


Southern Africa Scoping Project Report

March 2016

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the resource alliance

1. Executive Summary

When we embarked on this scoping project our aim was to hear from a wide range of voices in the social impact sector in Southern Africa, so as to gain a comprehensive understanding of the current funding environment, the challenges and barriers faced by organisations who operate within it and what they most need/want in order to be more successful.

We needed this information in order to make informed decisions on how best to serve social impact organisations in this region, so as to help them be more successful in attracting and maintaining the resources necessary for them to achieve their missions and in so doing to bring about powerful change and build a better world.

Through extensive face-to-face interviews conducted with funders, directors, fundraisers and consultants and an online survey completed by several hundred people in the region, we gained valuable information and data, which has been analysed and distilled in this report.

The following key findings emerged:-

- The funding landscape is changing throughout the region and the majority of organisations are finding it harder and more challenging to find sustainable sources of income;
- The majority of organisations are dependent on grant funding from a few donors and largely as a result of lack of know-how haven't developed a diversified resource mobilisation strategy. This is seen as a major barrier to achieving financial sustainability;
- Whilst the importance of strong leadership is recognised as directly impacting on an organisation's success, investment in the development of leaders is very low, largely as a result of lack of resources;
- In more than half of the organisations surveyed, the fundraising and resource mobilisation responsibility rests solely with the director/CEO, i.e. there is no fundraising person/department, and in most cases this person is expected to deliver results without training and with little support.
- There are funders who recognise the need to invest in organisational capacity building, however too few grantees ask for this investment as part of their grant funding.

Through the conversations we engaged in and the feedback we received, we were encouraged by those organisations that are growing and thriving as they find new, innovative ways to mobilise resources, largely as a result of the investment they have made in developing their fundraising capacity and know-how.

However they are in the minority and the reality is that most are battling to survive and are crying out for help, with one-on-one mentoring and coaching over several months seen as being of most value. We were also encouraged that in general the funders we spoke to were open to supporting capacity building aimed at strengthening organisational financial sustainability. The challenge now is to encourage more organisations to invest in their development and to find creative and efficient ways to deliver this support.

2. Introduction

The Resource Alliance works globally to strengthen the social impact sector, by helping organisations of every size and type develop the critical human, financial and intellectual resources necessary to build a better world.

Through its global network it brings together the very best thinking and curates the knowledge, tools and connections most vital to help social impact organisations succeed in delivering on their missions.

It provides a platform for fundraisers to collaborate, share ideas and learn from one another and is driven to bring about transformative change in the social impact sector around the world.

The Resource Alliance understands that social progress will not just be built and exported from the "non-profit" sector in "the West". It recognises that emerging economies are poised to become their own form of innovation labs, able to develop entirely new hybrid models for how resources are developed and sustained, and bypass the mistakes and habits of the past 50 years.

The Resource Alliance is able to play a powerful role in that rapid evolution, having always understood the true potential of a small organisation in an unexpected place and have amassed a unique body of experience from around the world.

3. Rationale for undertaking this scoping project

The aim of the Southern Africa Scoping Project is to provide greater insight into the social impact sector in Southern Africa, with a specific emphasis on how organisations are attracting and sustaining the resources necessary for them to deliver on their missions. Whilst the primary objective is for research to guide decision-making by the Resource Alliance on where best to align and invest its resources and programmes (i.e. the International Fundraising Congress (IFC), Fundraising Online, and regional capacity building and leadership programmes), it is hoped that this research will be of value to those working with and for social impact organisations in this region.

4. Methodology

A number of initial steering meetings were developed so as to advise the research and development process.

A framework was developed in which to deliver the strategic assessment in line with the Resource Alliance's Manifesto and new strategic focus, i.e.: Curation, Collaboration, Innovation and Leadership.

In total 29 recorded, 1 – 2 hour interviews were conducted by Sarah Scarth with a wide range of sector stakeholders who were working locally, nationally and/or regionally. The meetings took place either in person or telephonically. A number of pre-defined topics were covered with targeted questions in each area to provide consistency and benchmarking opportunities.

These topics were:-

- Financial Sustainability
- Leadership
- Fundraising and Resource Mobilisation
- Financial Management

An online 'quantitative' survey was created using Survey Monkey using the same topics addressed in the qualitative research. The survey was sent to a wide-range of organisations and individuals in the region including:-

- Past International Workshop for Resource Mobilisation (IWRM) attendees in Southern Africa;
- Southern Africa Future Leaders Programme (FLP) alumni;
- Resource Alliance mailing list with an 'Africa' interest;
- Existing networks in Africa;
- LinkedIn contacts;
- Distribution via GivenGain to all their registered organisations (around 1,800).

In total 341 people took the online survey, which provided excellent diversity in data. Respondents to the survey represented 20 African countries. Of these 70% of respondents represented local/ rural organisations, 20% national organisations and 10% international organisations. From this we extracted the data from individuals/organisations in Southern Africa.

In addition desk research was conducted in which a number of articles, reports and papers were reviewed (see bibliography on page 28).

5. The region

In determining the geographical area to be covered for this Southern Africa Scoping Project, we focused on those countries which are part of the Southern Africa Development Community (SADC), i.e. Angola, Botswana, Congo (DR), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

In looking at the region the following from Trust Africa's *Africa's Wealthy Give Back* report is useful:

> *"...the annual GDP growth rate in the region in 2011 was 5.14%. South Africa is a dominant economic force in the region and continent. The region is characterized by high levels of inequality with South Africa being one of the most unequal countries in the world. According to the International Labour Organization, more than 60% of the population in Southern Africa lacks access to safe water while a third of the population in the region lives in abject poverty and approximately 40% of the labour force is unemployed or underemployed. Seven SADC countries rank as medium in the Human Development Index (HDI), while six are rated low 50. The region is home to the highest HIV prevalence in the world at 17.9%. Although the region is deemed relatively politically stable, the legitimacy of some political regimes is in question, and corruption is endemic."*

The report goes on to say:

> *"Although South Africa has the highest number of HNWIs on the continent, this is not reflective of the region as a whole, although there are notable wealthy individuals and philanthropists such as Strive Masiyiwa of Zimbabwe, Nathan Kirsh of Swaziland and Isabel Dos Santos (Africa's richest woman) of Angola. The African Grantmaker's Network report "Sizing the Field" estimates spending on philanthropy by wealthy individuals in Southern Africa at USD500 million."*

Figure 1 (page 6) provides a summary of the population, GDP per capita and HDI for most of the countries in the SADC region (excluding Namibia, Swaziland, Seychelles, Lesotho, Mauritius and Madagascar, which were not included in this report), using data contained in the USAID's 2013 CSO Sustainability Index for Sub-Saharan Africa.

Figure 2 (page 6) has been created using information from the same USAID report to show the estimated number of NPOs and/or CSOs in each of the listed countries.

Figure 3 (page 7) shows the population of each country vs. the estimated number of CSOs/

Figure 1

	Population	GDP per capita	HDI	Comments
Botswana	2 127 825	$ 16 400.00	119	From one of poorest African countries to having highest HDI from mining and tourism; stable government.
South Africa	48 601 098	$ 11 500.00	121	Most developed and industrialised economy in region; stable government although corruption impacting growth.
Angola	18 565 269	$ 6 300.00	148	7th largest country in Africa; relatively stable government following civil war.
Zambia	14 222 233	$ 1 800.00	163	Growth limited due to fall in copper prices; stable government; growth impacted by corruption and bureaucracy.
Tanzania	48 261 942	$ 1 700.00	152	Agriculture based economy; high levels of poverty.
Mozambique	24 096 669	$ 1 200.00	185	One of poorest countries in the world although economy is growing.
Malawi	16 777 547	$ 900.00	170	Under-developed with high levels of poverty; agriculture based economy with large rural population.
Zimbabwe	13 182 908	$ 600.00	172	Despite being resource rich, economy has been in decline as a result of authoritarian rule by President.
DRC	75 507 308	$ 400.00	186	Resource rich but political instability, lack of infrastructure development and rampant corruption, growth has been slow.

(USAID 2013 CSO Sustainability Index for Sub-Saharan Africa)

NPOs in each of the Southern African countries included in the same USAID report.

Figure 2: Estimated # CSOs/NPOs Southern Africa (USAID, 2013)

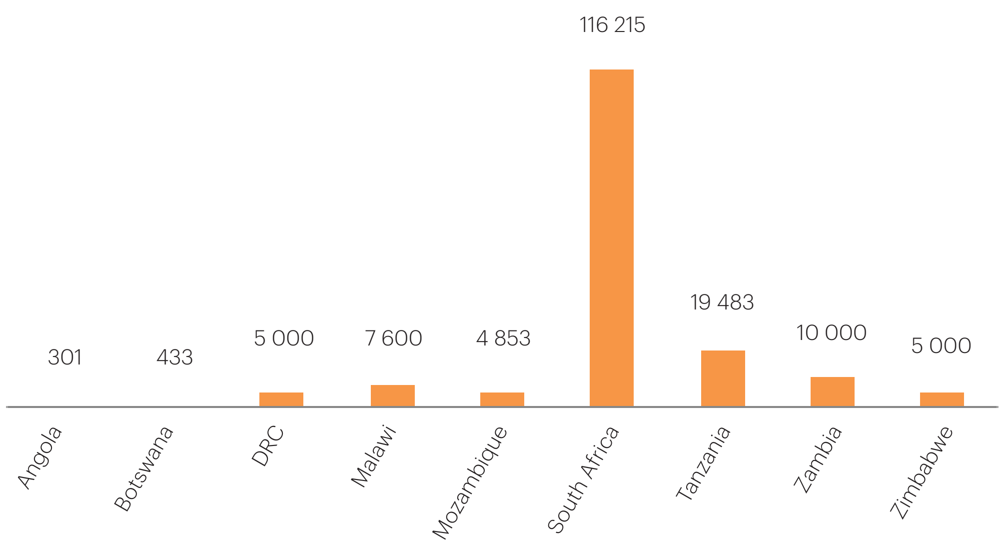
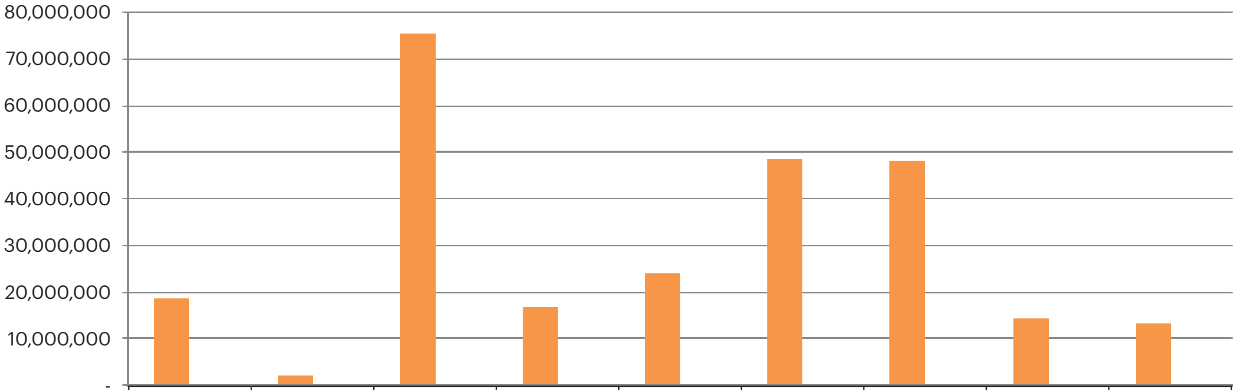


Figure 3: Population vs. estimated number of CSOs/NPOs



	Angola	Botswana	DRC	Malawi	Mozambique	South Africa	Tanzania	Zambia	Zimbabwe
Population	18,565,26	2,127,825	75,507,30	16,777,54	24,096,66	48,601,09	48,261,94	14,222,23	13,182,90
# CSOs	301	433	5,000	7,600	4,853	116,215	19,483	10,000	5,000

6. African Philanthropy

Philanthropy in Africa is distinct from how philanthropy is regarded in other countries, in particular countries in the northern hemisphere.

In their report *"Africa's Wealthy Give Back"*, Trust Africa says: *"Philanthropy is an inherent characteristic of African family life and community. Many Africans however do not use the term 'philanthropy', which is often associated with the countries of the Global North and with transfers of money from rich to poor. In many instances, English terms such as 'giving' or 'charity' are used instead, as well as a wide range of other terms in African languages such as 'Ubuntu'. This giving includes, but is not limited to monetary resources; time, expertise, skills and other mechanisms embedded in systems of mutuality and reciprocity have significant weight".* [1]

This sentiment was confirmed by several of those surveyed for this scoping report. In the words of one funder: - *"The most peculiar thing about African philanthropy is that it's never been a financially oriented form of intervention. Finances are important but the bedrock of African philanthropy is solidarity and reciprocity elements which are at its core. When Africans have a problem, they come together and find resources. But overseas (US and Europe) because of fiscal arrangements, you have money and then look for problem."*

Graça Machel, the Mozambican humanitarian and wife of the late South African President Nelson Mandela, said at the African Grantmakers Network conference in 2012:-

"African Philanthropy is about understanding the issues facing the communities to be served. Unlike western philanthropy, the African version is not associated with giving hand-outs to the poor; instead it is about everyone finding the will to give or contribute to the needy."

[1] (Trust Africa, 2014)

7. The state of the social impact sector in Southern Africa

The social impact (also referred to as the non-profit; non-governmental or civil society) sector serves a key role to *"advance their communities and their countries."* [2] In South Africa *"civil society organisations (CSOs) play a crucial and often under-valued role. One of the challenges faced by this sector is financial sustainability."* [3]

According to the USAID's 2013 CSO *Sustainability Index for Sub-Saharan Africa*, which assesses key components of the sustainability of the civil society organization sectors in twenty-five countries in Sub-Saharan Africa, including countries in East, West, and Southern Africa, *"no country surveyed reached* Sustainability Enhanced, *the strongest level of CSO sustainability, in any dimension."* [4]

The same report found that *"financial viability remains the weakest dimension of sustainability. CSO sectors continue to rely on short-term international donor funding, while such funding continues to decline. There are some instances of government funding, philanthropy, and other local sources of support, but these sources of funding are not common across the countries covered in the Index...South Africa has the strongest CSO sector among the surveyed countries."* [5]

Sources of income - history

In general the study found that social impact organisations in the region have depended on income from external (international) sources. However this has not always been positive. *"While this aid has often produced positive results, its negative repercussions are receiving greater attention: on its use to determine political, social and economic agendas; the imbalances of power it creates; and the suppression of local agency and opinion that is often involved."* [6]

- ### South Africa

  During Apartheid there was significant international support for social impact organisations and money was often awarded with fewer checks and balances then is generally expected by funders today, especially for those working in opposition to the apartheid regime.

  The HIV/AIDS epidemic also resulted in significant funds flowing to organisations working on this issue, especially from bi-lateral and multi-lateral funders. However, despite the fact that approximately 5.6 million South Africans live with HIV/AIDS – the highest in the world – global institutional funders who have historically restricted large funds for HIV/AIDS programmes, are now looking to un-restrict these funds, making them generally available for non-communicable disease programmes. The result is that hundreds of national and community-based organisations working on HIV/AIDS will likely have to find new sources of revenue.

[2] (USAID, 2013) | [3] (Coalition on Civil Society Resource Mobilisation, 2012) | [4] (USAID, 2013) | [5] (USAID, 2013) | [6] (Trust Africa, 2014)

The post-apartheid 'honeymoon' period saw significant income continuing to flow from international donors, however in many cases funding was moved away from social impact organisations and channelled through government structures. It was hoped that funding from the newly established National Lottery would go a long way to replacing lost income, but in reality due to inefficiencies in the distribution of funds by the National Lottery Distribution Trust Fund, many social impact organisations were left with a significant funding gap. [7]

The global recession of 2008 impacted the sector negatively resulting in job losses and organisations closing down.

"Although poverty and inequality remain intractable, international funding which traditionally sustained the civil society sector is now being diverted to lower income countries. Financial sustainability challenges to CSOs are further exacerbated by the ineffective functioning of state funding institutions. Finally, financial vulnerability within the sector has intensified due to ongoing economic uncertainty at global levels. This means that CSOs must look for alternate sources of funding – placing foundations, corporate and individual donations in the spotlight". [8]

- ## Other Southern African countries

Those surveyed generally agreed that the social impact sector is not as well developed outside of South Africa and that most are still largely dependent on international funding.

[7] (Coalition on Civil Society Resource Mobilisation, 2012) | [8] (Charities Aid Foundation (CAF) Southern Africa, 2015)

8. How is the funding landscape in Southern Africa changing?

The following key themes emerged from the study:-

- **Project-based donor funding remains the most significant source** of funding for CSOs throughout the region. [9]
- As a result of improving economic conditions in some Southern Africa countries and their **reclassification as middle-income countries** [10] (i.e. Namibia, Botswana and South Africa), as well as shifts in donor priorities, many SIO's are seeing funding from international donors diminishing.

  "In South Africa there are lots of programmes to fund, whereas in other Southern African countries they are very difficult to find. Here we are seeing a lot of programmes ending and staff being retrenched because big international funding is ending." Funder
- **CSI and local philanthropy** (excluding South Africa) are nascent;
- **The sector is not well developed** (excluding South Africa);
- While CSOs in many countries in the region are allowed to **earn income from goods** and services, few CSOs take advantage of this opportunity for a variety of reasons, including low capacity, a preference for foreign funding, the belief that constituents cannot afford to pay, and a mistaken belief that the terms and conditions of donor-funded grants do not allow them to engage in such projects. [11]
- **A growing tendency for foundations to operate their own programmes**, as distinct from making grants was cited in the report: *Perspectives on Arab and Global Philanthropy. "Many foundations seek to do both grant making and operating. But there are other factors involved here. Mistrust of NGOs, for example – not necessarily of their probity but of their capacity to carry out the work that donors want to achieve."* [12]

In South Africa specifically:-

- **The sense that African philanthropists often differ in how they approach their giving.** One philanthropy advisor and funder described it as follows: - *"The African community is starting younger and setting up structures once they've made their money. Business and philanthropy are also more blended. There is a closer affinity between the two. For example an entrepreneur will work closely with an organisation that works in communities nurturing young entrepreneurs."*
- Whilst there are not the same number of philanthropic structures (i.e. trusts) being set up each month as was recorded pre 2008, **the demographics of those creating such structures is changing** – i.e. more participation by black and indian high net worth individuals (HNWI) due to the rise of the black middle classes and HNWI, particularly noticeable in Johannesburg, which is the industrial heartland of South Africa;

[9] (USAID, 2013) | [10] Middle-income economies are those with a GNI per capita of more than $1,045 but less than $12,736 – World Bank
[11] (USAID, 2013) | [12] (Robert Bosch Academy, 2015)

- Although there is more research/data available on giving by HNWI in the region **many find it hard to access HNWIs**, especially as they can be very private, stick to their networks and their income tax returns are not public information.
- In general it is felt that **government does little to encourage philanthropy** – i.e. tax sweeteners are limited.

8.1 Impact of diminishing international funding

With international funding diminishing the following consequences were cited:-

- A smaller number of organisations are benefiting from very large grants. *"International funding is focused on fewer organisations that get a lot and there are now lots of organisations getting nothing,"* said one consultant.
- Grant conditions can be onerous and unrealistic for some organisations to manage.

8.2 Individual giving

In general those interviewed felt that whilst there is a gradual increase in awareness of the importance/value of individual giving, it was regarded by many surveyed as being 'a hard nut to crack'. For this reason the majority continue to focus on trying to secure big grants from funders, typically international and corporate donors.

A number of participants mentioned the prevalence of the so-called 'black tax' as impacting on young black South African professionals – i.e. where the first generation of black South Africans who have disposable income/wealth surplus, are under huge emotional pressure to help their immediate and extended family financially.

Whereas online fundraising and crowdfunding platforms such as GivenGain and Thundafund are making it a lot easier for local organisations to raise funds online from individuals, in reality *"most organisations are not accessing these tools and so are not growing their individual giving base."* There is also often a misconception that just by registering on these sites the money will flow in (the eternal search for a quick-fix to funding needs), with little appreciation of the time and effort required to attract donors and motivate them to give through these platforms.

In CAF Southern Africa's 2015 report on individual giving in Gauteng Province, they found the following:-

- *"There is a strong culture of individual giving with the real potential for this to be developed by organisations to attract more support from individuals than is currently being seen."*
- Philanthropy is not an exclusive activity by the wealthy. *"Those with less give more proportionally"*.
- Giving starts with family, then to extended family and community. As a result there are a lower percentage of people who give to formal organisations (16%) versus to 'informal' organisations such as community self-help (84%).
- South Africans are *"a nation of givers"*.

8.3 Corporate giving (CSI/CSR)

According to South African corporate sustainability and CSI specialists, Trialogue, *“company expenditure on social development in South Africa was estimated at R8.2 billion in 2014. This represents a growth of 4% in nominal terms – a decline of 2% in real terms”*[6].

Despite this being a significant source of funding, increasingly it was felt by those surveyed, that CSI funding was becoming more difficult for SIO’s to access for the following reasons:-

- Corporate giving is mainly driven by legislation to transform South Africa i.e. Broad-based Black Economic Empowerment (B-BBEE) codes;
- Many more corporates are becoming more strategic in who/what they support and there is greater alignment to business objectives;
- In general corporates are demanding more tangible evidence of impact from those they support;
- Some corporates are opting to run their own projects directly (i.e. not working through an intermediary social impact organisation/NPO);
- Employees are increasingly driving CSI decisions– i.e. staff being asked to recommend organisations they want to support and in turn this being delivered through CSI, payroll giving and corporate volunteering initiatives.

There are however still some (often smaller businesses) who will give with fewer conditions attached. *“They’re open to funding whatever comes across their desk”*, said one consultant.

8.4 Government funding

Notwithstanding the fact that many welfare organisations receive funding from government (through the Department of Social Development for example), in general respondents felt that there is reluctance by SIO’s to seek funding/partner with government for the following reasons:-

- Perceived as problematic. *“They have their own challenges, like poor audits.”*
- Usually slow and laborious decision-making;
- Funding cuts and changes in what they will fund;
- Typically only commit on a year-by-year basis;
- Can feel hostile and very conditional;
- Corruption and bureaucracy.

[6] (Trialogue, 2014)

9. How are organisations responding to these challenges?

With the funding landscape explored, we were interested to learn how SIO's are responding and adapting to this changing environment and whether they are surviving or thriving. We looked at three areas:-

- Financial sustainability
- Resource mobilisation and fundraising
- Leadership
- Financial management

9.1 Financial sustainability

Here we were looking for answers to the following:-

- *"How important is financial sustainability viewed by your organisation and your funders?"*
- *"What are the major barriers you face in achieving financial sustainability?"*

The following themes/trends emerged:-

- **The strong are getting stronger and the weak are struggling**

Whilst there are some SIO's who have survived and thrived through the economic downturn there are many desperate voices in the sector, with organisations describing themselves as being on *"life support"*. Other descriptions included: *"We're not just lean, we're anorexic"; "There is huge panic around funding – if we don't get it we will close"; "Many organisations live on a knife's edge from one grant to another"*.

Based on feedback from respondents, strong organisations can be characterised as those who have:-

- Invested in fundraising and resource mobilisation (diversified programme);
- Have strong leadership;
- Good financial management.

Weaker organisations are characterised as those with:-

- Poor management (most common reason given);
- Lack of fundraising expertise by leaders who are expected to automatically know how to build strong organisations and attract and sustain resources.

- **Boards are key to sustainability**

  Consistently and often unprompted respondents said that the board plays a key role in achieving sustainability. Several did not have favourable comments about their boards, saying that their boards didn't understand sufficiently their role and responsibilities in terms of building sustainability; were interfering (in operational areas); were not engaged in fundraising/resource mobilisation; and had poor contacts.

  Notwithstanding their importance, very few invest in board development (i.e. training and development), preferring rather invest in programmes.

- **Sustainability breeds sustainability**

  Funders are attracted to strong organisations who can meet increasingly stringent requirements.

- **Building reserves is seen as key to sustainability but most find it a struggle**

  This was mentioned by several respondents who said that for many SIO leaders, sustainability equals a reserve. The global recession (2008 – 2009) served as a wake-up call for many organisations and building a reserve was no longer seen as the preserve of large and long-established organisations.

  > *"Eight years ago when we asked by show of hands how many organisations had a reserve, there would be only one or two hands that went up. Today when we do the same training, many more are indicating they have a reserve and if not recognise the need."* Philanthropy consultant.

  This sentiment was confirmed in Greater Capital Greater Good's 2015 Job Losses and Service Cuts Report, which included the following as a key finding:-

  > *"Organisations appear to be saving more to provide financial security in lean times. Respondents generally have more in their reserves now than previously; 26% of respondents stated they have more than six months' reserves, compared to 18% in 2012 and 24% in 2013."*

  In general reserves are being built through the following:-

  - Bequests
  - Income generating activities (i.e. rent and services)
  - Investments / bank interest
  - From surplus programme activities.

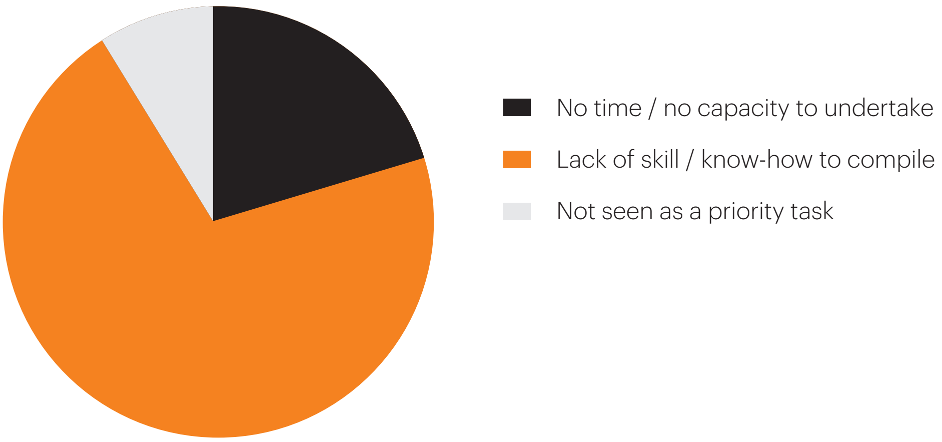
During the course of the study it became evident that there are some who struggle with the concept of building a reserve, either for ethical reasons (i.e. *"it's wrong to save"*) or believing it will put funders off giving (*"which in reality is rarely the case, except for those organisations with very big reserves who may encounter donors who use this to disqualify them"*). Therefore for some the priority remains on running and programme costs rather than building a reserve.

Several respondents also expressed that organisations found it hard to build reserves – i.e. lack of know how regarding how to plan, budget and manage funds. *"Way too bold"* for start-ups; *"left it too late"* by those already established; or *"they just ignore it"*.

- **Lack of planning to achieve financial sustainability**

Forty percent of respondents to the online survey said that they had no approved plan for achieving financial sustainability. The reasons given for this are described in Figure 4:-

Figure 4: If no, why doesn't your organisation have an approved plan for maintaining / achieving financial sustainability?



- **Culture of entitlement**

It was mentioned by several respondents that many organisations in South Africa seem to operate on the belief that *"funding is their right and that it's not the organisation's fault if funding is not secured"*. This attitude is seen as something of a hang-over from the time when funding was *"thrown at local organisations by international funders and once this changed the expectation was that it would be replaced by National Lottery and/or the National Development Agency."*

"There is a legacy and culture of how funding flowed – it came with minimal effort. Organisations didn't plan for the day when the tap runs dry. They got too comfortable and they're not geared to deal with the new funding environment," said one funder.

- **Existing hand-to-mouth**

  This was described as being typical (but not exclusively) of small community-based organisations (CBOs). One of the possible reasons put forward is that it's relatively easy to set up and register a CBO or NPO.

- **Funder behaviour**

  Whilst there are some global and local funders who are strategic and forward thinking, it was felt that there are many funders whose giving is *ad hoc* and operate in an informal and unquantified manner.

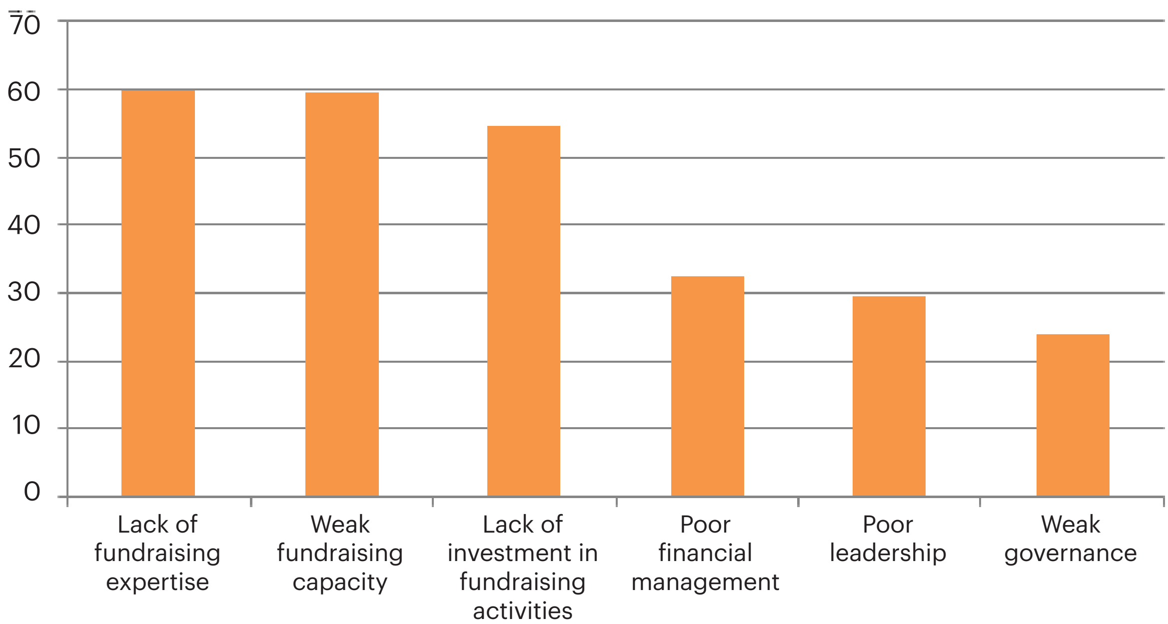
  Gradually as a more professional approach is becoming more common (e.g. philanthropy units at financial institutions; grant makers networks; philanthropy service provider networks) some felt there are still some dubious practices – i.e. slow and unreliable grant making practices.

  "There are a growing number of sophisticated donors, but equally lots who have no idea," said one funder.

9.1.1 Barriers to achieving financial sustainability

Results from the online survey found that lack of fundraising expertise, capacity and a low investment in fundraising activities were the biggest barriers to achieving financial sustainability as Figure 5 indicates:-

Figure 5: Financial Sustainability: Barriers



9.1.2 External factors which impact on sustainability

The following external factors were mentioned by those interviewed as impacting on sustainability:-

- Flattening market;
- Funders more demanding or difficult to work with and/or will not fund core costs (i.e. programme/project focus);
- Competition – many very needy causes and an increased number of SIOs being registered each year. Plus entry of iNGOs opening up regional offices and bringing with them their knowledge, expertise, willingness to invest and a big brand;
- Donor fatigue;
- One year funding makes long-term planning hard;
- Changing priorities by funders - i.e. welfare is out of favour by some, because of the new B-BBEE codes, which focuses on activities that create future employment and exclude traditional welfare type activities – i.e. soup kitchens, old age homes. *"Human rights organisations have always struggled to secure funding locally and the arts have a tough time securing funding from local and international donors,"* said one consultant.
- Fear that corporates/entrepreneurial funders are more likely to shift support to social enterprises, as they understand them better (i.e. they speak the same language) and might as a result receive higher B-BBEE points from the investment.

9.1.3 Internal factors which impact on sustainability

The following internal factors were mentioned by those interviewed as impacting on sustainability:-

- **SIOs ignore the importance of sustainability planning.** They find it irritating and frustrating and don't make time for it, most likely because the leadership and boards don't have the skill/knowledge/understanding of what makes an organisation sustainable (i.e. the advancement matrix).
- **Lack of confidence and understanding by SIO leaders** to engage/negotiate with funders around what to ask for what is most needed.

  "Most organisations have done a poor job in asking for operational costs (salaries) as part of project funding requests. Organisations historically didn't do this. Attitude was – 'fundraise for operational costs separately'. Also (some) just give full operational costs for a year – not adding a percentage of core costs to protect budgets. Organisations need to be smarter in building this into their programme budgets," said one funder
- **Making the case:** – weakness in ability to effectively communicate need, particularly to the corporate sector.

  "The language of NPOs is not ideal for corporates to understand," said one corporate sustainability advisor.
- **English not being their first language,** which makes engaging with donors even more difficult.

  "Unfortunately there are power dynamics around wealth if you don't sound the part," said a philanthropy advisor.
- **Organisations being reliant on a small number of funders.**

  "Our funder is moving on after three years. My boss told me closing is likely possibility next year," said a SIO.
- **Hard to break into networks.** *"It is not what you know but who you know."*
- **Lack of understanding of the funding landscape;**
- **Passion fatigue** (high turnover of fundraising staff in particular);
- **Digital divide** – IT access can be limited.

  "IT could be just your cell phone" commented one respondent. *"Bandwidth is expensive and connectivity is not always available."* There is a thirst for IT know-how and support, particularly around databases and social media;
- **Programme delivery focus** above sustainability planning;
- **Focusing on the here and now.** As one funder put it: *"The thinking is generally: 'how can I keep this ship afloat....few are able to look at five years from now'."*
- **Reluctance to embrace income generation activities** – not part of the traditional SIO mindset. Also lack of innovation – across the board there was a cry for more innovative thinking.

9.1.4 How important is financial sustainability to funders?

Several respondents commented that funders in general are increasingly seeing the value of sustainability and that some were prepared to help organisations become more sustainable (i.e. by investing in capacity building and providing core costs).

A questions such as *"who are your other funders"* is often asked by funders and many undertake due-diligence on prospective beneficiary organisations to determine the SIO's security (includes questions around governance).

Funders in general do not want to be the sole source of income for a project/organisation – i.e. they want to see it spread so that they a) have security that the organisation/project will be functional and can deliver; b) that they can exit without the organisation/project folding.

"Obviously lots of private foundations function in a developmental way, but still international funders do this kind of thing best, in terms of understanding that there has to be support (i.e. technical support) and working with grantees to help them with their sustainability," said one SIO service provider.

"We want to see impact so predominantly funds are for the project, although we will allocate a portion to operational costs, but there are limits. We won't for example pay for full rent for a year or rebuild an IT system," said one funder.

9.2 Fundraising and resource mobilisation

In this area we wanted to understand the following:

- *"How are organisations raising funds and what barriers do they face?";*
- *"What is their fundraising capacity?";*
- *"Are they investing in the development of their fundraisers?";*
- *"Are funders willing to support fundraising development?"*

The key findings were as follows:-

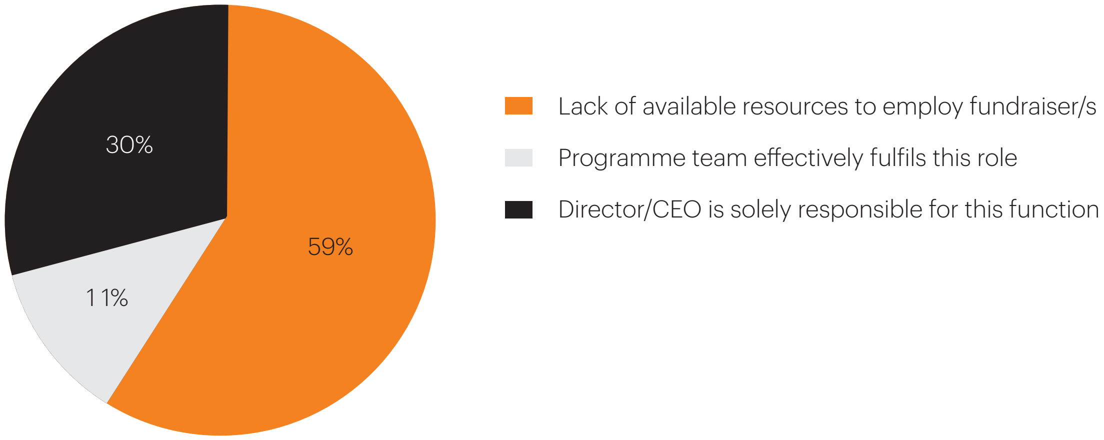
- The majority of respondents represented small to medium sized organisations – i.e. with an operating budget of between \$100 000 and \$500 000 per annum.
- All but a few said that they needed to raise 100% of their operating and programme budgets each year.
- The majority have no dedicated fundraiser – this role is usually fulfilled by the Executive Director.
- If they do have a fundraising department it is small (i.e. 1 – 3 people) and is often fulfilled by programme staff and the Executive Director. Only a very small percentage of respondents reported to having more than five people involved in fundraising/ resource mobilisation.

  "The absence of fundraisers is even more apparent in organisations outside of South Africa," said one Southern Africa SIO service provider.

9.2.1 Why don't organisations have a fundraiser?

Figure 6 shows that lack of resources was the primary reason given, along with it being seen as the Director's responsibility:-

Figure 6: Why no fundraiser?



"The poor director is expected to do everything: develop and lead programme and be a skilled fundraiser," said one philanthropy advisor.

Several said that where fundraising is integrated into programme, this is more successful than fundraising being set up as a separate function.

"Everyone on the team is a fundraiser and no one is afraid of fundraising – everyone gets involved in everything," said one SIO Director

9.2.2 What are organisations doing to mobilise resources/generate income?

Proposal writing is the most common fundraising activity across the region (i.e. to local and international grant makers, corporates, government, trusts and foundations and HNWI). However several respondents cited that there was a lack of know-how/understanding in this area.

'Spray and pray' was commonly referred to when asked how organisation go about fundraising.

> *"The Attitude seems to be: 'Who can we contact for the money?"* according to a philanthropy consultant.
>
> *"NPOs typically don't appreciate the support and legitimacy they need to earn and gain from their authorisers and supporters. Because they don't know they just send a proposal and pray. They don't generally think: "what more can we do to attract support?"* said a SIO coach/trainer.

In South Africa there is more diversity of fundraising activities (i.e. events; individual giving; memberships) than in other Southern African countries. *"Organisations use a wide range of strategies to address the funding shortfalls they are* *experiencing, primarily submitting proposals/reports (77%), approaching individual donors (72%) and engaging in networking (56%)".*[13]

Common throughout the region are self-generated income activities and seeking gifts in kind although outside of South Africa this is less prevalent.

Unlike in South Africa there is no incentive/encouragement for corporates to give to social impact organisations in other Southern African countries, although Namibia is currently developing legislation around CSI.

> *"My general impression is that in South Africa organisations are much more sophisticated in terms of grant and finance management and fundraising and networking than other Southern African countries, although it could improve,"* said one international funder.

9.2.3 Barriers to reaching fundraising targets

The following reasons (in order of priority) were cited by those interviewed as barriers to reaching fundraising target:-

1. Lack of expertise and knowledge in fundraising;
2. Dependency on one person (i.e. Executive Director);
3. Lack of capacity and struggle to attract competent fundraisers (in part linked to poor salary scales)
4. Lack of board support/involvement;
5. Increasing difficulty in securing funding for operational / core costs (many funders just want to fund project costs).

9.2.4 Are Social Impact Organisations developing their fundraising capacity?

Among South African organisations surveyed there was a higher percentage who indicated they had attended a fundraising training course in the last year (59.8%) versus those who hadn't (40.2%). From other Southern Africa countries there were very few (less than 1%) who had attended any training. The reasons given for this lack of investment in training (even from bigger organisations with larger teams) was firstly, no resources and secondly no time.

The following sentiments were strongly shared by several respondents:-

- There's a huge demand for the magic answer - the quick-fix! Many would prefer to out-source fundraising, thinking they can pass the responsibility onto someone else who will be their 'fairy godmother'.
- In South Africa many attend short (half or one day) training courses in the hope of finding 'the silver bullet'.

[13] (Greater Capital Greater Good, September 2015)

9.3 Leadership

In this area we were interested to finding out how organisations viewed leadership development and its relative importance in building sustainable organisations.

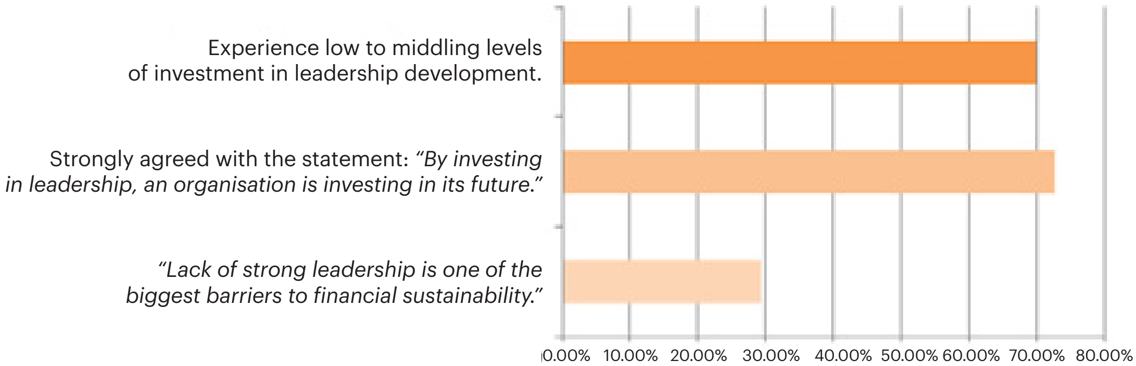
It was generally agreed that the majority of SIOs are led by individuals who have had little experience in the business and fundraising aspects of SIO management.

"Many organisations in our network are founder led or the leader has been in position for many years – this is typical of vocational work (social workers)," said one SIO network coordinator.

"Sustainability requires good leaders," according to an international funder to Africa.

"Very little investment in leadership yet country crying out for good leaders," remarked a SIO Director.

Figure 7



Other reasons given for a lack of investment in leadership development:-

- No time (too busy running programme).
- Not seen as a priority by the board (regarded as a luxury).
- Staff development: Yes. Leadership development: No.
- Leaders are not always open to learning.

9.3.1 Willingness by funders to invest in leadership development

Whilst several interviewees acknowledged the difficulty in securing funding for this type of development, several funders commented that they would be willing to consider funding this, but that it wasn't often discussed/requested.

> *"NPO leaders usually come from a development background so they don't usually have the necessary skills required to create a sustainable organisation, like donor networking, reporting, M&E, business acumen,"* said one funder

"The problem in the NPO sector is that leaders largely lack confidence in themselves and are not authentic in themselves to be able to say to funders: 'this is what we are doing and this is what we need'. They just consent to donor demands/requests and are often driven by desperation," said a leadership/SIO coach.

"Passion isn't enough!" according to one funder.

"We work with a funder who has made training available to grantees at no cost, yet only 20% of beneficiary organisations take up the offer," according to a southern Africa SIO service provider.

9.4 Financial management

There was largely a more positive response to the questions around competency levels of the organisation's financial management department. Responses varied from competencies at an average level (24.3%) to the department being run by expert and well-trained individuals (28.7%).

When asked how well finance systems support and help attract and sustain funding, the majority of respondents (53.6%) reported it to be average and above.

What is interesting is that every organisation interviewed who reported to have good reserves (i.e. two years and more of operating capital) all reported that their financial management team was very strong and included a risk and audit committee at board level.

For those organisations who don't have good financial management systems in place the following trends were noted:-

- Often the function is carried by the Director and if there is a finance person it's often at bookkeeper level – i.e. often under-skilled.
- Difficulty in securing and keeping hold of a good finance person due to salary scales in the social impact sector.
- Reporting and auditing requirements from some funders are onerous and many organisations struggle to meet these requirements.
- Rarely see fundraising and finance working together – i.e. promises made by Director without consulting finance to establish where funding is most needed.
- Frustration with preparing budgets for proposals – i.e. lack of know-how.
- Weak systems opens door to potential fraud.

"Gone are days of having money thrown at us – need to become more business-like and have financial consciousness," said a developmental practice specialist.

"We have a fancy policy but don't have the capacity or capability to implement it," said a SIO Director.

10. Outcomes

10.1 What do organisations want/need?

When asked what type of interventions would be most helpful, the most preferred were the following:-

- One-on-one mentoring and coaching over several months (40%);
- Multi-day fundraising training courses (28%).

> *"Training courses do have value in equipping individuals with skills and stimulating thinking but if you really want to transform you have to walk alongside them for a long period. You then see the change in practice more critically this way,"* said a development practice specialist.

Another common request was for high quality, affordable training in a modular format.

> *"With so many organisations desperate and in survival mode, we have to do things differently. Burnout is common but we can't suddenly upscale organisations. We have to find a way to strengthen organisations from within, change mind sets and create a new fundraising language,"* said a SIO advisor and former iNGO Country Director.

10.2 What are funders looking for?

Strong, stable management with sound financial systems / reporting is a requirement for all funders interviewed and if not in place is a barrier to funding.

In South Africa many funders will only fund organisations that have PBO status (i.e. required to have audited financials). Due diligence is carried out by most big funders and this feedback often helps organisations improve their financial systems.

10.3 Is there appetite by funders to invest in capacity building?

All local and international funders interviewed expressed openness to investing in capacity building to strengthen social impact organisations and support their development to become sustainable organisations.

11. Recommendations

1. Transition more social impact organisations from 'just surviving' to 'thriving'

   The value and importance of social impact organisations in Southern Africa is undisputed. However their sustainability is dependent on their ability to invest in their own development (i.e. leadership; fundraising and resource mobilisation skills; financial management) so that they are able to adapt to a changing funding landscape and find innovative and creative ways to generate resources.

   However most SIOs cannot do this alone. We need committed and active board members who recognise that successful and effective SIO leaders and their organisations are not born but created. We also need to encourage donors to be more open to supporting and investing in progressive capacity development to support organisational sustainability, so that organisations are strengthened from within. And lastly it requires SIO leaders to change old mind-sets and embrace new ways of thinking around leadership, fundraising and resource mobilisation. If we can achieve this we will create a new breed of SIOs who are more effective, accountable, achieve greater impact and move from 'just surviving' to 'thriving'.

2. Changing attitudes towards resource mobilisation

   Whilst lack of resources was the main reason cited for lack of investment in resource development, money alone is not the issue. We need to shift attitudes around fundraising and resource mobilisation and make it a collective responsibility – one that embraced by everyone in the organisation from the board down.

3. Continual learning and sharing

   This study has shown that whilst there are many desperate voices in the sector there are many great examples of organisations who are healthy and sustainable. For the social impact sector to thrive we have a responsibility to allocate the time and resources to invest in ourselves and share our knowledge and experience with others through networking and peer learning.

12. List of participants

The Resource Alliance wishes to sincerely thank the following individuals for generously giving up their time to be interviewed for this report:-

1. Margaret Roestorf – Former Head Fundraising and Marketing: St Luke's Hospice
2. Cathy Masters – Managing Partner: CMDS
3. Louise Driver – CEO: The Children's Hospital Trust
4. Gabrielle Ritchie – Independent Consultant to Grantmakers and Grantseekers
5. Janice Sparg – Coordinator: Western Cape Street Children's Forum
6. Eric Atmore – Director: Centre for Early Childhood Development
7. Jill Ritchie – Fundraising Consultant and Writer
8. Anna Vayanos – Director: Anna Vayanos Philanthropy
9. Benjamin Janse Van Rensburg – Programme Manager: NACOSA
10. Sophie Hobbs – Head of Strategic Communications: NACOSA
11. Desiree Daniels – Executive Coach: University of Stellenbosch Business School – Executive Development
12. Tina Thiart – Director: HGG NPO Sustainability Solutions
13. Lizel Shepherd – Programme Coordinator: Inyathelo South African Institute for Advancement
14. Vuyiswa Sidzumo – Director South Africa: Charles Stewart Mott Foundation
15. Salma Seedat – CEO: Greater Capital Greater Good
16. Chris Trott – Former British Consul General South Africa
17. Natalie Miller – Director: Zarus Group
18. Kathleen Dey – Director: Rape Crisis Cape Town Trust
19. Malcolm Boyd – Managing Trustee: Third Sector Insights
20. Allan Perrins – CEO: Cape of Good Hope SPCA
21. Kate Crane-Briggs – Director: Culture Connect
22. Noxolo Hlongwane – Head Philanthropy Office: Nedbank Private Wealth
23. Colleen du Toit – CEO: CAF Southern Africa
24. Tracey Henry – CEO: Tshikululu Social Investments
25. Kirstin O'Sullivan – ELMA Philanthropies
26. Pippa Shaper – Development Director: Home from Home
27. Justina Mutale – CEO: Project Runway
28. Nomvula Dlamini – Executive Director: CDRA
29. Chiara Bauman – DGMT (interviewed in her personal capacity)

13. Glossary

B-BBEE:	Broad-Based Black Economic Empowerment
CAF:	Charities Aid Foundation
CBO:	Community Benefit Organisation
CSI:	Corporate Social Investment
CSR:	Corporate Social Responsibility
CSO:	Civil Society Organisation
HNWI:	High-Net Worth Individuals
IFC:	International Fundraising Congress
INGO:	International Non-Governmental Organisation
NACOSA:	The Networking HIV/AIDS Community of South Africa
NGO:	Non-Governmental Organisation
NPO:	Non-Profit Organisation
PBO:	Public Benefit Organisation
PEPFAR:	President's Emergency Plan for AIDS Relieve
RA:	The Resource Alliance
SADC:	The Southern African Development Community. (Facilitates regional cooperation and integration and encompasses 15 countries in the region.)
SIO:	Social Impact Organisations
SPCA:	Society for the Prevention of Cruelty to Animals
USAID:	United States Agency for International Development

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