note that the philanthropic intermediaries and voluntarism promotion and international sectors are excluded because the samples were too small to break down at this level. Philanthropic intermediaries and voluntarism promotion accounted for 305 organisations and international activities for 192. This brings the total to 101 786.
- ¹⁰ Survey data only.
- ¹¹ Survey data only.
- ¹² Survey data only.
- ¹³ Survey data only. Rounding up or down means that numbers may not add up exactly.
- ¹⁴ There is no table for business and professional associations and unions as the small sample used for the survey only picked up two business organisations.
- ¹⁵ Source: Johns Hopkins Comparative Nonprofit Sector Study, excluding the following sectors: religion; philanthropic intermediaries and voluntarism promotion; international; and business and professional associations and unions.
- ¹⁶ See 'Comparative sources of information on funding sources' beginning on p. 57 in the 'Methodological issues' section.
- ¹⁷ Survey data only.
- ¹⁸ Source: Johns Hopkins Comparative Nonprofit Sector Study. This data excludes the religion sector. The samples of NPOs found in the philanthropic intermediaries and voluntarism promotion and international sectors were too small to provide data at this level. Rounding up or down means that numbers may not add up exactly.
- ¹⁹ Survey data only.
- ²⁰ Rounding up or down means that numbers may not add up exactly.
- ²¹ Rounding up or down means that numbers may not add up exactly.

Methodological issues

The South African context demanded a unique research methodology. This section outlines how it was developed and tested, and points to some of its limitations and how these were mitigated.¹

Sampling strategy and research techniques

Strategies and techniques that responded to the South African context were required.

Sampling frame

As it is too costly and generally not possible to conduct a full census of a given segment of a society, such as the non-profit sector, a sample needs to be taken from which generalisations for the whole segment can be made. However, in order to design an accurate sample one needs to have a general knowledge of the different types of entities that exist in the segment that one is surveying. Knowledge of other factors, such as the geographic distribution of the entities, is also necessary for developing an accurate sampling frame. All the existing databases relating to South African NPOs were out of date and/or incomplete, so there was not enough data for us to develop a sampling frame. We decided to attempt to design a sampling frame based not on NPOs themselves, but on a representative sample of communities, on the

assumption that there is a direct correlation between type of NPO and type of community. We did have a comprehensive database of different community types and we believed that if we interviewed all NPOs in a representative sample of community types it would be possible to extrapolate this data up to the total of each type of community in the country and in so doing determine the size and profile of the whole NPO sector.

The ClusterPlus model, the community database we used, is grounded in empirical knowledge of the diverse community types that make up South African society. It is based on the American Delphi system, which uses psychographic, sociographic, physical, and economic descriptions to assemble a physical profile of communities. The model overlays a variety of primary source data, including the national population census, the All Media Products Survey (AMPS), and various other demographic, lifestyle, and income databases, into a digitised geographic framework.² Through cluster analysis, the correlation of interdependent variables serves to generate a hierarchy of the community types and sub-types evident in South Africa. What this means is that the ClusterPlus model provides the data on certain clusters of community types (for example Khayelitsha and Ivory Park will be in one cluster, and Sandton and Constantia will be in another). Our survey then gathered information on NPOs within the sample of communities drawn from each cluster (for example just Khayelitsha for the one cluster and just Sandton for the other), and on the basis of what was found in the sample, developed generalisations for all communities in a cluster (for example what we found for Khayelitsha we would apply to Ivory park as well).

The model enables bounded geographic locations (this could be a suburb, or part of a suburb) with similar profiles to be categorised into homogenous groups, and further categorised into clusters, according to the following four sets of variables:

- Social rank (incorporating income, education levels, and occupation)
- Dwelling type
- Life stage of household
- Ethnicity (incorporating language and race).

For sampling purposes, this study defines a community as a group of people inhabiting similar geographical locations according to the ClusterPlus model.

Implicit in using geographical spaces as the parameter for defining a community is an assumption that there is a correlation between types of organisations and the types of social, political, and economic environment in which they are found, in other words that there will be a similar pattern of organisational development in large informal squatter settlements no matter where they are, or that there will be a similar pattern of organisational development in any very wealthy suburb. This assumption was tested during the pilot phase, and, by implication, validated.

In the ClusterPlus community categories, 10 groups reflect the spectrum of South African community types.

Table 24: ClusterPlus community categories for South Africa

Category ^a	Definition	Cluster number and title
A	High Income Earners Upmarket suburbs, spacious lavish homes. Educated, successful professionals and managers. Substantial spending power, affluent lifestyles. Mature families, older children; also younger achievers.	1. Upper Crust 2. New Money 3. The Well-Offs 4. Big Fish
B	Middle Class Settled suburban areas; upper middle income earners. 3-bedroomed houses, comfortable and in good condition. Educated white-collar workers in trade and commerce. Conformist value systems and family-oriented lifestyle.	6. Happy Families 32. Comfortable Families
C	Modern Developments New housing on outskirts of cities and townships. From good quality to low-cost developers' schemes. Modern facilities, relatively good living standards. Young families; upwardly mobile home-owners.	4. Upwardly Mobile 7. Young Home-owners 11. Developers' Dream 31. Spreading Out
D	Middle Suburban Middle and lower income earners. Suburbs are well-established, peaceful and stable. Older 3-bedroom dwellings on modest sized plots. Good local services, shopping and education.	8. Settled Suburbia 9. Bridging the Divide 33. Small Town Values

Continued on page 44

THE SIZE AND SCOPE OF THE NON-PROFIT SECTOR IN SOUTH AFRICA

Category ^a	Definition	Cluster number and title
E	High Density Mainly flats, or mix of small houses or apartments. Neighbourhoods close to town centre. Busy area, close to commerce and shops and restaurants. Range of incomes, occupations and ages.	5. Mature and Secure 13. All Sorts 34. Boxed In
F	The Labour Source Lower-middle income; blue-collar workers. Old, plain, small houses, rented or employer supplied. Near to industrial or mining areas. Basic living habits; many extras from employer.	10. Suburban Stagnation 11. Blue-Collar Blues 12. Working Class 13. Self-Starters
G	Basic and Small Mixed ethnic group of relatively low income earners. Range from semi-skilled labour to blue-collar workers. Matchbox houses to small dwellings, in rows or semis. Very basic homes, rented or government.	14. City Strugglers 19. Organised Clutter 20. Matchbox Houses 36. Basic Living
H	Poor High Density Low income earners; densely populated high-rise blocks. Crumbling city centres or desolate out of town locations. Tenements and workers' compounds/hostels. Poorly educated and low skill workers.	14. Urban Decay 15. Modest Multis 21. Tenement Wastelands 23. Workers' Compounds
J	Low Income Squalor Poorest, unstable dangerous township areas. Many shacks and iron extensions to matchbox houses. Severely wanting roads, sewerage and electricity. Unemployment, inferior education, and low income.	22. Poor Neighbours 24. Crammed Chaos 37. The Other Town
K	Below the Breadline Over-crowded, treacherous, informal settlements. Also hostel accommodation and traditional houses. Miserable existence; severe crime and violence. Unemployed and uneducated; subsistence living.	25. Sub-Economic Huts 26. Shack Settlements 27. Hostels 38. Forgotten People

Rural communities were also included in the sample, but due to budgetary constraints these were limited to 'peri-rural' areas (within 50km of the closest small town). Clusters within each category of community represent differing nuances of community lifestyles within the category. For example, the 'Below the Bread Line' category includes the clusters 'Sub-Economic Huts', 'Shack Settlements', 'Hostels', and 'Forgotten People'. Each cluster takes account of detailed socio-economic factors, for example the 'Forgotten People' cluster includes: 'informal squatter camps located around black settlements; little permanent housing – overcrowded and squalid; inadequate fresh water, electricity and sewerage; unemployed migrants, hopelessly unskilled job seekers'.

Community sample

A national representative sample of 40 communities was selected from the ClusterPlus database, including metropolitan, urban, and rural communities, although samples of 60 and 100 were also drawn in the hope that additional funds would be available. Unfortunately it was only possible to use the smaller sample, resulting in some limitations in the final results, including that certain types of NPOs were under-counted.

Table 25: Communities selected as a representative sample

Sampling areas by community type	ClusterPlus group	Sampling frame cluster number
Tokai, Wynberg	A	2
Parkwood, Johannesburg	A	3
Vincent, East London	B	6
Eshowe Central, Eshowe	B	32
The Reeds, Pretoria	C	7
Geelhoutpark, Bafokeng	C	31
Tulbagh	C	43
St Helena, Welkom	D	33
Middelburg South	D	33
Nirvana, Pietersburg	D	33
Montana, Bellville	D	9
Central, Port Elizabeth	E	13

Continued on page 46

THE SIZE AND SCOPE OF THE NON-PROFIT SECTOR IN SOUTH AFRICA

Sampling areas by community type	ClusterPlus group	Sampling frame cluster number
Old Fort, Durban	E	13
Middelburg Central	E	34
Ennerdale Ext 6, Westonaria	F	14
Bombay Heights, Pietermaritzburg	F	14
Kimberley North, Kimberley	F	10
Msogwaba, Nelspruit	F	40
West Bank, East London	G	16
Bronville, Welkom	G	36
Tamboville, Springs	G	20
Troyeville, Johannesburg	G	16
Eastwood, Pietermaritzburg	G	19
Westenburg, Pietersburg	G	36
Lenasia Central, Johannesburg	H	17
Risecliff, Chatsworth	H	18
Lavender Hill, Simons Town	J	21
Kwaguqa, Witbank	J	40
Zwide Ext 4, Port Elizabeth	J	22
Mofolo North, Rodepoort	J	22
Jamaica, Umlazi	J	54
Unit 3, Umlazi	J	54
Tlhabane, Bafokeng	J	37
Macasser Beach	J	22
Seshego	K	40
Brownsfarm, Wynberg	K	54
Vosloorus Hostels, Boksburg	K	27
Orkney Hostels, Klerksdorp	K	27
Tugela Mouth, Ongoye	Rural	44
Idutywa Town, Transkei	Rural	43

Table 26: Number of sampled communities relative to total number of communities per ClusterPlus category⁴

ClusterPlus category	Number of communities	Number of communities sampled
A: High Income Earners	439	2
B: Middle Class	279	2
C: Modern Developments	594	2
D: Middle Suburban	402	4
E: High Density	131	3
F: The Labour Source	450	3
G: Basic and Small	321	6
H: Poor High Density	129	3
I: Low Income Squalor	187	6
J: Below the Breadline	53	2
K: Rural	1 266	7
Total	4 251	40

Informant sample

Having established a sampling frame representative of South African community types, a ‘snowball’ or strategic informant sampling technique was used. Originally devised to probe secretive, underground sub-cultures, such as drug users and cult members, the snowball sampling technique is particularly useful in generating population samples for:

... populations for which population listings are unavailable ... [And] where a small number of known members of the target population are asked to introduce you to other members, who in turn are invited to nominate other members to help you.⁵

This process was undertaken without reference to the existing databases which we planned to use on completion of the study as a verification technique. In this way it would be possible to validate our methodology, at least from the perspective of NPO type. A crucial aim of the South African study was to generate a methodology able to develop accurate, fully current data. The snowball technique was found to be particularly useful in identifying the

smaller informal structures that had been neglected in previous studies, enabling us to include these structures in our sample.

Although our sampling technique can be said to be an emergent one, we used it to ensure that our survey covered as close as possible to 100 per cent of NPOs based in any community. We found that NPOs tended to be networked by sector, and therefore if the lead (and other) organisations were found in a certain sector, the ensuing snowballing process tended to disclose NPOs restricted to the same sector. ('Lead organisations' were the organisations identified as starting points for the snowballing process and could either be NPOs themselves or other organisations, such as religious organisations or local authorities, that could provide us with the first few NPOs in each sector.) By exhausting information that could be supplied by NPOs within sectors, we were able to ensure coverage of close to 100 per cent of NPOs within communities. The fact that the communities sampled were relatively small also heightened the likelihood of maximum coverage.

Before the fieldwork began, a pilot study was undertaken in four sample communities to test the effectiveness of, among other things, the snowball technique. To ensure systematic coverage of NPO informants, a first phase telephonic snowball targeted all known lead organisations in communities – not necessarily NPOs, but those organisations identified as active and able to provide good information on the location of NPOs in the community. Clear field guidelines and lists of existing organisations and types directed fieldworkers to useful lead organisations for all 12 International Classification of Non-Profit Organisations (ICNPO) sectors:⁶

- Culture and recreation
- Education and research
- Health
- Social services
- Environment
- Development and housing
- Law, advocacy and politics
- Philanthropy and volunteerism
- Religion
- International activities
- Business and professional organisations and unions
- Other.

The pilot study was thus essential for fine-tuning appropriate lead organisations to ensure an accurate cross-sectoral snowball by fieldworkers, ensuring, in turn, an accurate cross-sectoral spread of informants. Lead informants included civic leaders, local authorities, local schools, women's associations, youth associations, welfare departments, local clinics and hospitals, and local media. The information from lead organisations ensured that each of the sectors was thoroughly covered, avoiding a sectoral bias in the results of the survey.

Following the initial phase of the research that tested and confirmed the usefulness of the snowballing technique, researchers then moved into a door to door trawling phase. They were expected to go directly to NPOs, interview them, and ask about other organisations. For the most part it was found that this was a productive approach, as people working in organisations within particular sectors were generally aware of other NPOs in their communities, and were willing to share their experience.

Lessons from the pilot study

The pilot study demonstrated that there was a lack of a 'telephone culture' in certain types of communities. Even in some of the areas where telephones were prevalent, respondents insisted on meeting face to face before they would respond to the questionnaire. Pilot findings revealed that in communities without a proper infrastructure, informants perceived fieldworkers more positively. Face to face interviews proved to be more productive than telephonic questions in these types of communities, while telephonic interviews in the more formal areas were more successful. In some communities where there was no access to telephones, it was necessary to conduct 100 per cent of the interviews face to face. Even the initial contact with lead organisations in these communities had to be face to face.

Another lesson was the need to send different types of researchers into different types of communities. The match of the cultural and racial backgrounds of the researchers with the respondents was a consideration in encouraging openness from interviewees.

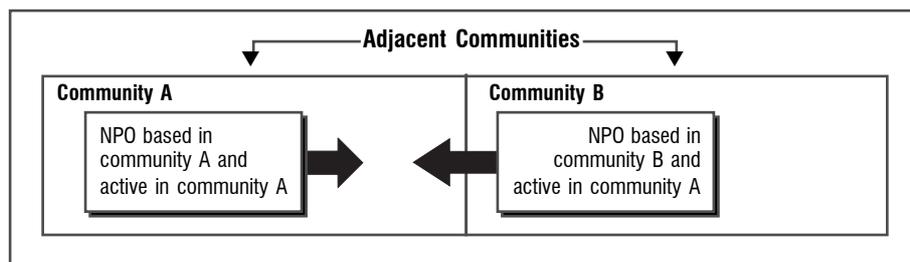
NPO sample

By way of clarification, it is important to note that a representative sample of communities was selected within a sampling frame that adopts defined

community boundaries. Researchers were provided with maps that clearly indicated these boundaries. Within this frame, NPOs based in the community and active in serving the community were identified as relevant members of the sample population. ‘Active only’ organisations were those organisations that were not based in the community, but were active in the community and located in a directly adjacent community.

A sample of 1395 NPOs across 40 different communities was generated, consisting of both ‘locally-based’ and ‘non-locally based’ organisations. The core ‘active-and-based’ sample amounted to 755, with 640 in the ‘active only’ sample.

Figure 8: Defining NPOs included by community sample populations



From a statistical point of view, when the NPOs were weighted back to the total it was necessary to eliminate the ‘active only’ sample as this would have resulted in a duplicated count or ‘shadow effect’. But for analysing the purely descriptive data, it was useful to retain these organisations, as the larger sample provided a more substantial sample base which assisted in enhancing our understanding of the profile of organisations and the sector as a whole.

The questionnaire

The main research instrument was a questionnaire.⁷ It was extensively piloted and completely redesigned as a result. The first part focussed on the size, profile, activities, and mission statement of the organisation, and the second part concentrated on financial details, attempting to uncover the sources of income, salaries paid, and the levels of expenditure in the non-profit sector. An additional section dealt with mainly attitudinal questions; its objectives were to elicit South African-specific data on the types of problems being experienced by different types of NPOs and what their own perceptions of the non-profit sector were.

Limitations of the methodology: The size of the sample

The main limitation was that the sample under-represented large, established, formalised NPOs.

Types of NPO captured

Bearing in mind the heterogeneous nature of South Africa and the large number of communities, the sample of only 40 communities out of a total of 4251 is small. The size of the sample was a limitation in relation to NPOs which have a single office for their work in the whole country. For example, professional associations tend to have their offices in one of the big cities. Due to the sampling frame and the size of the sample, many of the big cities were not included in the sample and these organisations were possibly under-counted.

If there is only one NPO of a certain type in South Africa, it is unlikely to show up on the survey, since it would have to be in one of the few areas sampled. But the type of NPO that occurs in almost every suburb in South Africa is likely to be accurately represented, since data from many of these NPOs would have been captured and combined. The survey will thus more accurately represent the more common types of NPOs. Since there are fewer large NPOs than smaller ones, the chances of a representative number of large NPOs occurring in the sample are lower than the chances of a representative number of small NPOs occurring. Therefore the survey can be expected to be fairly accurate for smaller NPOs, but possibly less accurate for large NPOs.

The size of the sample also meant that the number of organisations obtained in the philanthropic intermediaries and voluntarism promotion and international sectors was too small to justify a multi-level analysis. This, however, was not thought to be an undercount, and the PRODDER database, which concentrates on larger, more formal organisations, reflected a similar profile.

Generalisations at the provincial level

The size of the sample also means that it would not be statistically sound to analyse the data by province. Although all nine provinces were included in

the sample, communities within each one had too few NPOs to allow for generalisations about the non-profit sector at the provincial level.

Mitigating the limitations

Comparing our data with other databases confirmed our findings and filled in the gaps.

The PRODDER database

In order to mitigate the limitations of the sample in terms of the NPO types covered, a separate exercise involved a comparative analysis of the PRODDER⁸ database. Although this database is far from complete, it is one of the most comprehensive and the most up to date. PRODDER's list tends to concentrate on the more formal NPOs in South Africa, so a comparative analysis with our survey's list assisted us in identifying the extent to which they are under-represented in our survey. The PRODDER data is no more than a voluntary register of NPOs. There is no way to extrapolate from this data to the country as a whole. However, because of the effort involved in registering with PRODDER, it may be deduced that larger organisations are more likely to do so. It would also be in the interests of large NPOs to register, as they would gain standing. Therefore it is to be expected that PRODDER will contain more information about large, more formal NPOs.

It was unsurprising that some of the NPOs surveyed were unable to provide accurate information on their finances and employees. This data was therefore cleaned to include only those organisations whose income was either equal to or greater than their expenditure, and/or where employee figures added up. To re-weight the data back to the total database a certain correction factor was used – in order to obtain the FTE for both volunteers and part-time employees, the number of people was multiplied by the number of hours they worked on average and then divided by 7.5.

Figure 9: Comparison of PRODDER's and the South African study's estimated FTEs⁹

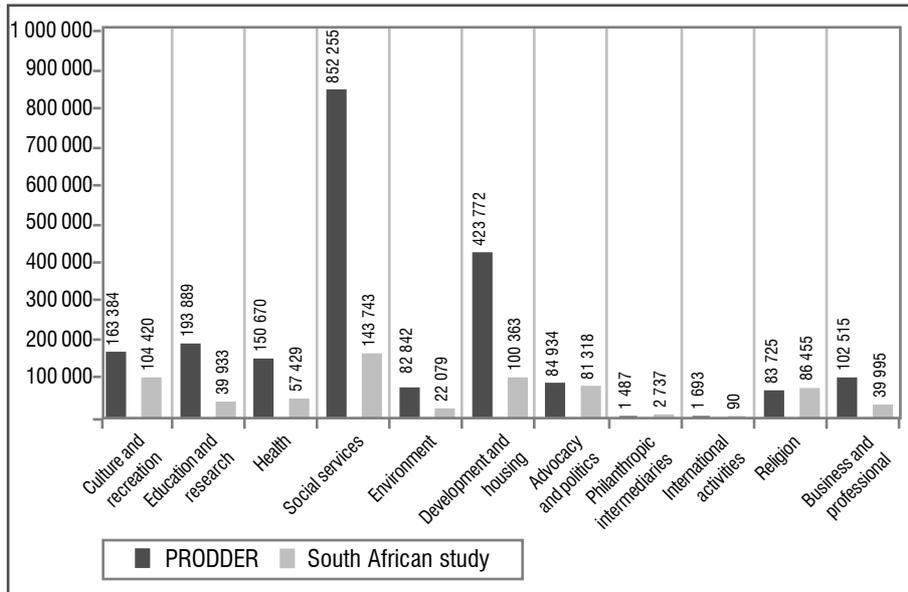
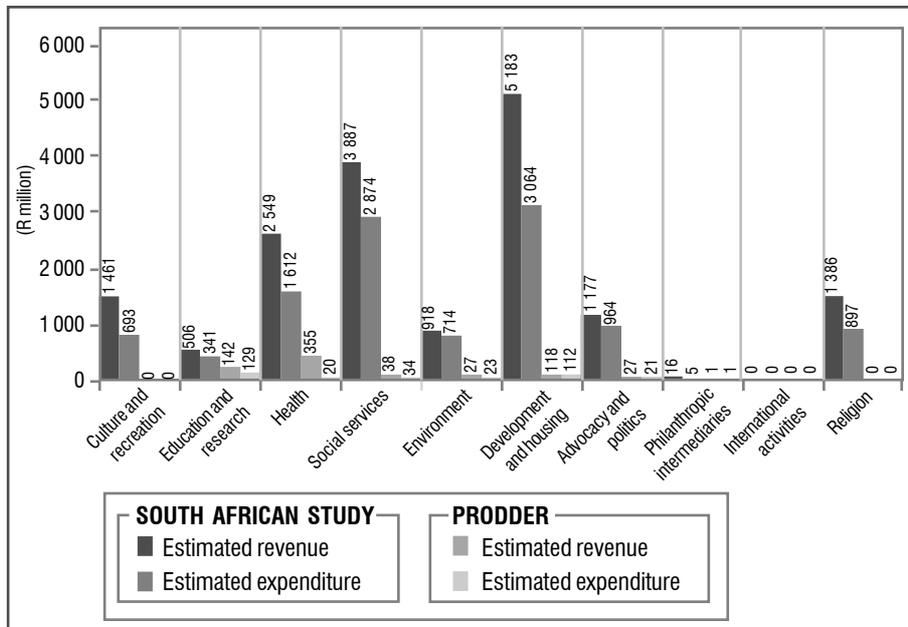


Figure 10: Comparison of the South African study's and PRODDER's financials (R millions)



THE SIZE AND SCOPE OF THE NON-PROFIT SECTOR IN SOUTH AFRICA

In order to combine the PRODDER data and the survey data, we assumed that all large NPOs that were not captured in the survey appear in PRODDER. The survey data and the PRODDER data were broken down by sector and by size, with size being based on the number of FTEs. The size categories used were:

$s \leq 1$; $1 < s \leq 5$; $5 < s \leq 10$; $10 < s \leq 50$; $50 < s \leq 100$ and $s > 100$ ¹⁰

where s is the size in terms of FTEs. The total number of FTEs was calculated by summing the full-time FTEs, the paid part-time FTEs and the volunteer FTEs. The broken down income sources in each case were multiplied by a suitable factor to ensure that the sum of the income sources was equal to the total income. These complementary sets of data were combined to estimate the required values in the country, taking into account the larger NPOs that were missed by our survey.

Table 27: Number of NPOs in each sector by size category¹¹

Sector	≤ 1		1-5		5-10		10-50		50-100		> 100	
Culture and recreation	5 403	6	8 450	43	3 318	34	3 391	34	-	-	25	
Education and research	738	10	2 500	104	1 493	107	900	214	-	40	59	23
Health	424	-	3 748	55	394	29	1 933	63	-	8	-	10
Social services	5 213	8	8 415	80	5 417	52	3 523	144	171	40	-	16
Environment	-	-	813	21	1 652	30	925	24	-	-	-	6
Development and housing	5 147	17	8 362	175	4 498	115	2 334	204	29	32	8	9
Advocacy and politics	2 179	6	1 736	73	919	70	1 438	76	516	3	-	12
Philanthropic intermediaries and voluntarism promotion	-	5	192	19	66	3	47	3	-	-	-	-
International	192	-	-	5	-	10	-	5	-	-	-	-
Religion	2 584	-	3 971	17	1 253	15	3 886	-	-	-	12	-
Business and professional associations, unions	873	-	1 767	9	233	32	147	5	492	9	-	5
TOTAL	22 753	52	39 954	601	19 243	497	18 524	772	1 208	132	104	81

The PRODDER database contains very few small NPOs, but in certain sectors contains more large organisations than our survey projections for the country. This confirmed the assumption that the PRODDER database would balance out the bias in our survey.¹²

Additional data from the Department of Labour

The results for the business and professional associations and unions sector were calculated based on trade union data from a comprehensive database that is managed and controlled by the Department of Labour. Special permission was obtained to access this database on condition that the names of specific trade unions were not revealed. It was established that there were 484 trade unions in South Africa at the time. These were broken down into categories based on the number of members of a union countrywide. All data that could be obtained was obtained to provide a sample of each of these categories. The values obtained within each size category were averaged, and each of these values was multiplied by the known number of unions within the relevant category.

The table below indicates the number of unions in each category, the number sampled, and the contribution made by that category to the overall income figure.

Table 28: Number, sample size, and financial contribution of unions sampled

Membership size	Number of unions	Sample size	Income (R million)
Less than 5 000 members	401	8	96.47
5 001 to 10 000 members	28	12	22.34
10 001 to 20 000 members	21	11	93.58
20 001 to 50 000 members	12	9	49.46
50 001 to 100 000 members	9	4	130.52
Over 100 000 members	13	7	354.04
TOTAL	484	51	746.41

FTE information could not be collected from the unions and we therefore used the data collected in the survey. The FTEs were calculated by multiplying the average value from the survey (without using weighting, because in this case the population size is not being calculated based on the

survey data), by the number of known unions. These results were added to the data available in PRODDER to attempt to take account of the fact that the business and professional associations and unions sector is not limited to unions. The data from PRODDER was obtained by multiplying the average value for each item by the number of organisations in this sector in PRODDER. The averages for the broken down income sources were based on only three observed professional associations and produced results far above the average expenditure.

Therefore the multiplication to ensure that the income figures add up has had a particularly large effect here, and one should be cautious using this result. The averages for the income and revenue were based on 40 observations. The union salaries data was multiplied by the factor 525/484 to take into account the added PRODDER organisations since there is no salary data in PRODDER.

Comparative employment data

To generate adequate comparisons to existing employment data, we used the 1998 'October Household Survey' results provided by Statistics South Africa¹³ because the bulk of our survey work took place in 1998 and 1999 and so the data are comparable. The following definitions of employment categories were used:

- **Formal non-agricultural employment:** This refers to the total number of employees in the non-agricultural sector, plus the estimated 749 000 domestic workers. The official estimate of the number of people in formal non-agricultural employment was 6 345 000, or 7 094 000 including domestic workers. This excludes employment in the informal sector.
- **Formal employment:** This is formal non-agricultural employment plus the total employment in agriculture, which was 935 000 in 1998. Formal employment is thus a total of just over 8 029 000.
- **Total non-agricultural employment:** This refers to formal non-agricultural employment plus the estimated 1.3 million people who earn a livelihood in the informal sector, that is a total of 8 394 000.
- **Total employment:** This is total non-agricultural employment plus employment in agriculture, that is 9 329 000.

Interpreting the estimates

The estimates need to be read with the methodology in mind.

Comparative South African and international data

The results reported in 'Principal findings' include comparisons of the South African data with those of the other studies that were done as part of the Johns Hopkins Comparative Nonprofit Sector Study. The following needs to be noted about the way this comparative data is presented.

Firstly, the religion sector was included in the South African study. This was not the case for many of the other countries that were studied, especially those countries in which the church is the dominant religious institution and more an extension of the state than an integral part of civil society. Thus wherever the South African data is presented in the 28 country comparative tables, the South African data excludes the data on the religion sector. Considering that this sector amounts to 12 per cent of the total number of NPOs in South Africa, representing nearly 12 000 NPOs, this does distort the comparative results to some extent.

Secondly, the international comparative data on non-profit employment as a percentage of formal non-agricultural employment is premised on a definition of formal non-agricultural employment that excludes informal sector employment. It is more helpful for South Africans to understand the significance of the comparative size of the non-profit sector in terms of total non-agricultural employment rather than just as a percentage of formal non-agricultural employment. The results reported in 'Principal findings' reflect both levels of comparison. However, where the South African data is reported in international comparative terms, it refers exclusively to formal non-agricultural employment.

Comparative sources of information on funding sources

The results reported in 'Principal findings' are combined estimates based on extrapolations from samples drawn from various databases. A key problem arises with respect to funding sources. NPOs derive donor funds from a complex range of bodies that cannot easily be classified by the NPO itself. There are bodies that may be legally constituted as 'private donors'

but may in fact be managing funds that originate from international or South African government agencies. A good example is the Johannesburg-based funding agency Kagiso Trust in the early 1990s. An NPO may have classified its funding source as a private donor called Kagiso Trust, but may have been receiving funds that originated from a European government aid programme, via Kagiso Trust. The same could occur today with funding from the National Development Agency. Similarly, some CBOs may get funds from an NGO intermediary (classified as a private donor) that has, in turn, obtained funding from, say, the Department of Social Development's anti-poverty programme. It is therefore necessary to complement the information on private donor funding with additional independent estimations in order to make any judgement on the state of funding in South Africa. None of the databases, including the database generated by our community survey, contains adequate information for teasing out and clarifying the complexities of funding sources. An alternative method for doing this is required.

The total estimate for private sector funding to the NPO sector is R3.5 billion, which represents 25 per cent of total funding for the sector. This compares favourably to the estimate by the Centre for Development and Enterprise, which suggests that South Africa's for-profit companies contributed between R4 billion and R5 billion in 1997/98 towards what is defined as Corporate Social Investment (CSI).¹⁴ The grantees were defined as organisations engaged in 'education and related', 'small business development', 'arts, music and drama', 'welfare and benevolence', 'sports development', 'policy/research', and 'environment' activities. Based on the published funding criteria of the majority of companies with CSI programmes, it can be safely assumed that the bulk of these donations were channelled into NPOs of various kinds in these sectors. The conclusion here is that our R3.5 billion estimate is conservative. However, not all private sector funding originated from South African companies.

Another key source of 'private donor funding' is from international philanthropy (for example foundations such as Ford, Mott, the Open Society, Kellogg, Mellon, Rockefeller, and Carnegie). In a recent study of the US-based foundations active in South Africa, it was estimated that these foundations contributed US\$42.9 million to 'civil society' (read: 'NPOs') in 1996.¹⁵ We have assumed, on the basis of anecdotal evidence and received wisdom in the sector, that the US-based foundations are the largest funders of South African NPOs. Assuming also that funding levels in Rand terms in

1998 were the same as 1996 (for the sake of being conservative), we estimate that total foreign private donor funding (from all countries) of NPOs in 1998 could have been at most R500 million. If this is correct, then of the estimated total of R3.5 billion from private donors in 1998, only, at most, R500 million came from foreign private donors. This makes sense, because if this figure were any larger, the correspondence between our estimate of the size of private sector funding and the Centre for Development and Enterprise estimate would begin to be undermined.

Another important source of funding for NPOs comes from government and international donors. The most comprehensive analysis of Overseas Development Aid (ODA) during the period 1994-1999 is a report compiled by International Organisation Development, commissioned by the Department of Finance's Directorate for International Development Co-operation.¹⁶ The most significant general findings of this report, for the purposes of this study, are:

- The average annual level of ODA from all public sector donors for the period was R3 billion per annum, or roughly 1 per cent of the annual national government budget.
- Contrary to popular perception, despite a dip in 1997/98 there has not been a decline in ODA since 1994, and there is no conclusive evidence to suggest that a substantial decline is imminent.
- Although funding for NPOs declined after 1994 to a low point in 1995 as ODA switched focus from civil society to government, by 1999 the levels of ODA for NPOs had returned to their 1994 levels.
- Roughly 15 per cent of all ODA is directed towards NPOs,¹⁷ with the vast bulk of this being grants as opposed to loans.

Based on the above parameters, it is possible to correlate ODA for 1998 with the results of this study. According to the International Organisation Development report, total ODA for 1998 was just below R3 billion.¹⁸ Assuming that 13 per cent (to be conservative) of this was directed into NPOs, this means that ODA for NPOs was R390 million in 1998.¹⁹ All of this funding stems from a foreign government source of one kind or another.

Unfortunately, it is not possible to identify whether this R390 million has been captured in the government funding source category, or the private sector donor category, or some combination of the two. However, if it has

been incorrectly reflected in the databases that were used to generate these results, the amount involved is small enough not to fundamentally affect the relative size of the respective contributions of government funding and private sector donors. It is, however, more than likely that the bulk of this ODA funding has been reflected in the government funding category, thus diminishing the South African government contribution to the sector by, at most, R390 million or 7 per cent of the total estimated contribution from government of R5.8 billion. For the purposes of this study, in order to cater for significant margins of error in the International Organisation Development study, it will be assumed that of the total of R5.8 billion from government sources, the very most that could have originated in foreign ODA would have been R500 million.

Two conclusions can thus be reached. Firstly, the estimate of R3,5 billion in private donor funding for the NPO sector needs to be reduced by at most R500 million to cater for the possibility that foreign private donor funding has been included in the larger amount. However, this still means that the estimates from this study compare favourably with the Centre for Development and Enterprise estimate of between R4 billion and R5 billion. Secondly, the size of ODA originating from foreign government sources directed at NPOs is relatively small compared to total funding flows from South African government sources into the NPO sector. At the very most, total ODA that went to NPOs in 1998 was possibly as high as R500 million. In light of these findings, the general trends reported in the 'Income and expenditure' section remain valid.

Notes

- ¹ In 2001 Bev Russell was awarded the Eddie Schulze Award for the Best Contribution to Research Standards for Africa, sponsored by Research International. This award was for the methodology developed for this study. The methodology was also approved by the Center for NonProfit Studies at Johns Hopkins University. Russell was subsequently invited to provide technical assistance on behalf of Johns Hopkins University to other African countries that had decided to attempt similar approaches in their comparative studies.
- ² The ClusterPlus model is built and operated by Metropolis, a South African for-profit company. They thus provided us with the full dataset and drew the sample.
- ³ There is no category I. Statisticians commonly leave it out because it can often be read either as 1 (one) or l (lower case L), and thus cause confusion.
- ⁴ Please note that in table 24 the categories are assigned different letters of the alphabet to those in table 26 because of the exclusion of I. So in table 24 'J' is 'Low Income Squalor' and 'Rural' does not appear.
- ⁵ G. Breakwell et al., *Research methods in psychology* (Sage Publications, 1995), p. 111.

- ⁶ This is the full list of ICNPO categories using the exact ICNPO names. We slightly modified these for reporting purposes. For example, there was no reference to law organisations in the advocacy and politics category, so we dropped the word 'law' from the category name. Similarly, certain categories were eliminated when the data was reported because there was no data captured, like for 'other'.
- ⁷ The questionnaire is available on <http://pdm.mgmt.wits.ac.za> and www.ccs.org.za.
- ⁸ Barnard and Terreblanche, *PRODDER*.
- ⁹ The methodologies used to obtain these statistics are different. The data should be used for estimation only.
- ¹⁰ Elsewhere these categories may appear as ≤ 1 ; 1-5; 5-10; 10-50; 50-100 and > 100 .
- ¹¹ Shaded columns contain the figures from the South African study.
- ¹² This problem would be alleviated if a larger community sample could be used in future studies.
- ¹³ The 'October Household Survey' is conducted annually by the government's Statistics South Africa. All the employment figures referred to in this section are drawn from the 1998 survey results, published on www.statssa.gov.za, and accessed in July 2001.
- ¹⁴ Centre for Development and Enterprise (CDE), 'Corporate business in a wider role', CDE focus, www.cde.org.za/focus/corporate.html, p.8. Accessed in July 2001.
- ¹⁵ S. Stacey and S. Aksartova, 'The foundations of democracy? US foundation support for civil society in South Africa', *Voluntas*, (forthcoming).
- ¹⁶ International Organisation Development, 'Synthesis report: Development co-operation report II for South Africa, 1994-1999', www.iod.uk.com, August 2000.
- ¹⁷ Of the R9.8 billion for which data was available for the period, R1.4 billion or 14.6 per cent found its way to NPOs (International Organisation Development, 'Synthesis report', p. 91).
- ¹⁸ The exact amount was R2 973 359 (International Organisation Development, 'Synthesis report', p. 80).
- ¹⁹ The report states that the actual amount allocated to NPOs in 1998 was in the region of R380 million (International Organisation Development, 'Synthesis report', p. 92). This figure is based on actual data that was available rather than a percentage of the total. This figure is similar to the amount of R400 million normally estimated as the amount of foreign donor support for NPOs in the pre-1994 period. Given that the report found that funding levels for NPOs in 1998/99 were returning to 1994 levels, this figure rings true.



Part Two



Context

This section opens with a theoretical framework for describing the history of the NPO sector in relation to the state. We apply this social origins theory to South Africa to provide a broad historical perspective from pre-colonial times to the present. Using our study's qualitative research, in particular the papers by Piroshaw Camay and Edgar Pieterse, we analyse the present relationship between NPOs and the state. We then describe and evaluate the recently established legal and policy framework in some detail.

A social origins theory

Twentieth century South African state-civil society relations may best be described as racially exclusive corporatism.

Describing state-civil society relations

To help to develop a comparative historical perspective on the growth and dynamics of the non-profit sector, the Johns Hopkins Comparative Nonprofit Sector Study built on Barrington Moore Jr's work¹ to develop a 'social origins' theory of state-civil society relations as an alternative to various economically reductionist 'market failure/government failure' theories. Lester Salamon and Helmut Anheier's theory distinguishes between four non-profit regimes: the liberal, the social democratic, the corporatist, and

the statist, which the authors intend only as 'heuristic devices intended to demarcate broad tendencies'.²

- **The liberal regime** is characterised by low government spending on social development coupled to a well-developed, privately funded non-profit sector. It arises when there is a strong, ascendant middle class faced with weak or unthreatening landed elites and/or working class movements. Private support for social development via NPOs is preferred to using the state for this purpose.
- **The social democratic regime** is characterised by extensive state intervention in social development (justified by a Keynesian economic perspective)³ and a relatively weak non-profit sector. NPOs get displaced from their service provision role by the state, but can nevertheless remain active and organised. This regime emerges when there is a strong working class movement that gains control of political power, often in alliance with other classes, and uses it to foster social development.
- **The corporatist regime** is characterised by extensive state expenditure on social development, but in partnership with segments of the non-profit sector. NPOs act as the conduits for delivering services, in place of or in partnership with state agencies. This regime often arises when elites in control of the state must accommodate other elites and classes whose power resides in well-organised, non-profit structures. The rapprochement can come about in order to counter much greater threats from more radical anti-capitalist social movements.
- **The statist regime** is characterised by low levels of state support for social development without the concomitant development of a non-profit sector with significant capacity to substitute for the state's neglect. This regime emerges when economic or self-serving political elites gain control of the state and face no pressure or obligation to support social development, either via the state or privately via a philanthropic middle class. Movements of poor and working people will have either been repressed or systematically disorganised for various ideological or cultural reasons.

In our view, the social origins theory of state-civil society relations should be revised to include a fifth regime – the colonial.

- **A colonial regime** would be characterised by limited social spending by the state and an autonomous non-profit sector rooted in the colonised group and based on survival and opposition. The social forces would be

the external colonial power allied to a settler class in control of state power, and the politically disenfranchised middle class, working class and peasantry that make up the colonised masses. As urbanisation and industrialisation progress and a politically aspirant urbanised (nationalist) middle class is generated, these colonially oppressed classes mount oppositional movements via NPOs (often led by middle class elites) to seize state power, after which they establish either corporatist, liberal, or statist regimes, depending on the configuration of forces within the opposition and subsequent alliances, and the resources available to the state to meet popular demands. In certain instances, populism may be the ideology of these corporatist arrangements.

Origins of the South African non-profit sector

Pre-twentieth century

To the extent that it is possible to identify the pre-twentieth century origins of the non-profit sector in South Africa, three sets of social formations have an obvious place:

- In pre-colonial communities, there were rather weak organisational forms that managed to secure a degree of autonomy from the dominant political leadership, for example groups around traditional healers and spirit mediums, or outcasts surviving on the fringes of these communities. These survived in various secular and non-secular forms through the segregation, apartheid (post-1948), and post-apartheid periods despite the various defeats, co-optations, and mutations of traditional political leadership in this era.⁴
- From the mid-1600s, the largely slave community (including runaways, free slaves) established Islamic religious, cultural, and welfarist organisations in and around the Cape of Good Hope settlement and subsequently across the country.
- Starting with the Dutch in the 1600s, the settlers brought with them distinctive European religious, cultural, and welfarist organisations. This continued through to the British who were still arriving in large numbers throughout the 1800s.

The twentieth century

South African civil society has a different trajectory to settler-based civil societies in Australia and the United States, where the settlers decimated

the indigenous population, and, unlike in many European countries, there were no landed elites to reckon with here. The result was the emergence of civil society regimes of the liberal type. In South Africa, the size of the indigenous population in relation to the limited size of the settler population made decimation unviable. Instead, repeated attempts were made, through various colonial 'divide and rule' strategies, to break up the potentially threatening colonised mass into a range of sub-groups, culminating in 'grand apartheid'⁵ from the mid-1900s onwards.

Instead of opting for full-scale decolonisation in response to anti-colonial opposition from the black majority at the start of the twentieth century, in 1910 the British colonial power and the English-speaking settlers entered into a corporatist pact with ascendant, armed Afrikaner social movements rooted in agrarian society. Throughout the first half of the twentieth century, successive waves of industrialisation and urbanisation resulted in the formation of an Afrikaner working class and middle class, extremely well organised into NPOs across a range of sectors. These NPOs were drawn into corporatist arrangements for administering health and welfare benefits to white society. But this pact gradually stimulated its logical opposite, namely a coalition of interests united by their exclusion from white political and economic power.

The white corporatist pact in South Africa was racially structured and restructured from 1910 through to the 1970s, from which point successive attempts were made to shed this racial character via top-down reforms. To protect the pact, brute state coercion was also needed, but ultimately failed to prevent its collapse and replacement with a non-racial democratic order in the 1990s. Ironically, however, the established white NPOs survived and now serve a very different state, and are faced with radically different poverty-stricken groups to those that they serviced over the decades before.

Black civil society in the twentieth century

It would be a mistake to assume that the model of the statist regime is applicable to the relationship between the white state and black civil society. Although there were moments when the state acted against all forms of organisation (especially in the 1960s), in general the colonial and the apartheid states tolerated the extensive growth of a diverse and complex

black non-profit sector, as long as it remained apolitical. In fact, there was a sustained racist discourse in twentieth century state ideology in South Africa that justified state neglect of black social development by reference to the ability of blacks to 'look after themselves' in their 'own areas' and in accordance with 'Native custom'.⁶ In many ways, the relationship between the white state and black civil society was almost liberal, in Salamon and Anheier's typology: there was limited state support for social development, and a large non-profit sector.

However, the black non-profit sector was not sustained by a philanthropic middle class, nor did it consist of the formalised, apolitical welfarist NPOs that Salamon and Anheier had in mind when they built their typologies. The black non-profit sector was a mix of largely localised and less formalised survivalist and oppositional (especially at certain historic moments) NPOs. Development NPOs, where they existed, were either supported by the range of religious institutions or the largely white NPOs with liberal consciences. (Some development NPOs emerged out of state-supported ethnic patronage systems, but these were more creatures of political manipulation than anything else.)

It was out of these multi-layered and deeply embedded networks of NPOs that the social movements of the 1980s and 1990s emerged. And they can be credited for bringing an end to apartheid. It is these same organisational formations (shed now – in most cases – of their social movement dynamics) that have entered into a new, this time non-racial, corporatist pact with the democratic state. This relationship is characterised by the features of the corporatist regime that Salamon and Anheier describe.

Analysing the present corporatist regime

Given that the anti-apartheid struggle was rooted in social movements opposed to gross socio-economic injustices and inequalities, it is not surprising that the first democratically elected government committed itself to an extensive state-funded social development programme to meet the backlog of needs. These are set out in the table below.⁷

Table 29: Backlog in socio-economic needs^a

Sector	Total backlog and estimated years of spending required	Annual cost
Public works	R8.8 billion over 5 years	R1.7 billion (average)
Health	R13 billion over 10 years	R1.3 billion (average) R2.4 billion (maximum)
Education	R14 billion to R20 billion over 9 years	R1.6 billion (minimum)
Municipal and rural infrastructure	R45 billion to R77 billion over 5 years	R10 billion (approximately)
Roads	R38 billion over 10 years	R3.8 billion
Total	R119 billion to R157 billion	R18.4 billion

Because ‘grand apartheid’ was so heavily premised on racially determined residential segmentation, it is not surprising that in addition to the usual social development needs – like welfare, education, and health – housing and related infrastructure shortages were also a top priority for the post-1994 government. The official estimate of the existing housing shortage, as defined by the Department of Housing, was 2 million in urban areas and 400 000 in rural areas.⁹ It is, therefore, necessary to include spending on housing and related infrastructure in any analysis of the post-1994 state’s social expenditure profile. This kind of analysis is relatively simple to do because the government has committed itself to what it calls its Medium-Term Expenditure Framework, which defines expenditure priorities over a three to five year period. The table below provides government’s planned expenditures, in real terms, on the core social development priorities for the period 1995 to 2004. Expressed in real terms, all expenditures are being increased, except in housing due to changes in housing subsidy policy. The far right column shows the percentage change over the period, but these values will be unaffected in this calculation by changes in any one year. The purpose of the percentage change column is to give a monetary value to what government is planning to achieve.

Table 30: Medium-Term Expenditure Framework projections (R million)¹⁰

	1995/ 1996	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004	Percentage change
Weighting factor#	70.6	76.8	83.1	90.0	93.6	100.0	105.6	110.6	115.6	
Education	48 428	54 815	54 083	51 472	51 112	52 764	55 406	56 184	57 376	18.5
Health	22 757	32 279	27 645	25 788	31 974	27 195	28 077	28 445	29 029	27.6
Welfare	20 859	20 928	28 413	21 392	21 019	30 412	29 950	30 775	31 092	49.1
Housing	6 231	4 243	8 387	9 478	4 681	5 186	5 023	5 801	5 891	-5.5
Contingency*							2 389	3 956	7 580	

Weighting factors have been used to represent the values for each year in real terms using 2000/01 as 100.

* A contingency reserve is provided for in the forward projections so that there is some annual discretionary decision making.

Although the levels of spending on social development are high in absolute terms, there is consensus within the South African policy making community – as well as in government – that it is too little, too slowly when compared to historical inequalities and the rapid expansion of future needs (such as those related to HIV/AIDs, unemployment, and homelessness). Numerous surveys and media-reported anecdotes confirm daily that despite increased expenditures, by spreading what is available equally and therefore thinly, the ordinary citizen may experience only small improvements, gradually, over a long period. Successes do exist in all sectors, but these are hardly reported, or are taken for granted and pass unnoticed.

From government's perspective, this is the best it can do within a policy framework of conservative, anti-inflationary, fiscal expenditure. Its argument is that doing more will be possible if the economy grows with increased local and foreign investor-confidence in the future stability of the economy. For the trade union movement, many advocacy NPOs, and left-wing political parties, too little too slowly is tantamount to a betrayal of 'the revolution'. Some have even provided convincing arguments – including international comparative evidence – to support the notion that higher public sector investment in social infrastructure (including via deficit financing) can be an economic stimulus.¹¹

For this study, the fact that social expenditure has increased in real terms is what is significant. Because if it has, the next question must be whether the post-1994 democratic state has tried to channel state expenditures via expanded state structures or not. There is no evidence of an expansionist

state bureaucracy, nor has there been a significant increase in the number of parastatals responsible for social development.¹² In fact, if anything, the trend has been in the opposite direction due to pressures to reduce the number of public servants and an ideological commitment to a new public administration paradigm amongst many leading political figures. It follows that increased real expenditures on social development have partly been made possible by NPOs acting as intermediaries, and also by the expanded role of the private sector taking advantage of the state's commitment to the privatisation of the delivery of certain public services (telecommunications, energy, transport, health, water supply, and others).

Parallel to increased expenditures on social development, government has put substantial effort into constructing an elaborate legal and policy framework for managing the relationships between government agencies and NPOs at a number of levels. The primary aim has been to draw NPOs into the funding and delivery of development projects in line with public policy agendas. The new institutional arrangements include a national registration procedure for NPOs, a new state funding body to raise public, private, and international funding for NPOs, a national lottery for a similar purpose, and an elaborate new tax structure to stimulate grant-making to NPOs.

In short, since 1994 state-funded social spending has increased in absolute terms and the state-civil society relationship has been institutionalised via a set of arrangements that display certain corporatist features. The corporatist pact in the new democratic South Africa is driven by the following forces:

- **A confident, ascendant, black middle class in control of state power:** In close alliance with large-scale business interests and certain unionised sectors of the working class, the state must urgently find ways of meeting socio-economic needs to head off potential disruptions by more radical social movements, which could resurface, triggered by what remains of the oppositional NPOs, if the promises of the new democracy are perceived to be broken.
- **A well-organised non-profit sector with considerable capacity to deliver:** This includes the large, established (previously mainly white) health and social service NPOs that have repositioned themselves to service the increasingly multi-racial middle classes and employed urban working classes.

- **A conservative macro-economic model:** Aligned with global World Trade Organisation and International Monetary Fund requirements, this model prohibits excessively expansionary fiscal expenditure to fund social development, despite popular demands to the contrary. The state must find NPOs and donor partners that together can support its social development agenda by mobilising financial and human resources that are a benefit and not a cost to the fiscus. This is the political economics underlying the word 'governance' (and its associated institutional form, popularly referred to as 'public-private-community partnerships'), as it is used across all sectors of the state.¹³
- **A well-organised corporate sector:** The corporate sector has committed itself to significant expansions in private donations to NPOs as part of its wider funding support for 'social responsibility' projects.
- **An international donor environment that favours funding NPOs:** International donors would rather fund NPOs than governments as the key agents of poverty elimination.

Under these conditions, neither a social democratic nor liberal non-profit regime is foreseeable.¹⁴ There are no indications that the new government – or the business interests that are close to government – are prepared to consider the neo-Keynesian solutions being recommended by certain sectors of the trade union movement and some advocacy NPOs. This, together with a pervasive distrust amongst top policy makers of the capacity of the public service to deliver, makes a takeover by state agencies of socio-economic development almost inconceivable. Nor is a liberal regime likely given the extensive commitment to social development and state funding for it, much of it channelled through NPOs. However, if fiscal pressures on the state increase and social spending is rolled back, and given the rising level of private sector social responsibility funding, a *de facto* liberal regime may emerge in the medium to longer term. But if rolled back social spending is not coupled to increased private funding, social movements can be expected to mobilise increasingly. A final decision by the Congress of South African Trade Unions to break its alliance with the African National Congress will be a key indicator of the increasing mobilisation of social movements.

Many political commentators in the popular press argue that a statist non-profit regime is unlikely, given the constitutional checks and balances and the complexity of the South African economy. But if a corrupt, self-serving

elite gets control of the state with the tacit support of business (in particular international business), and repression is used to crush re-emerging social movements (and their NPO underpinnings) – as has happened elsewhere in the developing world and in Europe at key points in the twentieth century – in the longer run a statist regime could be the result. This is regarded as highly unlikely, given the democratic nature of the Constitution, the strength of NPOs, the independence of the press, the broad front approach of the governing party (which is, however, steadily being replaced by a centrally controlled hierarchy), and the democratic tendencies of certain key business interests (albeit shaky and historically suspect).

Current policy and legal framework

Contemporary state-NPO sector dynamics are a struggle to define the public space for managing state-civil society relations which has been created by the law.

A public space for state-NPO sector relations

Between 1993 and 2001, a fascinating process of lobbying and negotiating policy and making laws took place, involving extensive and complex interactions between government (in particular the Department of Welfare and Population Development and the Presidency) and organised coalitions of NPOs (in particular the South African National NGO Coalition).¹⁵ The development NPOs, whose future depends most on accessing large-scale state resources, played particularly important roles in the process. Although the seminal 1994 Development Resources Centre report triggered the process, it was the Reconstruction and Development Programme document that articulated the cornerstone of current public policy:

Democracy for ordinary citizens must not end with formal rights and periodic one-person, one-vote elections. Without undermining the authority and responsibilities of elected representative bodies ... the democratic order we envisage must foster a wide range of institutions of participatory democracy in partnership with civil society on the basis of informed and empowered citizens ... A wide range of trade unions, mass organisations, other sectoral movements and community-based organisations (CBOs) such as civic associations developed

in our country in opposition to apartheid oppression. These social movements and CBOs are a major asset in the effort to democratise and develop our society. Attention must be given to enhancing the capacity of such formations to adapt to partially changed roles. Attention must also be given to extending social-movement and CBO structures into areas and sectors where they are weak or non-existent. ... Numerous non-profit non-governmental organisations (NGOs) are also developing in South Africa. Many of these NGOs play an important capacity-building role in regard to CBOs and the development process. NGOs are also engaged in service delivery, mobilisation, advocacy, planning, lobbying and financing. Thus NGOs have an important future role in the democratisation of our society. However, NGOs must also adopt transparent processes, and operate in a manner that responds, with accountability and democracy, to the communities they serve.¹⁶

What has emerged is an elaborate and potentially progressive public space in which state-civil society relations can be managed and the non-profit sector funded.

The Nonprofit Organisations Act

Before the democratic order was introduced in the 1990s, South Africa had a common law and statutory tradition which did not hinder – but did not consciously support – the formation of NPOs beyond the large, formal, social service charities and health NPOs. The most important statutory provisions were Section 21 of the Companies Act of 1973, which provides for the creation of non-profit companies (that is where shareholders are replaced by ‘members’ and the notion of a profit accruable to shareholders is eliminated), and the Trust Property Control Act of 1988, which makes it possible to set up a non-profit trust that obliges the trustees to administer the property and funds of the trust in the interests of beneficiaries (which can be defined broadly in public interest terms). In addition, common law has long recognised the right of any group of South Africans to set up a ‘voluntary association’ which is not required to register with any authority but which is a legal person and can operate bank accounts, enter into contracts, and so on. These, plus a range of other similar non-profit entities established in terms of statutory and common law, can now register as an NPO in terms of the Nonprofit

Organisations Act of 1997. The Act clearly defines an NPO, and establishes (at least at the level of intention) a clear role for the non-profit sector in governance and delivery. The registration procedure is managed by the state but does not give the state all the power to decide on who is and who is not allowed to organise into an NPO, that is the new law does not undermine the long common law tradition which recognises the right to association and which is now enshrined in the Bill of Rights.

By self-defining themselves as registered NPOs via the registration process, NPOs qualify to access the potentially huge financial benefits of the Lotteries Act of 1997, the National Development Agency Act of 1998, and the Taxation Laws Amendment Act of 2000.

The Nonprofit Organisations Act starts off with the remarkable statement that government's responsibility towards NPOs is that:

... within the limits prescribed by law, every organ of state must determine and co-ordinate the implementation of its policies and measures in a manner designed to promote, support and enhance the capacity of NPOs to perform their functions.

Taken literally, this articulation of South Africa's corporatist approach defines all NPOs as integral elements within the public space normally exclusively occupied by the three traditional guarantors of the public good: the legislative, judicial, and executive branches of the state. The Nonprofit Organisations Act effectively defines NPOs as the fourth branch of a new system of participatory governance. On the one hand, this institutionalised association of NPOs with the struggle to realise the public good is a recognition of a long tradition in South Africa (and – given the racist nature of the state for the bulk of its history – unsurprising) of assuming that civil society rather than the state is where the good society is imagined and built. On the other, it contains within it an enormous danger.

While many NPOs are clearly useful partners for the state, some will want to actively oppose public policy, others function in social abodes where public policy is irrelevant to their survivalist or cultural practices, while others will be patently counter-productive as they manipulate public policy to suit narrow parochial interests. The danger of defining all NPOs into the public space for governance processes is that no room is left for action

outside this space. Instead of constructive corporatism, the result may be the destructive co-option of NPOs, or the closure of the vital spaces beyond the public space, in which many NPOs exist. This is good for neither development nor democracy. Ironically, this may at worst originate in, or at best be supported by, the definition of NPOs as organisations that pursue a 'public purpose'. Herein lies the danger of this construction: there is a short jump from defining NPOs as possessing a 'public purpose' to obliterating the legitimacy of organisation and action within the deeper, inner – and often very private – recesses of community life where formal legal procedures are largely irrelevant. A good example might be care for HIV/AIDS sufferers, who often need to be cared for in secret for fear of retribution from their families.

The cut-and-thrust of contemporary state-NPO dynamics – both amicable and conflictual – is a dialogical struggle to define and give substantive content to the public space that has been created by the law for managing state-civil society relations. Hopefully the result will include a legitimate space for NPOs outside the statutory space.

Besides the Nonprofit Organisations Act and the legal right to establish NPOs, the following comprise some of the other key elements of the legal and policy framework.

Financial support

The framework establishes a centralised funding agency for funding NPOs through the National Development Agency Act of 1998 and the Lotteries Act of 1997. It provides tax incentives for private sector donors to increase support for NPOs, and substantially reduces the tax burden on NPOs through the Taxation Laws Amendment Act of 2000.

The National Development Agency Act establishes the National Development Agency (NDA). Section 3(1) of the Act states that the:

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

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

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

The NDA will get an annual allocation from government for funding NPOs, and it will complement this with international and local donor funds.

The Lotteries Act establishes a national lottery for the first time, and provides for the introduction of a fund comprising the proceeds from the lottery. An independent board will ensure that funds are allocated for purposes defined in the Act, which, although not specifically stated, are purposes carried out by NPOs.

Based on extensive consultations and expert studies over a number of years, the Taxation Laws Amendment Act effectively exempts NPOs from income tax and donors from donations tax when they are making donations to what the Act defines as a 'public benefit organisation' (PBO). Section 30(1) defines a PBO as:

*... any organisation of a public character:
which is a section 21 Company, Trust or Association; and
the sole object/s of which are to carry on one/more Public Benefit Activities in a non-profit manner and subject to certain trading restrictions.*

Section 30(2) says that the Minister, by notice in the Government Gazette, determines as a 'public benefit activity' any '... activity which is of a philanthropic and benevolent nature, having regard to the needs, interests and well-being of the general public'. (Watch and note carefully the discursive use of the notion of a 'public' benefit.)

By passing these three laws, the government has demonstrated its willingness to redirect substantial fiscal resources into NPOs: via a direct budgetary allocation, by redirecting the disposable income of ordinary citizens that would have been beyond the reach of the tax authorities, and by foregoing certain tax revenues. However, to access these resources, NPOs must be prepared – and possess the capacity – to enter the complex and resource-sapping world of institutional formalisation: being legally constituted into an NPO of one form or another (often using expensive lawyers); registration procedures in terms of a range of different statutory provisions; funding applications in required formats; reports; annual audits;

regular inspections; extensive and meticulous record-keeping; and so on. In short, NPOs must enter a world in which social relationships are replaced by contracts – a world designed and operated by the legal and accounting professions. The new public space is not just about the legal right to register in order to operate, but about the more important need to access resources. The rules for functioning in this space could thus well define which interests will benefit most from it.

Involvement in public policy processes

In addition to the all-important legal and resource framework, a remarkably sophisticated framework for managing civil society involvement in policy making and planning has been established. The National Economic Development and Labour Council Act of 1994 and the Local Government Municipal Systems Act of 2000 institutionalise corporatist decision making on wider economic and development policy issues at national and local government levels.

The National Economic Development and Labour Council (NEDLAC) is a policy negotiation forum established by statute immediately after the founding general election in 1994. The political alliance between the government party – the African National Congress (ANC) – and the country's largest trade union federation – the Congress of South African Trade Unions (COSATU) – made it necessary to find a way of making sure that, although they were not formally in government, the trade unions could formally participate in the policy process. The result was a classic corporatist structure comprising four separate chambers with representation from government, trade unions, organised business, and 'the community constituency'. The latter was supposed to comprise apex-type structures representative of community-based NPOs in some way. In reality, there are no centralised apex structures to represent all NPOs in as comprehensive a way as the trade unions are by their federations. Instead, NEDLAC has become a three-way policy negotiation forum where the national government, organised business, and COSATU hammer out corporatist agreements on a range of policy issues.

The Local Government Municipal Systems Act is a remarkable piece of legislation, which provides for massive and far-reaching reforms in the way South Africa's local governments will work in future. It brings to fruition a 15-year process of rethinking and debating the meaning of local governance,

which started in a few NPOs in 1985.¹⁷ After the current round of restructuring is completed there will be 241 local councils, 52 district councils and 6 megacity governments (metropolitan governments). The Local Government Municipal Systems Act requires each of these structures to formulate 'Integrated Development Plans' through a fully participatory process that includes NPOs. More importantly, it provides for service delivery systems through 'Municipal Service Partnerships', which can be structured not only as the more conventional 'municipal-private sector' partnerships, which are becoming increasingly common across South Africa, but also as 'municipal-NPO' partnerships.

A wide range of government agencies have published policy guidelines, operational procedures, and regulations to govern a complex process of tendering and sub-contracting aimed at drawing for-profit and non-profit organisations into the delivery process. This is clearly a major opportunity for NPOs to both shape the way delivery works and access much needed resources. The Department of Welfare and Population Development, which has for decades delivered its services via NPOs, has broadened and extended this approach since 1994 at both national and provincial government levels to include NPOs which had previously been excluded.

Winners and losers

In conclusion, the state and the non-profit sector have negotiated an impressive and sophisticated public space that serves their respective interests: the state is able to harness resources (financial and institutional) to realise its developmental goals, and NPOs are able to access financial resources and shape delivery processes in a way that helps sustain them in the new democratic order. We must emphasise, however, that like so much else at the policy and legislative level in South Africa since 1994, it is only really the potential that has been created. There are already complications with the implementation of the framework, most of which have to do with a dearth of managerial and institutional capacity in the National Development Agency, the Department of Social Development, and the South African Revenue Service. Much will depend on how the new mechanisms are put to use. And, more importantly, whether they are sustainable in a neo-liberal macro-economic environment. Will they simply become mechanisms for co-opting NPOs?

There will, of course, be winners and losers. The winners will be those with the capacity to engage and to access the resources. If these continue to be the large, formalised NPOs in the social services and health sectors, and if the terms of the funding do not force them to service the poorer segments of society, then state funds may not end up eliminating poverty. If, however, the development and housing sector is used as a model because it attracts substantial government funding and many NPOs in this sector are active in the poorer communities, and if these NPOs gear up to access state resources, then state funds could reach their targets. Similarly, those NPOs with the capacity to access private sector funding will benefit from increased donor support from the corporates, who have tended to show a strong preference for housing and development NPOs that can improve conditions for employees, or private education where state funding is relatively low. The losers will be the many NPOs in poorer communities who simply lack the capacity and knowledge to access funding. It remains to be seen whether the new tax regime will catalyse increased levels of funding. If it does, and if NPOs prove their ability to deliver, then we should expect a significant growth in the size, staffing and funding levels of the non-profit sector.

What remains unclear is what will happen to the many, less formalised community-based NPOs that do not have the capacity to access the resources available through the framework. Will their exclusion make any difference to them? Or will they become the intermediaries between the NPOs who take delivery of the funds and the communities who are the targets of the funds? And will some community-based NPOs become the organisational facilitators of new social movements that mobilise those who stand to benefit least from a conservative macro-economic regime and from social spending priorities that will take time to meet all needs?

Notes

- ¹ B. Moore Jr, *Social origins of dictatorship and democracy*.
- ² L. Salamon, and H. Anheier, 'Social origins of civil society'.
- ³ See note 2 on p. 14.
- ⁴ We do not believe that the term 'non-profit' is applicable in a pre-colonial context. However, there is merit in identifying social formations in that time that were based on cleavages that were transformed into a new set of cleavages during the colonial period. For example: spirit mediums who may have led anti-colonial resistance to both colonial administrators and the co-opted chieftainship structures that colonial administrators in the British tradition tended to favour; or migrant worker associations established by migrant workers who came from a marginalised, pre-colonial clan, and who then used their independent social base to challenge colonial and/or chieftainship structures.

THE SIZE AND SCOPE OF THE NON-PROFIT SECTOR IN SOUTH AFRICA

- ⁵ 'Grand apartheid' refers to the high point of legalised racial segregation, including population classification by race, legalised reservation of certain areas for certain race groups, and legal definitions by race of things like who qualifies as an employee, voter, property owner, hospital patient, and so on. The 1960s to the mid-1970s are often regarded as the period of grand apartheid.
- ⁶ M. Wilson and L. Thompson (eds.), *The Oxford history of South Africa* (London, Oxford University Press, 1971), p. 195.
- ⁷ We note that the estimated numbers of years required to remove the backlogs come from the relevant departments, based on the assumption that the required funds would be available. Without the required funds, removing the backlogs would take longer.
- ⁸ S. Gounden, et al., 'Public private partnerships in South Africa: Proposals to address current problems in the public and private sector environment' (unpublished mimeo, Pretoria, 1998).
- ⁹ A. Simone and K. Santi, 'Dimensions and dynamics of poverty in South Africa' (Cape Town, Isandla Institute, June 1999), p.54.
- ¹⁰ These figures were calculated on request by the budget review project of the Institute for Democratic Alternatives for South Africa. They exclude local government expenditures on social development and other expenditures that could be defined as part of social development, such as expenditure on sport, the arts, and culture.
- ¹¹ For example: Macro-economic Research Group, 'Making democracy work: A framework for macro-economic policy in South Africa', Bellville, Centre for Development Studies, 1993 and J. Stiglitz, "More instruments and broader goals": Moving towards the post-Washington consensus', Wider Annual Lecture, Helsinki, 7 January 1998.
- ¹² P. Fitzgerald, A. McClennan and B. Munslow, *Managing sustainable development*, Cape Town, Oxford University Press, 1996.
- ¹³ See M. Swilling and D. Wooldridge, 'Governance, administrative reform and development: A normative approach', *Africanus*, 27:1 (1997) and M. Swilling, 'Changing conceptions of governance', *Africanus*, 29:2 (1999).
- ¹⁴ The discussion in Pieterse's paper did not phrase the issues in this language, but the main thrust of his argument is that future economic policy will be contested in terms of the meaning of existing policy commitments, rather than by the emergence of a coherent and independent alternative.
- ¹⁵ See Z. Dangor, 'Government-civil society partnership on policy development: The case of the Nonprofit Organisations Act in South Africa', Johannesburg, Development Resources Centre, September 1999.
- ¹⁶ African National Congress, 'Reconstruction and development programme', Johannesburg, African National Congress 1994, p. 120-121.
- ¹⁷ See M. Swilling, R. Humphries and K. Shubane (eds.), *Apartheid city in transition* (Cape Town, Oxford University Press, 1991) and E. Pieterse, S. Parnell, D. Wooldridge, and M. Swilling, *Democratising local government: The South African experiment*, Cape Town, Juta Press, (forthcoming).

Implications

The principal findings and the analytical discussions in the other sections have far-reaching implications for both public policy in general, and the strategic agenda of the non-profit sector in particular. If these estimations of the size, staffing, and funding are correct, then the following implications, in particular, are worth highlighting. The purpose of this section is to project into the future a set of strategic questions that should inform future research and which can be used to frame the way the empirical results should be interpreted.

Broad implications for policy¹

The findings have far-reaching implications for public policy.

The scale and impact of the sector

The study's estimation of the size and economic significance of the non-profit sector means that:

- There could be a large and vital social resource out there and more needs to be known about it. In particular, the state's main statistical agency – Statistics South Africa – should be mandated and resourced to regularly collect and publish information on the sector.
- The image conveyed by the notion of 'public-private partnerships', which defines the state and the private sector as the only relevant actors in

policy making and delivery, should be questioned. Although it is already present in a number of policy documents,² more needs to be done to emphasise and strengthen the notion of the three-way relationship between the state, the private sector, and the non-profit sector.

- Established anecdotal and case study evidence that the social capital of South African society is embedded within and sustained by a vast array of non-profit organisational forms that relate in one way or another to every aspect of social life has been confirmed.

A partner for government

Despite the non-profit sector's well-known organisational and managerial weaknesses,³ the study demonstrates that it is able to raise substantial funds from non-state sources and that it employs the services of a vast number of paid staff and unpaid volunteers. It is this 'fiscal' and institutional advantage that makes the non-profit sector a particularly attractive partner for a government committed to poverty elimination but lacking the will or capacity to adopt Keynesian fiscal policies. This explains what has come to be referred to as a 'process of governance' rather than the more traditional conception of 'government as a structure'. The new public space for managing state-civil society relations is probably the fulcrum of this new process approach to governance.⁴ It is also, therefore, a crucial focus for future research. How does it work? Is it going to deliver on the many optimistic claims that have been made about it?

Clearly identified capacity weaknesses

If the new range of funding mechanisms that have been introduced to address the resource base of the non-profit sector are implemented as intended, if the non-profit sector gears up to take advantage of them, and if the private sector co-operates, a major restructuring of fiscal flows for addressing poverty and supporting development, education, and culture (in the broadest sense) could be brought about. The study shows that NPOs are a significant organisational resource within a more broadly defined civil society that could facilitate this. The study does not, however, help with identifying the capacity weaknesses in different sectors. But there are vast quantities of information on this issue in the countless numbers of evaluation reports for donors who have funded development work through NPOs. It is time to find a way of collating this information to develop generalised perspectives on the capacity problems that face the NPO sector.

Community-based NPOs

The estimate that as much as 53 per cent of all NPOs can be classified as less formalised, largely local, and community-based implies the following:

- The dominant image of the sector – as a group of professionally run ‘NGOs’ established (mainly by whites) to provide services ‘for the poor’ – needs to be replaced with an image that includes the even greater number of organisations that have been established by the (mainly volunteer) community organisers who live in these poor communities to meet needs that arise organically from within the communities across most sectors.
- We must not assume that all NPOs have a ‘public purpose’ as defined in the new laws and in policy documents. For many of these community-based NPOs, their reason for existing is a range of activities that require neither state recognition nor ‘legalisation’. Nor can we assume that they require formalised, contractually controlled state funding for their diverse and ever-changing activities, which are sustained by the commitment and time of their volunteers.
- Given the high concentration of these community-based NPOs in the poorer communities, the persistence of poverty despite real increases in social spending, and South Africa’s long history of oppositional activity rooted in civil society, further research is required into whether these organisations will act as springboards for the re-emergence of broad-based social movements (and if so, how), or remain focussed on particular needs and related activities. This is a question about the process of ‘politicising’ civil society in a way that could reveal the underlying power relations that would otherwise be beyond the concern and action of the organisations.

Political stance of larger NPOs

The challenge facing many delivery-oriented, more formalised, professionally managed NPOs will be how best to access the potentially increased level of funding – available via the National Development Agency, the National Lottery, service and capacity building contracts, and tax deductible donations from the private sector – and maintain relationships with community-based NPOs, some of which may become increasingly oppositional. To return to the quote from the Minister of Social Development in the introduction: Can an NPO in the current climate be both an apolitical ‘deliverer’ of services

(regulated by contract), and a critical voice ('social watch') raising questions about public policy priorities and practices? Will sacrificing the latter be the price to be paid for being allowed to participate in the former? Or is there sufficient courage, and tolerance for ambiguity within our culture and system, to allow NPOs to remain perched on the horns of this dilemma?

Leadership development and training

Finally, the finding that the sector's leadership is dominated by women and black people is significant for the development of future leadership. NPOs over the last 20 years have been the organisational schooling ground for many black people – and to some extent women – who are currently rising up through the public and private sector bureaucracies; and they will continue to play this role. However, if the public sector's absorptive capacity declines and affirmative change in the private sector continues at its current slow pace (due only in part to skills shortages), the career paths of the more capable NPO leaders may remain in the non-profit sector. Either way, the non-profit sector's leadership profile makes it a key target for long-term leadership development training and education for those who would like to see a greater gender and racial balance in the organisational and managerial leadership of the public, private, and non-profit sectors.

Strategy implications for the non-profit sector

Alliances and networks are going to be important determinants of who wins and loses in the new game.

Perspectives on the funding problem

Over the past decade of intensive policy lobbying and negotiations, aimed at arriving more or less where things are now, the most vocal policy NPOs and NPO coalitions listed two major problems facing them:

- Lack of a sustainable funding base
- Lack of organisational and managerial capacity.

We used our quantitative survey as an opportunity to test these assumptions by asking qualitative, attitudinal questions. A lack of government financial support, a lack of government support in general, and a lack of contributions

from the public were given as the three most serious problems facing the sector. In fact, only one problem (lack of government support in general) out of the 10 given as the most serious is not related to access to adequate financial resources.

Figure 11: Problems NPOs rated as most serious by percentage of all NPOs surveyed

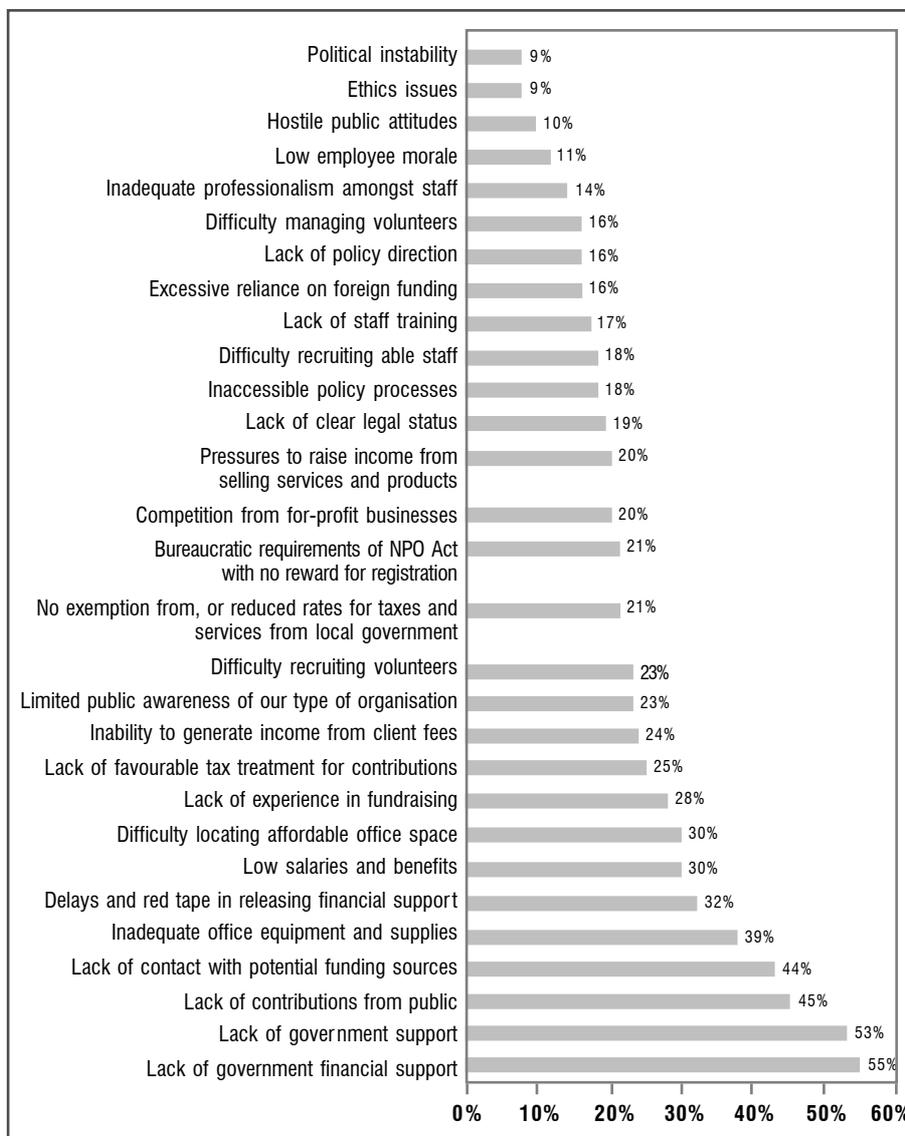
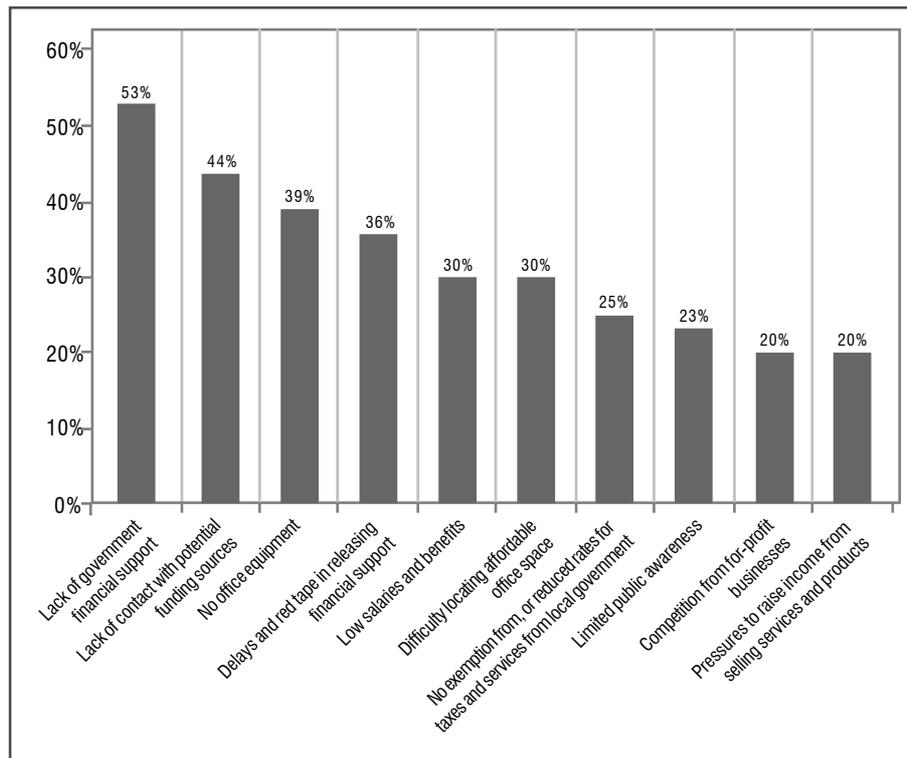


Figure 12: Major funding problems rated by NPOs as most serious by percentage of all NPOs surveyed



Underlying the problem of a lack of government support in general is probably a frustration related to access to adequate financial resources – the absence of an effective public policy and legal framework for channelling funds to NPOs. Since this study was completed just before many of the key pieces of the framework fell into place, it confirms that government has (albeit too slowly) moved in the right direction to resolve the sector’s most important problems.

Perspectives on the capacity problem

What is surprising is that problems of an organisational and managerial nature have been rated relatively low compared to funding problems. Issues such as training, a lack of policy direction, professionalism, morale, managing volunteers, and even the recruitment of able staff were rated below not only funding-related issues, but also those such as competition from for-profit businesses (which is probably another funding-related issue).

The only capacity-related problem that was rated high was a lack of experience in fundraising. Does this mean that there is not a capacity problem in the non-profit sector? How do we explain the repeated claims from certain quarters – in the sector itself, and from government and the private sector – that NPOs lack the capacity to deliver? And, the most important question of all, is this self-confessed lack of capacity to effectively and efficiently raise and manage funds a key explanation for the funding problems that NPOs are so good at articulating? Based on the quantitative and qualitative evidence we have collected for this study, it is our view that certain NPOs, particularly the more established, larger NPOs, take too little responsibility for their failure to raise the funds which are increasingly rather than decreasingly available. Their failure is not building adequate capacity for identifying, accessing, obtaining, managing, and then accounting for funds for development.

Without doubt, a method needs to be found for testing these results. However, one can assume that NPOs would have had the greatest stake in highlighting capacity problems, because this reinforces their claims about funding problems.

Another approach may be to distinguish between the capacity of individual NPOs and the capacity of interconnected networks – or webs – of NPOs. As argued elsewhere with reference to African society in general,⁵ it is not possible to pronounce that there is a lack of capacity based on the absence of capacity within the constituent elements of the network: the capacity of the whole is much greater than the sum of the capacity of the parts. The non-profit sector, seen as a web of networks (or a matrix of multi-layered organisational relationships), may in fact be far more capable of mobilising social capital (understood as inclusive of financial resources, people, and values) than would otherwise be assumed. This perspective on the ‘institutional thickening’⁶ of society may hold a key to explaining why in practice NPO leaders may not experience themselves *as a sector* as lacking capacity, when their individual organisations in reality do lack capacity.

Perspectives on relationships with other players

This perspective on the capacity problem is reinforced when the unit of analysis becomes the *relationship* between NPOs and the state or the general public or the private sector. When NPOs were asked questions about themselves in relation to the proverbial ‘other’, the three statements that they disagreed with most strongly were:

THE SIZE AND SCOPE OF THE NON-PROFIT SECTOR IN SOUTH AFRICA

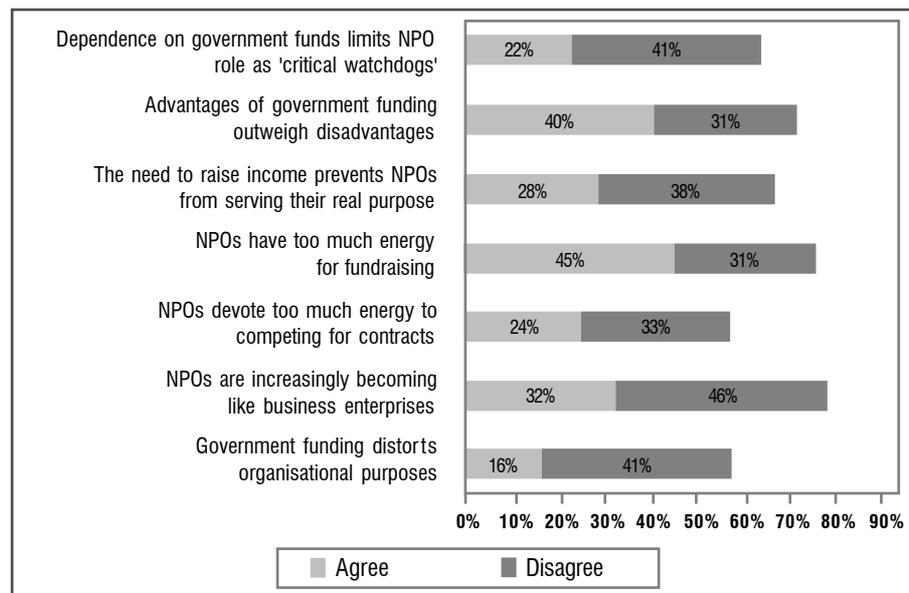
- NPOs are as bureaucratic and unresponsive as government
- The general public tends to view NPOs with suspicion
- The government tends to view NPOs with suspicion.

The statements that generated the strongest levels of agreement were:

- NPOs' main role is to service the needs of people rather than profit margins
- NPOs are located much closer to the needs of the people than government
- The needy would be ignored if not catered for by NPOs
- NPOs are able to create a sense of community and belonging that government agencies cannot
- NPOs serve those in greatest need.

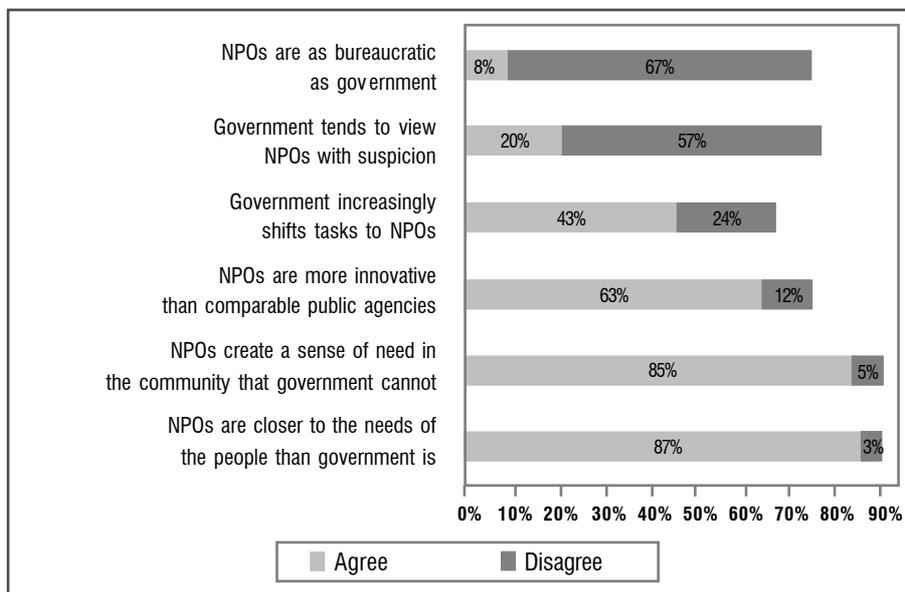
Responses to statements about government funding revealed a significant lack of concern about the impact that a structured relationship with government, via funding agreements, could have on NPOs. It was not seen as something that could distort the purposes of NPOs, undermine their watchdog role, or turn NPOs into businesses.

Figure 13: Attitudes to statements about government funding by percentage of NPOs surveyed



Questions on the relationship between NPOs and government revealed that NPOs think that they are closer to the people and do a better job of serving their needs, that they are more innovative and less bureaucratic, and that, in line with government’s lack of suspicion of NPOs, government is shifting more and more tasks onto NPOs.

Figure 14: Attitudes to statements about the relationship between NPOs and government by percentage of NPOs surveyed



This rather sanguine view of the sector’s relationship with the state and about its wider role in society captures the sector’s aspirations and also reflects a certain naiveté about the dangers that lie ahead.⁷

The most significant dangers have to do with who the winners and losers are going to be. It would be a mistake to resort to a crude distinction between insiders and outsiders, with the new insiders being the resourced ‘NGOs’ who stand to benefit from the newly created public space (with its funding, contracts, access to policy, and so on), and the new outsiders being the under-resourced ‘CBOs’ who ‘represent’ the poorest of the poor. It is true, the insiders will be those with the capacity (informational, institutional, networks) to play according to the new and complex rules. However, not all stand to be winners. Many will try and fail to access significant resources

to meet the needs of the very poor, for example NPOs in the development and housing sector competing with those in health and social services. There will also be outsiders who will be winners because they will be able to continue as before with their survivalist practices – often mainly in culture and sport – without accessing public resources. They may, however, find themselves losing if they cannot meet the requirements of the private sector donors who support them (normally the small, main street shopkeeper), and who may now want to get tax exemptions. But these kinds of donors often donate cash which was not going to be declared to the South African Revenue Service in any case, and the larger donors looking for exemptions will be able to use registered NPOs to ‘on-donate’ to unregistered community-based NPOs (according to the Tax Laws Amendment Act).

What is certain, is that alliances and networks are going to be important determinants of who wins and loses in the new game. There will be new alliances between NPOs who realise that by pooling resources they can increase their fundraising capacity and thus take advantage of the increased flow of funding. Corporate donors are also likely to emphasise longer term strategic partnerships with NPOs in line with the emerging ‘corporate citizenship’ approach which is starting to replace the traditional ‘corporate social responsibility’ approach (which was more about handouts for good works). This is going to be at least one implication of the publication by the Institute of Directors in March 2002 of the so-called King Report on corporate governance.⁸ There is also evidence of a realignment of forces with community-based NPOs and trade union networks that will certainly result, one way or another, in independent, community-based social movements. Early drafts of the programmes of these nascent movements suggest that the vibrant civic movement of the 1980s is regarded as a model for what is required in the future.⁹

Future trends

Together, four broad trends indicate a markedly different reality for NPOs compared to what they confronted before 1994 and in the period between 1994 and 1999.

Oppositional NPOs

In the short to medium term, South Africa’s economic position is unlikely to improve. The economy is undergoing difficult restructuring processes to

integrate into the (asymmetrical) global economy on the basis of the rules established through the World Trade Organisation and specific bilateral and multilateral trade agreements negotiated by the current government. The consequences of these processes are:

- The national currency is likely to remain undervalued, keeping interest rates painfully high.
- Unemployment is likely to worsen before it improves, especially as more domestic firms move towards increasing mechanisation to absorb the costs of removed trading barriers.
- The income gap between skilled and under-skilled workers is likely to widen.

These economic trends will further fuel the oppositional political discourse of the labour movement and the radical NPOs who are increasingly defining their identity and arguments in terms of a globalised, anti-neo-liberalism platform.¹⁰ Their rhetoric and strategic outlook are consciously aimed at undermining co-optive strategies for constructing and sustaining the institutional infrastructure of the public space that is required to facilitate the collaborative institutional arrangements essential for realising social, economic, and (democratic) political objectives. Ironically, however, the build-up of a potential left-wing threat to the interests that benefit from South Africa's capitalist democracy is exactly what might keep the corporatist pact in place as the private sector and the state collaborate to maintain or increase social spending via the NPOs. This will force quite a number of the more politically literate NPOs to choose between being 'delivery agent' and 'watchdog'.

How the development NPOs become oppositional and/or support the establishment of oppositional NPOs will directly influence the viability and impact of the re-emerging social movements. While a social movement is not reducible to a formal organisation – it is rather the result of a coalescence of social forces around a particular set of issues – it is often led by people drawn from formal organisations. But the movement always develops a momentum and identity beyond the formal organisations. Social movements come and go; NPOs tend to be more constant. This should be a key focus for future research, in particular action research inspired by a value commitment to the formation of social movements. The key to the revival of social movements on a significant scale will be whether the trade union federations allow their huge, nationally structured institutional resources and leadership cadre to support these nascent processes.

Government-determined priorities

A related trend will be the likelihood of increasing pressure on NPOs to themselves prioritise the priorities of the government's national development project – reducing poverty and stemming the HIV/AIDS pandemic. As the government's role in providing funding becomes more and more important, this pressure will become more intense. It is unclear, due to a lack of evidence, whether the pressure from government will be characterised by a paternalistic and domineering attitude or whether there will be recognition and respect for the distinctive and autonomous perspectives of NPOs. In reality, government responses are unlikely to be homogenous, but will differ according to departmental strategies and between different levels of government. Critical variables will be NPOs' capability to assert their distinctiveness on the basis of proven track records (via monitoring and research), and to articulate their claim to their rightful democratic space (via effective representative forums). The key change driver may not in fact be government pressure on NPOs but NPOs' pressure on government, as NPOs find increasingly sophisticated ways to engage with both government departments to secure resources and the policy making process to influence policy outcomes.

Pressure on local government

The role of local government will grow in importance over the next 10 years with profound implications for all dimensions of NPO activity. The governance strategy of the ruling party, broadly, is to centralise policy making and its monitoring and assessment at Cabinet level, and decentralise delivery as far down the government hierarchy as possible.¹¹ The driving forces behind this trend are numerous, often contradictory, and also disquieting, because it frequently involves severe financial pressures on municipalities who must now do more with less. Interestingly, most of these devolutionary reforms are characterised by their lack of consultation with organised local government (the South African Local Government Association) and individual municipalities, in particular in urban areas that are most severely affected. In effect, the burden of rapid delivery and erasing the backlogs will increasingly fall on local government, with significant implications for local politics and development processes. Political engagement between local government and NPOs is likely to become increasingly localised and fragmented, while at the same time the trend towards innovative local pacts, put together by small but powerful groups of visionary and creative leaders spanning local governments, NPOs, and local businesses, will strengthen.

Increased importance of the NPO sector

A major question for future research will be to test whether the non-profit sector will grow in size, complexity, and strategic importance during the first decade of the new millennium as a result of increased access to reliable funding sources and tax exemptions. The factors that may stimulate growth include: increased access to funding if NPOs develop the capacity to take advantage of these opportunities; the institutional importance of NPOs as partners for an increasingly constrained public sector; the ideological importance of NPOs for a private sector keen to fund the prevention of a neo-Keynesian solution (that is a return to the original Reconstruction and Development Programme's position) by building and supporting depoliticised NPOs; and the increasing reliance of poorer communities on community-based NPOs for the bare essentials. Although survivalist NPOs may well increase in number and expand as things get worse, development NPOs will also expand as the new resource flows kick in.

Conclusion

The South African Non-Profit Sector Study reiterates the importance of knowing more about the non-profit sector.

Statistics South Africa, together with the Department of Social Development, the Reserve Bank, the South African Revenue Service, and the National Development Agency, should collaborate to ensure that the kind of information we have collected continues to be collected and published. Ideally, a similar method should be used. All the key stakeholders will gain:

- A more accurate picture of the contribution of the non-profit sector to gross domestic product, total employment, and poverty elimination
- A much clearer picture of revenue flows, demonstrating in particular the impact of state funding on poverty, and the size of non-state contributions to the sector and how they are used.

In addition, the non-profit sector will be able to enhance its identity and knowledge of its role in the development and democratic process.

No better rationale can be advanced for justifying this claim on South Africa's scarce public resources.

THE SIZE AND SCOPE OF THE NON-PROFIT SECTOR IN SOUTH AFRICA

Notes

- ¹ The first part of this section draws heavily on the perspectives and approach in the paper commissioned from Edgar Pieterse: a general policy and strategic perspective written in accordance with the relevant field guide from the Johns Hopkins comparative study. Pieterse wrote his paper before the quantitative research had been completed. His observations have been modified and adapted here by Mark Swilling in light of the empirical results. This does not mean, however, that this section flows from or is fully substantiated by the primary quantitative research.
- ² See the 1999 White Paper on Local Government.
- ³ See G. Kraak, 'The South African voluntary sector in 2001: A great variety of "morbid symptoms"', *Development Update*, 3:4 (2001).
- ⁴ See M. Swilling and D. Wooldridge, 'Governance, administrative reform and development' and Swilling, 'Changing conceptions of governance'.
- ⁵ See M. Swilling, A. Simon, and F. Khan, 'Governing Africa's cities in a context of globalisation and complexity', in E. Pieterse, S.Parnell, D. Wooldridge, and M. Swilling, *Democratising local government: The South African experiment*.
- ⁶ E. Pieterse, S.Parnell, D. Wooldridge, and M. Swilling, *Democratising local government: The South African experiment*.
- ⁷ One recent study which warns of these dangers is A. Habib and R. Taylor, 'South Africa: Anti-apartheid NGOs in transition', *Voluntas*, 10:1 (1999); also reprinted in H. Anheier and J. Kendall (eds.), *The non-profit sector at the crossroads*, London, Routledge, 2001.
- ⁸ See www.idasa.co.za.
- ⁹ M. Swilling, 'Civic associations in South Africa' *Urban Forum*, 4:2 (1993).
- ¹⁰ At the 'NGO Week' conference of the South African National NGO Coalition in Durban in 2000, the conference dedicated one afternoon to a march in solidarity with the protestors in Prague who gate-crashed the annual meeting of the International Monetary Fund and the World Bank.
- ¹¹ This approach is rooted in at least two false assumptions; one, that policy and delivery can be (mechanically) separated, and appropriate behaviour in the civil service can be induced with appropriate and sufficiently severe sanctions and incentives; and two, that it is possible to centrally define policies, and muster the capacity to have them understood and implemented at the local level, which is characterised by its own multiple power relations and idiosyncrasies. Inadvertently, the national-local dichotomy described here is reinforced by a broader trend within the large social service ministries, that is Water Affairs and Forestry, Health, Social Development, Public Works, and Education (to a lesser degree), to devolve as many functions as possible to local government.

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THE SIZE AND SCOPE OF THE NON-PROFIT SECTOR IN SOUTH AFRICA

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