

Foreign Aid and NGO-State Relations in South Africa: Post-1994 Developments

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Declaration

I, the undersigned, hereby declare that the work contained in this research thesis is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

Abstract

This study investigates the impact of foreign aid on the relations between Non-Governmental Organisations (NGOs) and the state in South Africa since 1994. There are three different ways in which NGOs can interact with the state and public policy: viz. they can support and help to implement policies, attempt to reform policies, or oppose them. During *apartheid*, the nature of NGO-state relations was characterised by political confrontation and distrust. NGOs primarily served as organisations of opposition to the state's exclusivist and dehumanising policies. Many NGOs, however, also provided developmental and social services to communities who were neglected by the apartheid state.

After the first democratic election in 1994, the role of NGOs underwent a significant process of change. Various factors contributed to this change. This study, however, primarily focuses on the role of foreign aid and its effect on NGO activities in South Africa, post-1994. This study relied on secondary data sources (both qualitative and quantitative) available in the area of NGO state relations. The study also focused on two major donor agencies in South Africa: European Union (EU) and United States Agency for International Development (USAID).

Analysis of data reveals that, since 1994 much of the funding that was previously directly channelled to civil society now goes to the state, which distributes it to targetted NGOs. As a result many NGOs have collapsed because of a shortage of financial resources to sustain their work.

Secondly, since 1994 the rationale and purpose behind international donor policies has been to advance the New Policy Agenda (NPA), which is aimed at promoting free market-orientated reforms and the consolidation of liberal democracy. As a result, foreign aid donors have endorsed the liberal economic policies, which are set out in the government's macroeconomic strategy, viz. Growth, Employment, and Redistribution (GEAR). Thus, both government and donors have prioritised NGOs who are involved in service delivery rather than those that are likely to challenge and oppose liberal market policies. They have also shown preference to NGOs that are more concerned with the norms and practices of procedural democracy as opposed to

those that are concerned with issues of participatory and social democracy. This has resulted in constraining the overtly political and advocacy role, which characterised NGOs during the apartheid era.

International donors, via government disbursement institutions such as the National Development Agency (NDA), have also constrained the work of NGOs by insisting on numerous managerial related requirements that have been made conditional for the receiving of financial support. Many small, informal, rural community based organisation that lack the required administrative capacity have, as a result, been facing serious financial crises.

Subsequently, NGO-state relations, since 1994, have become less adversarial and confrontational. Most NGOs, complement and support the state's social services delivery programmes and also serve as organisations which help shape the norms and practices of procedural democracy. The study concludes, that the persistent inequality, poverty and unemployment which is associated with the GEAR macroeconomic policy and endorsed by international donor agencies, will lead to the resurgence of advocacy NGOs. Furthermore, in order to resuscitate their role and to ensure their vitality as organisations, which promote participatory democracy, it is essential to focus on strategies, which can effectively challenge the current funding environment to NGOs. These include, building the administrative capacity of both the NDA and NGOs, ensuring NDA independence, and ensuring recognition by funding institutions of the importance of advocacy NGOs in the consolidation of economic democracy.

Opsomming

Hierdie studie ondersoek die impak van buitelandse hulp op die verhoudinge tussen Nie-Regeringsorganisasies (NRO's) en die staat sedert 1994. Daar is drie verskillende wyses waarop NRO's interaksie kan bewerkstellig met die staat en met openbare beleid, naamlik, hulle kan help om beleid te implementeer, hulle kan help om beleid te verander, of hulle kan beleid teenstaan. Tydens *apartheid*, is die aard van NRO - staat verhoudings gekenmerk deur konfrontasie en wantroue. Die NRO's het primêr gedien as organisasies van opposisie teen die staat se eksklusiwistiese en onmenslikingsbeleid. Talle NRO's het egter ook ontwikkelings- en sosiale dienste voorsien aan gemeenskappe wat afgeskeep is deur die apartheidstaat.

Na die eerste demokratiese verkiesing in 1994, het die rol van NRO's 'n beduidende proses van verandering ondergaan. 'n Verskeidenheid faktore het bygedra tot hierdie verandering. Hierdie studie fokus egter primêr op die rol van buitelandse hulp en die uitwerking daarvan op NRO's se aktiwiteite in Suid-Afrika na 1994. Hierdie studie het staatgemaak op sekondêre bronne (kwalitatief sowel as kwantitatief) in die gebied van NRO's – staat verhoudinge. Die studie fokus ook op twee belangrike donateur agentskappe in Suid-Afrika: die Europese Unie (EU) en die Verenigde State Agentskap vir Internasionale Ontwikkeling (VSAIO).

'n Analise van die data toon aan dat, sedert 1994, heelwat van die befondsing wat voorheen direk gekanaliseer is aan die openbare gemeenskap, nou na die staat gaan, wat dit versprei na geteikende NRO's. Gevolglik het talle NRO's ineengestort vanweë 'n tekort aan finansiële bronne om hulle werk vol te hou.

Tweedens, sedert 1994 was dit die rasional en doelstelling van internasionale donateurskapsbeleid om die Nuwe Beleid Agenda (NBA) te bevorder, wat as doelstelling het die bevordering van vrye mark-georiënteerde hervormings en die konsolidasie van 'n liberale demokrasie. Gevolglik het buitelandse hulp donateurs liberale ekonomiese beleidvorming onderskryf wat uiteengesit word in die regering se makro-ekonomiese strategie, nl. Groei, Werkverskaffing en Herverdeling (GEAR).

Dus het sowel die regering as donateurs prioriteit gegee aan NRO's wat betrokke is in dienslewering, eerder as dié wat geneig is om liberale markbeleid teen te staan. Hulle het ook voorkeur gegee aan NRO's wat meer besorg is oor die norme en praktyke van 'n procedurele demokrasie in teenstelling met dié wat besorgd is oor die vraagstukke van 'n deelnemende en sosiale demokrasie. Dit het die resultaat gehad dat die openlike politiese en kampvegtersrol wat kenmerkend van die NRO's was gedurende die apartheidsera, beperk is.

Internasionale donateurs het, via regerings-instellings soos die Nasionale Ontwikkelingsagentskap (NOA), ook die werk van NRO's beperk deur die aandrang op talle bestuursverwante vereistes wat as voorwaarde gestel is vir die ontvangs van finansiële ondersteuning. Talle klein, informele landelike gemeenskaps-gebaseerde organisasies wat die vereiste administratiewe kapasiteit kort, het gevvolglik ernstige finansiële krisisse begin ondervind.

Daaropvolgend, het NRO-staat verhoudinge sedert 1994 minder konfronterend begin raak. Die meeste NRO's ondersteun die staat se diensleweringsprogramme en dien ook as organisasies wat help om die norme en praktyke van 'n prosedurale demokrasie te vorm. Die studie kom tot die gevolgtrekking dat die voortdurende ongelykheid, armoede en werkloosheid wat geassosieer word met die makro-ekonomiese beleid van die regering se program vir Groei, Werkskepping en Herverdeling (GEAR) sal lei tot 'n nuwe opkoms van kampvegter NRO's. Voorts, ten einde hulle rol te stimuleer en hulle lewenskragtigheid as organisasies te verseker, kan ons die huidige befondsingsomgewing van NRO's doeltreffend uitdaag. Dit sluit in die bou van die administratiewe kapasiteit van beide die NOA en NRO's, die versekering van NOA onafhanklikheid, en die versekering van die erkenning deur befondsingsinstellings van die belangrikheid van kampvegter NRO's in die konsolidasie van 'n ekonomiese demokrasie.

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Contents

Declaration	ii
Abstract	iii
Opsomming	v
Acknowledgements	vii
Chapter 1: Aim, Scope, and Method	1
1.1 Background	1
1.2 Problem statement	4
1.3 Purpose	5
1.4 Research questions	6
1.5 Theoretical Framework	6
1.5.1 The rise of the New policy agenda and NGOs in South Africa	6
1.5.2 Theories of NGO state relations	9
1.6 Units of analysis	13
1.7 Nature of study	14
1.8 Method	14
Chapter 2: Foreign Development Assistance in South Africa	16
2.1 Introduction	16
2.2 ODA policies in South Africa before 1994	17
2.3 Factors influencing donor policies in South Africa After 1994	18
2.4 Donor policies in South Africa	23
2.5 ODA institutional recipients	36
2.6 Conclusion	40
Chapter 3: The New Policy Agenda and NGO-state Relations	43
3.1 Introduction	43
3.2 Background to the growth and development of NGOS in South Africa	44
3.3 Effects of foreign aid on NGO state relations since 1994	45
3.4 Conclusion	61

Chapter 4: Conclusion and Recommendations	64
4.1 Summation of findings	64
4.2 Recommendations	67
4.2.1 Building organisational and bureaucratic capacity of NDA and advocacy NGOs	67
4.2.2 NDA independence	68
4.2.3 Recognition of advocacy	70
4.3 Conclusion	71
 Bibliography	 72
 List of Figures and Tables	
Figure 2.1	25
Table 2.1	30
Table 2.2	32
Table 2.3	38
Table 2.4	39
Table 3.1	59

Chapter One

Aim, Scope, Method

1.1 Background

Over the last two decades Africa has increasingly lagged behind the rest of the world. This continent has been fundamentally troubled by economic, political, and social underdevelopment. Lack of credible leadership is often cited as the reason for these crises. Commentators argue that for many Africans, states merely became arenas of political struggle and enrichment and consequently there has been a high degree of mismanagement, corruption, nepotism, repression, and authoritarian rule. These factors contributed to the deepening of economic, political, and social crises.

At the same time Africa was highly dependent on foreign aid to deal with these crises. Since the end of colonialism, there has been an unprecedented financial injection from foreign donors. First, during this era states were regarded as being the panacea for dealing with underdevelopment. Policy emphasised the top-down approach as a strategy to curb these problems. Secondly, financial support had a functional purpose for countries of the North in that they allocated funds to countries of the South in return for their political support.

However, over the last two decades, there has been a dramatic shift in foreign aid policies. In the 1970s Africa suffered from the debt and oil crises. According to Prabirjit (1992: 1), "Between 1970 and 1980, the debt of the LDC grew fivefold to \$580 billion. Much of this growth of debt was accounted for by liberal lending of trans-national commercial banks." These crises continued into the 1980s. Countries of the Organisation of Economic and Cooperation and Development (OECD) went into recession after the surge in oil prices. Interest rates soared, further increasing the debt volume. According to Onimode (1989: 1), "By December 1987, Africa's total debt had risen to \$228 billion, about half that of Latin America but around double that of Brazil alone." International financial institutions (IFIs) such as the International Monetary Fund (IMF)/World Bank and governments of the West lost confidence in the African state as a vehicle for development.

The IFIs and the governments of the West prescribed policies, which emphasised less state intervention. These policy orientations were dubbed the "Washington Consensus". They are found in the Economic Structural Adjustment Programmes (ESAP) prescribed by the IMF. Although African governments viewed this as intervention in their domestic affairs, at this stage Africa was highly dependent on foreign aid because of the continuing economic crises. Thus African states were forced to adopt these programmes, which required adjustment and reform of macroeconomic policies to ameliorate the debt crisis.

The end of the Cold War in 1989 further accelerated these waves of policy prescriptions across Africa and the rest of the world. Goldsmith (2000: 413) states that "During the Cold War, rich democracies were reluctant to say or do much about governments in Africa for fear of driving African countries into the socialist camp." A case in point was Zaire's government under Mobutu Sese Sekou whose corrupt but reliable anti-communist regime received American backing. With the disintegration of the centralist Marxist one-party system of the Soviet Union, foreign aid assistance policies focused on liberal democratic and economic reforms as the basis for determining how to allocate aid resources. These political and economic reforms came to be known as the New Policy Agenda (NPA). These reforms took place in most of the eastern European and African states. Most notable in Africa is the collapse of the Marxist regime in Ethiopia and the decision by Mozambican officials to create a multiparty free-market system.

These policies prescribed less state intervention, while non-governmental organisations (NGOs hereafter) were viewed by donors as necessary vehicles to address development problems in Africa. The emergence of NGOs focusing on welfare and modernisation-oriented activities over the last two decades is thus not a coincidence. Their role within the neo-liberal framework is to provide social welfare service in areas, from which the state has withdrawn. In the last twenty years there has been an unprecedented proliferation of such NGOs. According to Edwards & Hulme (1996: 3) "By any standards, the 1980s and 1990s have seen an explosion in the number of non-governmental organisations and grassroots organisations active in

relief and development. The number of development NGOs registered in the OECD countries of the industrialized North has grown from 1,600 in 1980 to 2,970 in 1993, and over the same period the total spending of these NGOs has risen from US\$ 2.8 billion to US\$ 5,7 billion in current prices.” In Kenya the increase of non-church foreign NGOs rose from 37 to 134 during 1978-87 and local NGOs by 115% from 57 to 133. Similarly the number of indigenous NGOs in Botswana increased by 60% between 1985 and 1989 (Fowler: 1991: 54).

NGOs emerged as a result of a wide variety of very different national traditions of self-help and outreach programmes (Smillie, 1999: 8). Some originated from missionary movements that had been established in the sixteenth century. The modern secular NGOs originated with the creation of the Red Cross in the 1860s. Others are also a result of wars: Save the Children was established in 1920 after World War I, Foster Parents Plan during the Spanish Civil war, Oxfam and CARE emerged after World War II. It was only after the 1970s that governments recognised the importance of NGOs because of their emergency work. By then it was recognised that these movements had developed certain specialised skills as well. According to Marcussen (1996: 408), conventional wisdom suggests that the perceived comparative advantages of NGOs include:

- a capacity to reach the poorest, and outreach to remote areas;
- a capacity to promote local participation and to implement projects in direct collaboration with target beneficiary groups;
- a capacity to operate at low costs;
- a capacity to be innovative, experimental, adaptable and flexible; and
- a capacity to strengthen local institutions/organisations; to empower marginal groups.

The assumption behind these perceived comparative advantages was that NGOs could be innovative and respond quickly, whereas governments could not. At the same time, as indicated above, it was apparent that the Official Development Assistance (ODA) geared towards governments in Africa was not having the desired impact. Thus donors who funded governments in Africa saw these factors as reasons for paying attention to, and supporting, NGOs.

Thus the increase of NGOs was partly the result of official aid made available to them. This phenomenon is summed up by Fowler (1991: 55):

This increase in NGOs can be seen as a resource-led process arising from greater official aid for them. Disappointed with the performance of aid-funded projects implemented by governments and current ideology of comparative advantage which underpins structural adjustment policies have, in the period 1975-85, justified a 1400% global increase in official assistance available to NGOs. Today, government finance accounts for one third of the US\$5 bn which Northern NGOs, themselves more than doubling in number in the 1980s, disburse annually in the South.

1.2 Problem statement

Over the last decade the purpose of foreign aid has been to promote the principles of the New Policy Agenda (NPA). The nature of foreign financial support during the 1990s differed from that which had preceded it. While during the Cold War era development assistance was a strategic instrument for influence, during the past decade it has been employed to advance democracy and liberal market reforms.

South Africa has not remained immune from this. Since 1994 there has also been a dramatic change in donor funding patterns in South Africa. First, given the delicately negotiated political transition, the principal purpose of aid was to strengthen and institutionalise democracy. Secondly, aid was allocated to service provision programmes given the disparities within the population in terms of income, access to basic services, health, water and sanitation.

Furthermore, prior to 1994 the flow of ODA to South Africa was allocated directly to NGOs. The purpose of ODA was to empower those sectors of society that were opposed to apartheid. After the first democratic elections in 1994, international donors redirected a large proportion of official aid budgets towards government as the newly democratic state faced the enormous task of reconstruction and development.

It was anticipated that government would serve as the conduit for foreign aid funding. According to Smith (2002: 3), “One assumption behind donors shifting most of their funding from NGOs was that some of this funding would find its way back to NGOs, through government channels” (http://www.nu.ac.za/csds/Publications/donor_9.PDF). However, since 1994 there has been an absence of an effective state funding mechanism. The Transitional National Development Trust (TNDT) was established in 1996 as a temporary measure to allocate funds. The National Development Agency (NDA) replaced it in 2000. Both these institutions proved to be ineffective, experiencing major backlogs in the disbursement of funds to NGOs. According to Smith (2002: 3), “Of the R340 million allocated to the agency [NDA] in its first year of operation, less than one tenth was actually disbursed” (http://www.nu.ac.za/csds/Publications/donor_9.PDF).

Lastly, prior to 1994 control measures for accounting and spending of funds were not implemented. However, since 1994 donors have attached various management requirements to the disbursement of funds. These changes in donor funding patterns have had a considerable impact on the NGOs and their relations to the state.

1.3 Purpose

This study investigates the dynamics between the state and NGOs under the new funding environment. It is argued that the redirection of funding towards the new government and away from NGOs, which have been exclusive recipients of foreign funding under apartheid, has undermined the independence of NGOs. These aid trends undermine NGO independence in that donors earmark service-oriented organisations and those that promote the values, procedures and overall framework of a liberal market democracy. The Medium Term Expenditure Framework (MTEF) identified

the following: meeting of basic needs; accelerating infrastructure development, economic growth, development and job creation; human resource development; safety and security; and transformation of government, as priority sectors for government spending. NGOs that do not aim to achieve these objectives are not likely to receive funding. This forces NGOs to adopt strategies, which, among other things include abandoning their advocacy role.

Lastly, the imposition of control measures for accounting and spending of funds has had also had a serious impact on NGOs. It is argued that visible, urban-based, formal NGOs with administrative and research capacity are more likely to receive funding. Conversely informal rural and peri-urban based NGOs are likely not to receive funding.

1.4 Research questions

Having outlined the aid trends in South Africa, this study will look at the following questions: 1) what has the impact been of foreign aid policies on state-NGO relations since 1994? Following from this, 2) what has the impact been of foreign aid policies on the role of NGOs since 1994?

1.5 Theoretical framework

1.5.1 The rise of the New Policy Agenda and NGOs in South Africa

Foreign development aid has been used to shape policies of recipient countries and to advance donor foreign policy objectives, values and objectives they regard as important. For instance, in 1975 the US congress enacted the Foreign Assistance Act (1975), which prohibited financial assistance to any country violating internationally recognised human rights (Crawford: 2001: 11). These laws, however, were ineffective because they were subject to the USA's foreign policy objectives during the Cold War. During this period the US government used foreign aid as an instrument to gain the support of Third World countries. The human rights conditionality clause included in the Foreign Assistance Act (1975) was undermined in the sense that funds were sometimes allocated to governments guilty of gross human rights violations for

example, the Philippines, South Korea, Iran and the former Zaire, which were all of strategic interest to the US. Similarly, centrally planned economies also sought to gain the support of the Third World. In 1961 about 61 percent of total bilateral aid was allocated to Vietnam, Cuba, Mongolia and Afghanistan (Mosley: 1987: 29-31). Thus, in the early stages aid was rarely based on economic and social development needs.

The economic climate during the late 1970s was characterised by the increasing dependence and the deteriorating international position of developing countries. This was combined with growing scepticism about the nature and role of governments. These factors triggered a call from foreign donors for economic policy reform. As Tjønneland (2000:41) comments: "Programmes were designed to ensure structural adjustment in crisis-ridden economies in the South, especially in Sub-Saharan Africa. The new aid objectives were increasingly pursued through [economic reform] conditionalities."

Political reforms and democratisation, however, were not initially part of aid conditionalities. The prevailing wisdom during that era was that authoritarian governments were more effective in implementing harsh economic adjustment measures. (Crawford :2001: 13). This had dire implications for developing countries. Financial assistance was allocated to autocratic governments, who were not accountable. It also served to enrich politicians and insulated them from popular demands.

With the collapse of the Berlin Wall in 1989 there was a shift in the policy orientations of donor governments. Aid conditionality specifically required commitments to democracy and liberal market reform (Patomaki: 1999: 121). The rise of democracy and liberal market reform were thus a consequence of the end of the Cold War. With the end of the Cold War and the demise of the Soviet bloc the West discontinued support for authoritarian governments. Proponents of these reforms argue that this approach will ensure that aid is well spent and not misused. Additionally control mechanisms within the aid programme itself monitor how money is spent. This combination of democratic and economic reforms has come to be

termed the NPA. The creation of the NPA and the growing number of NGOs is neither an accident nor a result of a philanthropic agenda or local and voluntary action. Robinson (1993) argues that the “New Policy Agenda” embodies two basic sets of beliefs: neo-liberal economics and democratic polity.

First, markets and private initiative are seen as the most efficient mechanisms for achieving economic growth and providing social services. Governments enable and facilitate private provision, but they should minimise their direct role in the economy. Instead NGOs should play a significant role in providing resources. This is because of their cost effectiveness in reaching the poorest. Thus the expansion of NGOs and the expansion of the market economy is not a coincidence. The functional purpose of NGOs in this context is to humanise the adverse effects of the market economy.

Dicklitch (1998: ix) argues that the current fixation on NGOs as vehicles of empowerment, democratisation and development is reflected in the NPA, which often sees the state as a facilitator rather than an initiator. Similarly Macdonald (1997: 26) argues that the structural adjustment programmes of the IMF encourage governments to cut back on the basic needs of the poor in order to increase export production. Consequently, structural adjustment affects the poor negatively, because of cut-backs in social services and subsidised credit, energy prices, or food. This has resulted in the expansion of NGOs, which are now seen as the preferred channel for service provision, and thus the role of the state has been deliberately substituted. NGOs are thought of as possessing a mix of characteristics suited to “humanising” the implementation of structural adjustment programmes.

Secondly, since the 1990s donors have been preoccupied with the poor ‘governance’ in Africa as the root cause of underdevelopment. Donors contend that a sustainable market economy requires a liberal democratic polity with a strong civil society. During the 1990s a consensus emerged among policy makers that aid must be conditional to political reforms. NGOs were viewed as vehicles for democratic consolidation and essential components of a dynamic civil society. According to Moore (1993: 27), “These NGOs are supposed to act as a counter-weight to state

power protecting human rights, opening up channels of communication and participation, providing grounds for activists and promoting pluralism.” Therefore the expansion of NGOs cannot be separated entirely from the political ideals of the NPA.

In South Africa foreign funding prior to 1994 was informed by anti-apartheid concerns. Donors bypassed the state and its agencies and instead allocated aid directly to NGOs. This financial support began with Denmark in the mid-1960s and was followed by Norway and Sweden in the 1970s. The Nordic countries were joined by the EU and the USA, which each provided an unprecedented \$340 million to South African NGOs during the nine-year period before the end of apartheid and the 1994 elections (Hearn: 2000: 317). Under the EU the Special Programme of 1986-1991 funds were allocated through four non-racial and non-governmental bodies, namely the South African Council of Churches (SACC), the Southern African Catholic Bishops Conference (SACBC), the Kagiso Trust (KT) and the Trade Unions.

Despite the government's attempts to curb transfer of funds to NGOs (Disclosure of Foreign Funding Act of 1989) the number of NGOs continued to expand. Walters (1993: 2) states that “The acceleration of the growth of these organisations reached an all-time high during the latter part of the 1980s....” Channelling funds directly towards NGOs partly facilitated the rapid growth.

1.5.2 Theories of NGO state relations

There are basically three theoretical frameworks that define NGO state relations. Clarke as quoted in Marcussen (1996: 418) suggests that "...there are basically three different ways in which NGOs can relate to the state: 1) *complementing* it, by filling gaps, providing services, 2) *opposing* it, either directly or lobbying against it, together with local groups and in support of locals, and 3) *reforming* it, working with the grassroots, helping them raise concerns at state level and working with governments to improve policies."

Bratton (1989: 573) argues that "... government NGO relations cannot be understood without a basic appreciation of the abstract objectives, structures and cultures upon which each type of organisation is modelled." The primary objective of government is to maintain political stability. Young as quoted in Fowler (1991) identifies a number of government objectives, which include maintaining security, autonomy, revenue, and continued legitimacy. NGOs who are perceived as threatening state authority fall out of favour or are neutralised.

States perceive their objectives to be threatened under several circumstances: first, the nature of NGOs activity and programmes; secondly, when NGOs provide organisational channels through which opposition can be mounted against an incumbent regime; thirdly, when issues of national sovereignty or state security are felt to be at stake (for example, in situations when NGOs try to maintain autonomy from the state through foreign funding). If foreign-funded NGOs provide services, especially in programmes, which are co-ordinated by the state, tensions are minimal. On the other hand, the activities of foreign funded NGOs are controversial, for example, when they criticise the state or mobilise the poor, governments tend to be antagonistic towards NGOs (Sen: 1999: 330). These NGOs become targets of various actions by government, which are aimed at constraining their activities. Fowler (1991) identifies some of these policies:

Legislation. Traditionally governments have enacted laws that regulated the activities of entities such as political parties and companies. Governments rarely enacted laws that defined and regulated NGOs. Nevertheless, the growing number of NGOs has necessitated the introduction of laws to circumscribe their activities. Fowler (1991: 65) identifies a number of reasons for introducing NGO related legislation: some of the NGOs are abusing their status; they need to be co-ordinated; they do not relate correctly to the official system of development administration; donor funds need to be protected against misuse; and the NGOs pose a security problem.

Political appropriation. Political appropriation is most common in single-party states. It is characterised by bureaucrats of both NGOs and government sharing the same ethics and class backgrounds and having undergone the same socialisation. The sharing of staff between NGOs and state often reinforces this pattern. There are clear examples of government-run, initiated or inspired NGOs, such as, the Tanzania Youth and Development Foundation, which is legally a non-governmental organisation, but senior political and government officials sit on its board of trustees. In South Africa this is reflected in the relationship between the ruling ANC party and the South African National Civic Organisation (SANCO). In 1997 Mlungisi Hlongwane, president of SANCO, declared that "The President of the ANC is a national patron of SANCO and a card-carrying member of the same organisation. The constituency we represent overlaps [and we thus] share a common programme of reconstruction and development and policies fundamental to the objectives and cornerstone of the two organisation" (<http://www.anc.org.za/ancdocs/pr/1997/pr0223.html>). It is therefore common that high-ranking SANCO officials hold various local government positions. For example Khabane Khabane, who is a councillor in Bethlehem municipality, is also a leader of Bohlokong Civic association (City Press: 17 November 2002).

Administrative co-option. Administrative co-optation is aimed at ensuring that the activities of NGOs are consistent with the national policies of government. Funding has played a significant role to ensure that this takes place. The progression of financial aid to NGOs has followed a linear pattern over the years. Smillie (1999: 9) argued that initially grants came with few strings attached, but were later replaced by more formalised matching grant programmes. While much of the programme is designed by the NGO, the organisation has to fulfil at least a few basic government requirements. This means that governments are setting parameters for where and how NGOs can perform their activities.

During the heady days of these partnerships, several governments began to offer NGOs contracts for the management of bilateral programmes and projects. This meant that NGOs were being encouraged or even required to bid against each other and against private sector firms if they wanted bilateral contracts. Fowler (1991: 67)

argues that "This trend is reinforced by official donors who require them (NGOs) to obtain government approval as a condition for obtaining funds. It is obviously quite proper for any government or donor to ensure that the activities of organisation in a country are consistent with their policies."

On the other hand, NGOs attempt to remain autonomous from the state. Some NGOs tend to be adversarial in nature in the sense that their mission is to mobilise popular opinion around specific issues (for example, land reforms). Others according to Bratton (1989: 574), "...explicitly hold political empowerment as an organisational value and rely on radical analyses of the political economy of poverty and techniques of awareness raising and conscientisation." Research has shown that representing local groups to persuade government by constructive engagement to reform state policies is not a common phenomenon (Marcussen: 1996: 418). NGOs and the community view the state as part of the problem rather than the solution. (Puplampu & Wisdom: 2000, Sen: 1999, & Petras: 1999). Accordingly, the NGO-state relationship is often adversarial, with NGOs attempting to bypass the state. Fowler (1991) argues that NGOs support of local communities to oppose government has a negative impact on the legitimacy of the state. Based on evidence from Eastern and Southern Africa, where sections of the community have been mobilised to counteract the state, he concludes that this has led to a negative backlash from states.

It is precisely because government and NGOs are functionally differentiated that they are likely to clash occasionally. Generally, governments will employ policies to neutralise NGOs. NGOs have, however, also resorted to various strategies to avoid any form of political appropriation or administrative co-option by the state. As Gary (1996: 154-155) has observed, these efforts, which include keeping a low profile, forming NGO associations, relying on international links to provide credibility and protection, selectively collaborating with governments, and pursuing advocacy, media work and public education. He argues that in Africa NGOs have resorted to forming consortia, co-ordinating bodies or umbrella organisations to present a collective voice to government and international donors and to co-ordinate their activities.

1.6 Units of analysis

This study will use the definition of the state used by Walters (1993:1). She defines the state as encompassing the executive, legislature (parliament), the civil service, judiciary, police and army: the institutions that make and enforce public policy, symbolically and in practice. “Government” is generally used merely to signify the executive branch of the state.

Non-governmental organisations form an important component of civil society. Civil society is all of society outside of government or the public sphere and outside the private sphere of family life. Over the years it has come to play an important role in the field of social development and upliftment. However, there is widespread disagreement about the term NGO. The lack of a common definition is perhaps also the result of the nature and types of NGOs. This study will distinguish between two types of NGOs. First, there are NGOs that focus on the provision of public services. These NGOs generally enter into contractual agreements with donors and governments to provide these services. They are broadly referred to as Public Service Contractors (PSCs). According to Sen (1999: 330) “PSCs are non-profit organisations that sell their services to aid donors and governments to implement development programmes. Such NGOs are often driven by the market rather than by the ‘values’ and motives that are generally associated with NGOs.” The motives and values that are generally associated with NGOs are rooted in the need to alleviate poverty. This means that, while the emergence of NGOs is motivated by the goal to meet the development needs of people, the emergence of PSCs is motivated by the development agenda as defined by government and donors.

Conversely, there are NGOs that view under-development as a result of factors such as inadequate institutions, bad public policies and the powerlessness of the poor. Thus, for these organisations social progress is attainable through mobilisation, the creation of social awareness and the provision of social services. These types of NGOs do not only provide public services, they also act as lobbying and advocacy groups, and are involved in the formation of alternative public policy (Fowler: 1991: 70). They are clearly distinct autonomous agencies in so far as development strategy is concerned. These two types of NGOs will form the focal point of this study.

1.7 Nature of study

The study relied on secondary data sources that are available in the area of NGO state relations. These include:

- Articles and books on NGO-state relations,
- Official reports from donors, NGOs, and government,
- Media material (newspapers, editorials and magazines), and
- The Internet.

1.8 Method

Chapter Two will attempt to assess the link between ODA policies and NPA. To investigate this, the study relied mainly on qualitative data. Information on aid assistance is sourced from donor reports. The study focuses on the post-1994 period, because international donor funding policies changed dramatically during this era in South Africa

The study also focuses on two major donor agencies in South Africa: EU and USAID. Actual financial contributions from all donor agencies are difficult to estimate accurately for various reasons. The main reason for this is that much of the financial information is not available in other reports. In addition, the financial information is not easy to estimate, given the different currency formats used.

In Chapter Three this study focuses on the impact of ODA on NGO state relations in South Africa. Sen (1999: 230) states that "The nature of NGO activity and programmes determines NGO state relations to a great extent." The activities of NGOs include, complementing government programmes by providing services where government is unable to provide such services. Secondly, NGOs oppose government either directly or by lobbying against it, together with local groups and in support of locals. Thirdly, NGOs can work towards reforming government by working with grassroots organisations and helping them raise concerns at state the level.

Conversely, government activities include the evaluation of NGO activities and supporting them. Secondly, it can oppose NGOs and employ methods to control and neutralise them through: 1) legislation; 2) bureaucratic regulation, where NGOs must be registered with one or more government ministries or their activities approved by government officials; and 3) political appropriation, where governments, politicians, civil servants and bureaucrats can create their own NGOs. In response to this, NGOs may employ various means to counter state attempts to control them. These include keeping a low profile, forming NGO associations, relying on international links to provide credibility and protection, selectively collaborating with governments, pursuing policy advocacy, media work and public education. Thus this section primarily relies on qualitative data.

Furthermore, quantitative data is employed to determine the effect of changes in foreign aid policies on NGOs. Quantitative data from foreign donors, government funding mechanisms of South Africa such as the TNDT and the NDA is employed to demonstrate which NGOs received funding.

The first chapter has provided the aim and scope of the study. Chapter Two establishes the link between ODA policies and NPA. It further looks at how NGOs are funded in South Africa. Chapter Three provides a brief history of NGOs in South Africa. More importantly, this chapter also looks at how ODA funding impacts on NGO state relations in South Africa. The fourth chapter provides a conclusion and some recommendations.

Chapter Two

Foreign Development Assistance in South Africa

2.1 Introduction

The rationale behind policies of international donor agencies prior to 1994 in South Africa was to empower those agencies and sectors of society that were anti-apartheid in nature and in intent. The modality of ODA was to bypass the state and fund NGOs directly, with the management and monitoring of these funds left to the discretion of the recipients. After 1994 there were changes in the political landscape of South Africa. These changes were also paralleled by changes in donor community orientations about the purpose and intent of ODA. These changes significantly influenced ODA policies.

This chapter focuses on the ODA policies in South Africa between 1994 and 1999. It is argued that the purpose and the intent of ODA policies are to advance the NPA. Firstly, much of the foreign donor policies are aimed at supporting government liberal market policies and instruments in the form of the Growth, Employment and Redistribution (GEAR) strategy and the RDP White Paper. Secondly, they are aimed at supporting the national development strategy for the alleviation of poverty. The national development strategies are captured in both the RDP White Paper and the Medium Term Expenditure Framework (MTEF).

Following the 1994 elections international donors worked largely with South African government. NGOs receive funds when they demonstrate that they are able to work in partnership with government. Thus, government established the development finance agency, the Transitional National Development Trust (TNDT), later replaced by the National Development Agency (NDA), which is part of the national development strategy for the alleviation of poverty. These institutions support organisations of civil society in their efforts to promote sustainable, people-centred development.

Lastly, foreign donor policies supported the democratic consolidation process despite the government's lack of a framework for informing democracy and good governance (D&GG). Given the government's lack of such a framework to inform D&GG foreign donors developed their own programmes for democratic assistance.

2.2 ODA policies in South Africa before 1994

The task of understanding the nature of international development assistance under the apartheid government should be approached with caution. Given the political environment prior to 1994, modalities for effective management were absent, with most recipients (particularly NGOs) enjoying the freedom to allocate and spend funds at their discretion and to maintain the transactions of these activities in non-transparent ways in order to avoid scrutiny by the apartheid state. Although there have been attempts to understand the nature of the relationship between donors and NGOs, little is known about the exact nature and extent of funding to NGOs in that period. International development assistance during this period focused primarily on victims of apartheid. Bratton and Landsberg (1999) argue that much of pre-transition aid was spent outside the country in the form of assistance to the exiled liberation movements, or through a worldwide airlift of black South African students to overseas educational institutions (<http://www.cps.org.za/execsumm/rr62.htm>).

The Constructive Engagement Policy (CEP) of the USA is an example of this. Funds were allocated to various sectors of the black communities in South Africa. According to Seidman (1984: 107), USAID committed aid to four areas in the pre-1994 period: \$4 million a year for scholarships to bring approximately 100 black South Africans students to the United States for undergraduate and graduate studies, mainly in the area of science; more than \$1 million in 1983-4 to train South African labour leaders (funds provided in co-operation with the AFL-CIO African-American Labour Centre); a \$5 million programme, implemented through private South African institutions, to provide scholarships for some 4000 black South African students each year; \$3 million from 1985 to 1986 to support small businesses, a project administered in co-operation with the National Federated Chamber of Commerce in South Africa.

Similarly to the USA CEP, the EU developed a “Special programme for victims of Apartheid” implemented within the framework of the “twin track” policy. The establishment of this programme was a result of the 1984–1985 outbreak of popular unrest in South Africa, culminating in the imposition of a state of emergency. This programme, which provided support to local NGOs, bypassed the state (Grassia: 1996: 139).

During this period the principal recipient of international development assistance were NGOs. Bratton and Landsberg (1999) state that "Foreign aid during this era was allocated through NGOs and community-based organisations (CBOs), which ran grass roots projects" (<http://www.cps.org.za/execsumm/rr62.htm>). International donors relied on national NGOs such as KT to transfer funds. KT was not linked to particular community constituencies but rather funded local activities or provided technical assistance to CBOs. Bollens (2000: 170) states that KT "was a critical conduit during the apartheid years for European Union Special Programme money targeted at grassroots efforts [to address] unemployment, housing, and social empowerment." Furthermore, he posits that, since its inception, KT has invested over R750 million in community projects.

2.3 Factors influencing donor policies in South Africa after 1994

After the 1994 elections in South Africa there were dramatic changes in the terms of donor policy orientations. The changing political and economic environment globally and locally precipitated these reforms. Firstly, after the fall of the Berlin Wall there was a general agreement that development co-operation should be conditional on the implementation of democratic reforms. According to Crawford (2001: 4) "The issue of a rapid succession of policy statements making democratic reform both an objective and a condition of development co-operation commenced shortly after the fall of the Berlin Wall." The British and French governments were the first to declare this objective followed by the German government in 1991, then the Nordic countries, the Netherlands and Canada. International bodies such as the Development Assistance Committee (DAC) of the OECD also prioritised participatory development and good governance during the 1990s (Crawford: 2001: 4-5). The

rationale behind this policy orientation was to "ensure greater direct impact of ODA [and] to synchronise the structure and outputs of ODA with the development agenda of recipient countries" (Development Cooperation Report II (DCR II) (<http://www.finance.gov.za/documents/dcr/odadb.pdf>).

Secondly, the end of apartheid in South Africa necessitated the normalisation of the relationship between the donor community and South Africa. South Africa was no longer viewed as the pariah state but was seen "to be representative of the needs and aspirations of the South African people, and therefore to be considered as an ally and significant partner – and not an obstacle – in the directing and management of donor funding" (DCR II: <http://www.finance.gov.za/documents/dcr/odadb.pdf>).

Thirdly, the demise of the apartheid state and the installation of a democratic state meant that the international donor community needed to consider both the developmental requirements of the country as well as its requirements in a critical period of transition. In South Africa significant disparities exist within the population in terms of income, access to basic services, education, health, water and sanitation, and the overall quality of life. Notwithstanding its strength as an economic and political power on the continent, South Africa is ranked lower than many developing countries on the Human Development Index (the HDI is an index derived from the GDP per capita, education and literacy levels, and life expectancy). The UN Human Development Report of 1999 revealed that, despite being ranked tenth out of 93 countries in the Medium Human Development category in terms of real GDP per capita, the country is ranked 55th on the HDI.

Cognisant of the development challenges confronting it, the South African government itself undertook a programme to define and implement its development agenda. Firstly, the ANC, which was the government in waiting, developed the Reconstruction and Development Programme (RDP) as a measure to achieve its goals. Originally, the broad vision of RDP was to ensure growth and development through reconstruction and redistribution and sought a leading and enabling role for government in guiding the mixed economy. The RDP policy document of the ANC

states that "The RDP links reconstruction and development in a process that will lead to growth in all parts of the economy, greater equity through redistribution, and sustainability [and] ... that neither a commandist central planning system nor an unfettered free market system can provide adequate solutions to the problems confronting [South Africa]. Reconstruction and development will be achieved through the leading and enabling role of the state, a thriving private sector, and active involvement by all sectors of civil society, which in combination will lead to sustainable growth" (<http://www.polity.org.za/html/govdocs/rdp/rdp2.html#2.2>).

This was in direct contrast with the neo-liberal economic framework, which emphasises growth first and redistribution later and less government intervention in the economy. Thus international donor agencies were concerned about the RDP objectives. For example Padayachee (1994: 587-589) argued that the IMF was primarily concerned with the maintenance of macroeconomic balance and financial discipline and these concerns were at odds with the objectives of the RDP. Tjønneland as quoted in Padayachee (1994: 589) states that "the basic message emerging from the IMF recommendations may be summed as growth first and redistribution later."

The release of the RDP White Paper in September 1994 signified the first major point of departure from both the goals and objectives of the initial RDP document. The government began to adopt the tenets of the neo-liberal framework. According to the National Institute of Economic policy (1996: 1), "the White Paper transformed the role of fiscal prudence from a means to achieve RDP objectives to an objective of the RDP; the goal of redistribution was dropped as a main objective; and the government role in the economy was reduced to the task of managing the transformation."

The introduction of GEAR in 1996 consolidated the acceptance of the neo-liberal framework and its policies. GEAR's point of departure is that growth in South Africa will require the establishment of an outward economy (GEAR: 1996: 1). This strategy strives to accelerate growth by increasing the amount of goods and services that are exported. Government trade policies as outlined in GEAR included: replacement of

former quantitative restrictions on tariffs; rationalisation of the tariff structure by almost halving the number of tariff lines; abolition of import surcharges and phasing down tariffs (on average by one third over five years); and phasing out of the general export incentives scheme (GEAR: 1996: 12-13). This is in contrast with the RDP, which emphasised redistribution of wealth as the major driver of economic growth.

GEAR asserts that the fiscal situation that had developed by 1992/93 was unsustainable. Therefore the key objective of the macro-economic strategy was to reduce the fiscal deficit rapidly by cutting government expenditure. The GEAR document (1996:5) states that "government consumption expenditure should be cut back, private and public sector wage increases kept in check, tariff reform accelerated to compensate for the depreciation and domestic savings performance improved". Thus in the 1997/98 budget the Minister of Finance initiated a thorough audit of government expenditure, including RDP allocations to identify those areas in which budgetary cuts could be made (GEAR: 1996: 8). The government expenditure cutbacks had serious implications with regard to the RDP objectives. The implementation of tight fiscal policies meant cutbacks on RDP objectives to improve the provision of social services and infrastructural development. Given the country's need for radical improvements in social services and infrastructural development, the stated objectives of the macroeconomic strategy to reduce government spending implied reliance on the private sector for the delivery of services and infrastructure development.

Thus the National Institute for Economic Policy (NIEP) concludes that (1994: 23):

Despite the Document's claim that the proposed scenario is an 'integrated' scenario, one striking feature of the Document is the lack of integration between various issues under discussion and how they may impact upon one another. For example, the framework treats redistribution as an outcome of growth and does not consider the direct effects of redistribution on growth and employment; it does not integrate into the proposed scenario the growth, employment and income distribution effects of restructuring government expenditures. Moreover, the proposed integrated scenario suffers from policies that tend to work antagonistically.

Government further introduced the Medium Term Expenditure Framework (MTEF) to achieve its goals. MTEF is a multi-annual budgeting system that covers three years instead of the usual one. MTEF provides the outline of priority areas for funding. According to the DCR II, the 1998 Budget Review listed the following as the priorities of the MTEF:

- Meeting basic needs - principally in education, health, water and sanitation, social services, welfare, land reform and housing;
- Accelerating infrastructure development - ensuring investment in infrastructure, upgrading of roads, undertaking of spatial development initiatives (SDIs), and addressing urban renewal principally via public partnership;
- Economic growth, development and job creation - the stimulated building of the economy to achieve sustainable, accelerated growth with correspondent redistribution in opportunities and income;
- Human resource development - the education and training of citizens in pre-primary formative, tertiary, technical institution and lifelong education and training for adults, the unemployed and out-of-school children;
- Safety and security – the transformation of the criminal justice, police and prisons administration and the improvement in the national defence and disaster management;
- Transformation of government - the strengthening of administration and good governance and the implementation of a code of conduct (Batho Pele - People first) for service delivery by the public service (<http://www.finance.gov.za/documents/dcr/evaluations.pdf>).

International donor agencies worked according to the stated neo-liberal policies as set out in GEAR and RDP White Paper policies and MTEF priorities to determine their development programmes as shall be shown below.

2.4 Donor policies in South Africa

The EU-South Africa development agreements resemble the national development policies adopted by the South African government. The EU Multi-Annual Indicative Programme (MIP), a development package to support South Africa's development programme was developed in accordance with MTEF priorities. According to MIP, the first criterion to identify specific interventions to be funded is that the programme must be consistent with key priorities in the MTEF. Out of the criteria that were used to identify specific interventions, the following three key policies emerged:

- Private sector development with the focus on improvement of internal and external competitiveness;
- poverty reduction through improved social service delivery with focus on water and sanitation, health and housing, and through the stimulation of local economic development;
- consolidation of democracy through increased awareness and the promotion of human rights and improved law enforcement (MIP: 1996: 3).

Similarly, USAID-South Africa's strategy (1996-2002) was also developed in consultation with South African government policies and focused on the following six development objectives: democratic consolidation; increased access to quality education and training; increased use of primary health services and HIV/AIDS prevention/mitigation practices; improved capacity to formulate, evaluate and implement economic policy; increased market-driven employment opportunities; and increased access to shelter and environmentally sound municipal services (<http://www.sn.apc.org/usaidsa/budget.html>).

To ensure private sector development the government's macroeconomic policy GEAR envisaged the promotion of small, medium and micro enterprises (SMMEs). This strategy was viewed as measure to ensure economic growth, employment creation and income generation (GEAR: 1996:14). The EU and USAID have provided support for programmes related to this policy objective.

According to MIP (2000: 11):

The overall objective of private sector support is to contribute to South Africa's efforts for increased competitiveness and sustainable economic growth given the changing environment at the global level.... European community support will aim, in particular, at the development of SMMEs in order to promote sustainable income generating and employment creation opportunities.

Support was therefore provided for various government programmes and institutions that were established to ensure the development of SMMEs. This includes support for Khula Enterprise, Ntsika Enterprise, the Industrial Development Corporation (IDC) and the Department of Trade and Industry (DTI) development programme. Khula was designed to provide financial services so as to increase the capacity of emerging or established SMMEs. Ntsika provides a complementary service by offering SMMEs non-financial support such as training and capacity building. In addition, the IDC is mandated to provide support to small and medium enterprises (SMMEs) in the manufacturing sector. Lastly, the DTI initiative aims at promoting the development of the SMME sector in order to streamline their functioning and maximise their impact.

According to MIP (2000: 12):

Under the previous MIP (1996-1999), private sector development, especially through support to SMMEs, was identified as a priority area. Consequently institutional and financial support has been deployed through Khula and Ntsika, as well as to financial intermediaries active in the SMME sector. Moreover, technology and entrepreneurship training support is being provided to small and micro enterprises. Last but not least, policy support is given to the Department of Trade and Industry through training, research and capacity building (http://europa.eu.int/comm/development/nip/za_en.pdf).

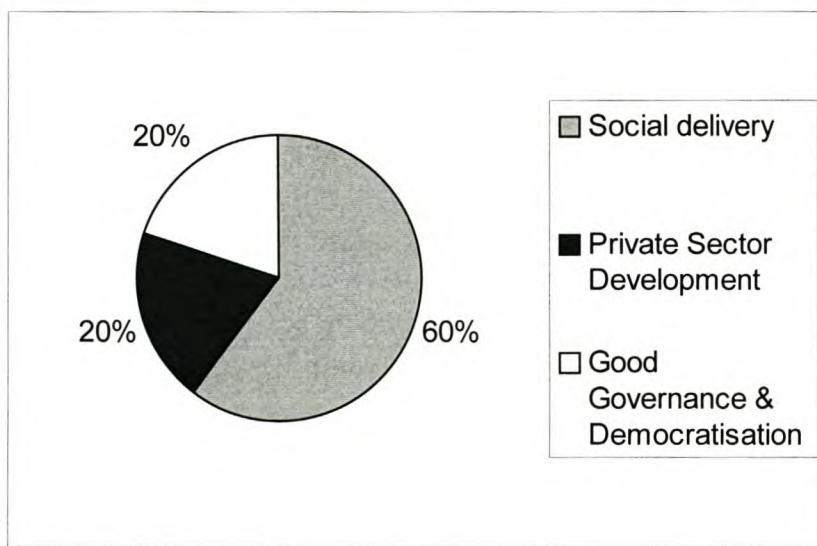
Similarly to the MIP, USAID launched a strategy to increase market-driven employment opportunities in South Africa. This programme basically promotes the growth of non-agricultural small, medium and micro enterprises (SMMEs) in urban and peri-urban areas and the growth of small-scale agribusinesses in rural areas. The programme incorporates the following elements: identification of markets for SMMEs, primarily through domestic and international linkages; development of SMME capacity to capitalise on market opportunities through improved business and entrepreneurial skills, introduction of value added technologies, more efficient use of

publicly-owned resources; and identification of potential loan and equity capital sources and the facilitation of loans and equity investments (<http://www.sn.apc.org/usaidsa/uss05.html>).

Support for programmes and institutions that have been created to ensure the development of SMMEs provides evidence, which illustrates that international donor agencies regarded markets and private initiative as the most efficient mechanisms for achieving economic growth and addressing poverty. This is the first basic tenant of the NPA.

Furthermore, both the EU and USAID have provided support for programmes related to social delivery. The largest component of EU fund resources was allocated to the poverty reduction programmes. The main objectives of the EU's poverty reduction programme is to support the implementation of priority policies and strategies of the government aimed at improving the delivery of social services and employment creation as envisaged in the MTEF (MIP: 1996: 6). Support mainly focused on the sectors of water and sanitation, health, social housing and local economic development. Figure 1 shows that 60% of the total resources allocated were committed to the delivery of social services.

Figure 1: 1997-1999 Multi-annual Indicative Programme



Furthermore, between 40% and 50% of the resources allocated to social delivery were allocated to education and training, and health. Under the education and training programme resources were also allocated to a range of projects including the Labour Market Skills Training; projects supporting the South African Qualifications Authority; Khuphuka Skills Training and Employment Programme; Public Service Management Development Programme; and the Education Sector Support Programme (www.eusa.org.za/content/development/theERPD.html).

The government introduced the Public Health Sector Support Programme (PHSSP), which lasted from 1997 to 1999. During this period health issues were largely dominated by debates regarding the approach to the prevention and treatment as well as minimising the impact of HIV/AIDS in South Africa. Thus the activities funded by the EU in the health sector all had some focus on HIV/AIDS (<http://www.eusa.org.za/Content/Development/AnnualReport2001.html>).

Similarly, the USAID social delivery strategy in South Africa has primarily focused on education programmes. The programme's objective is to achieve improved primary education; increased access to market-oriented training and improving the quality of higher education. About US\$ 387.3 million had been allocated to the education programme between the years 1994 to 1999. The democracy and governance programme (US\$ 273 million) is the second largest funded programme followed by the housing and urban development programme (US\$ 266 million), the private sector development programme (US\$ 133 million), health programmes (US\$ 71.0 million) and the economic capacity programme (US\$30 million) (<http://www.sanapc.org/usaidsa/budget.html>).

Under the housing and urban development programme, USAID's goal is to improve access to sustainable shelter and services for the disadvantaged population. This is to be achieved through: support for the development of policies conducive to good management and leveraging of resources; providing technical assistance to increase the management capacity of local authorities; providing technical assistance and training to non-governmental organisations and the private sector to enhance their

partnerships with government in the finance and delivery of environmentally sound municipal services; and, using the Development Credit Authority (DCA) programme and alliances to leverage private sector resources (<http://www.sn.apc.org/usaidsa/uss06.html>).

Health and HIV/AIDS prevention/mitigation is also one of the key focus areas of the USAID development co-operation strategy. According to USAID, "The rationale for supporting the development of an integrated primary health care system rather than the delivery of specific health service is based on RSA's identification of such a system as the cornerstone of its new health system." To this end USAID's programme in South Africa will increase access to an integrated package of primary health care; will improve the quality of services; and will strengthen the capacity of institutions to provide services in a sustainable manner. USAID also collaborates with the South Africa government to mitigate the negative public health consequences of HIV/AIDS. In order to implement this programme the South African government and USAID have established the "EQUITY" project, which focuses its resources on the Eastern Cape Province, and an HIV/AIDS project (<http://www.sn.apc.org/usaidsa/budget.html>).

Provision of basic social service is directly linked to the NPA. Given the extreme social inequalities that exist in South Africa and the adverse effects that might be brought about by the GEAR strategy to reduce the fiscal deficit rapidly by cutting government expenditure, there was a clear need to support programmes related to the provision of basic health, education, and security. Provision of these services is aimed at capacity building and will thus ensure a self-reliant development. In other words' improving the quality of life of the poor is also a source of social stability and industrial productivity.

Foreign donor policies supported the democratic consolidation process despite the government's lack of a framework to inform democracy and good governance (D&GG). The RDP, particularly in the immediate post-1994 period, was a government blueprint to democratise the state and society. Its vision was to ensure

that state power would be democratised to enable the government to "unleash the resources, neglected skills and stunted potential" (<http://www.polity.org.za/html/govdocs/rdp/rdp5.html#5.1>). According to this document, democratisation meant the expansion of equal citizenship rights and enfranchisement of those who were disenfranchised. Additionally deepening democracy would require elected government structures that could conduct themselves in an efficient, effective, responsive, transparent and accountable fashion. The defence force, police and intelligence services would also be transformed from being agents of oppression into effective servants of society (<http://www.polity.org.za/html/govdocs/rdp/rdp5.html#5.1>).

The democratic order envisaged by the RDP document would also foster a wide range of institutions of participatory democracy in partnership with civil society on the basis of informed and empowered citizens. Institutions such as people's forums, referenda where appropriate and other consultation processes should be created to facilitate direct democracy. There was, therefore, a focus on the enhancement of capacity of civil society organisations and CBOs. These organisations were viewed as important role players in the democratisation of society. Ensuring gender equity was another important component in the overall democratisation process. The document envisaged special attention to the empowerment of women, particularly black rural women.

Since the demise of the RDP ministry, the autonomous development of policies by various departments and the nature of South Africa's common strategy for Democracy and Good Governance (D&GG) have become less clear. According to DCR II on D&GG "This is reflected in the apparent duplication of functions and contradictions in policy that are witnessed between line departments. For example, the Department of Provincial and Local Government (DPLG), Department of Finance and the Department of Water Affairs and Forestry (DWAF) produce legislation impacting on local authorities. Conflicting approaches to tariff setting and varying approaches to decentralisation are just two instances of such contradictions" (<http://www.finance.gov.za/documents/dcr/dgg.pdf>). This poses a challenge as to how to shape policies that will improve democracy and governance.

Donors have responded to this by developing their own programmes for democratic assistance. According to the DCR II on D&GG, donors have developed four principal approaches: thematic or sectoral, programmatic or responsive. The thematic approach means that donors view D&GG "as being cross-cutting issues that impact on their entire programme with the South African government", whilst the sectoral approach views D&GG "as a specific sector of funding, with clearly defined areas of focus and expected outputs" (<http://www.finance.gov.za/documents/dcr/dgg.pdf>).

In addition, donors allocated funds to D&GG in either a programmatic or generally responsive (ad hoc) fashion. The programmatic approach outlines well thought through plans of action, with defined areas of focus. Conversely the responsive or ad hoc approach is reflected by a preference to provide assistance in reaction to the South African government requests for specific project. (<http://www.finance.gov.za/documents/dcr/dgg.pdf>). Table 2.1 outlines some of the approaches adopted by donor agencies.

Prior to 1994, in order to assist the transition from apartheid, USAID provided support to NGOs that were serving the disenfranchised in the areas of human rights, community and leadership development, and conflict resolution. During the run up to the 1994 elections USAID provided significant support for election administration and for voter education. According to Brent (1994: 48), "In preparation for the history making elections in April 1994, USAID provided \$35 million in support of the electoral process in South Africa."

Voter education formed an integral part of USAID efforts and most of it was provided by NGOs. USAID focused on voters most likely to be victimised by intimidation, coercion and fraud, such as the illiterate voter, farm workers, women, disaffected youth, and voters in especially conservative and violence prone areas. It is estimated that USAID funded NGOs reached 3.6 million eligible voters by the time of the elections (Brent: 1994: 48)

Table 2.1: Approaches adopted by donors in the D&GG arena in South Africa

Donor	Cross cutting	Sectoral	Programmatic	Responsive	Description
AusAid				✓	The nature of the AusAid programme (primarily short-term TA exchanges) means that it is overwhelmingly responsive to the needs of the SA government departments and institutions that approach the agency. AusAid's attempts to facilitate maximum contact between South African and Australian institutions in order to bring Australian Best practice into the South African context. The agency has therefore provided support to between 25 and 30 government department or institutions.
DFID	✓	✓	✓		DFID sees funding in the arena of D&GG as being both cross-cutting and sectoral. While having a specific governance programme, the agency also ensures governance components are built into other programmatic areas. What has been integrated into governance programme is the cross-cutting issue of poverty reduction. Since the Labour government came into office in 1997, DFID has adopted overtly 'pro-poor' development aid policies and strategies. A key component of this is the establishment of political systems that 'provide opportunities' for the poor and disadvantaged. (DFID Target Strategy Paper, pg 6). In the South African context, this poverty reduction approach is integrated into most of the individual departmental governance programs, by, for example including support for poverty studies and the improvement of services specifically for poor people.
EU		✓	✓		The EU has a largely sectoral approach to funding and has focused its involvement in the sector around the consolidation of democracy. In terms of its new three-year Indicative Programme, the primary objective is to promote awareness and effective respect of political and socio-economic rights as reflected in the Constitution and to improve law enforcement mechanisms. Within the context of the MIP, the EU has identified a number of specific programmes, such as the Parliamentary Support Programme and the Management Development Programme which then provide support to particular areas.

	Cross cutting	Sectoral	Programmatic	Responsive	Description
Netherlands	✓			✓	The Netherlands views its engagement with SA as primarily responsive although it has identified Democracy and Good Government as being one of four priority sectors and Justice as the key issue within the sector. Justice now receives exclusive support from the agency. In general, the bilateral Programme makes a contribution to particular government programmes rather than specific projects. Government can decide which of its projects it would like to put the funding into.
NORAD			✓		NORAD has developed a very specific programme focused on support to local government. The agency does not have a broader programmatic approach to D&GG as a whole.
Sida	✓	✓	✓		Sida has increasingly moved towards a more programmatic approach to funding in D&GG. Prior to 1999, the sector was divided into two areas: Public Administration and Human Rights and Democracy. Civil society support has been linked largely to local and/or grassroots initiatives, whilst bilateral support has mainly taken the form of inter-institutional linkages, (twinning arrangements with counterpart Swedish institutions) and placement of Swedish technical expertise in public sector settings. Since 1999 these two areas have been integrated to form a single sector Programme on Democratic Governance, with the number of funded projects reduced from 30 to 25. The newly consolidated Programme has also streamlined its focus, now narrowed down to four 'clusters of support'.
UNDP			✓		The UNDP has a programmatic approach to funding which is informed by its international approach to tackling poverty reduction, including: <ul style="list-style-type: none"> • Livelihood and Employment Creation (establishing the conditions for people to improve their situations in a sustainable fashion) • Good Governance (creating an enabling institutional environment that is able to manage resource distribution) Programmes have been developed with, among others, DPLG and Department of Safety and Security.

Source: DRC II on the Evaluation of ODA to D&GG (<http://www.finance.gov.za/documents/dcr/dgg.pdf>)

USAID also supported the development of training materials for elections monitors and development of standards of conduct and criteria by which to judge free and fair elections. After the 1994 elections USAID embarked on other programmes aimed at consolidating democracy. The following table indicates some of the project's implemented by USAID.

Table 2.2: Democracy and Governance Project Data Sheet

PROJECT NAME	START DATE	END DATE	AUTHORISED FUNDING (MILLION)
Democratic institutional strengthening	1997	2002	\$98.7
Labour union training	1983	1997	\$ 25.0
Community outreach leadership development	1986	2001	\$ 149.3

<http://www.sn.apc.org/usaidsa/budget.html> (17/02/2003)

USAID supports the consolidation of democratic governance in South Africa through targeted assistance. It seeks to strengthen democracy through three focus areas. The first is to achieve a more effective and accessible criminal justice system. Under this programme USAID worked in close collaboration with the Ministry and Department of Justice (DoJ), their National Prosecuting Authority (NPA), other specialised justice institutions linked to the Ministry, and selected NGOs in carrying out a closely integrated, geographically focused criminal justice programme consisting of four elements: improved management of justice sector institutions; improved case processing and efficiency; implementing selected crime and violence prevention strategies; and better prosecutor-led criminal investigations (<http://www.sn.apc.org/usaidsa/progobject1.html>).

Second, in September 1998 USAID signed a bilateral agreement with the Ministry and Department of Provincial and Local Government (DPLG) for a programme to assist in establishing a democratic local government system. The programme provides assistance through three mutually supporting elements: strengthened policies and programmes that enable effective and democratic local governance; to support local governments to perform their functions with increasing effectiveness, transparency and accountability; and to support citizens to exercise their rights and meet their obligations to local government (<http://www.sn.apc.org/usaidsa/progobject1.html>).

Lastly, building a strategic civil society organisation (CSO)/government partnership to improve policy development and service delivery. This programme includes: creating an enabling environment for CSO development; improving the capacity of CSO to form an effective partnership for development with government; and strengthening research and dissemination of skills on a broader range of topics related to civil society and its role in democratic consolidation (<http://www.sn.apc.org/usaidsa/progobject1.html>).

Since 1994 EU objectives on democracy and governance have been outlined in the European Commission (EC) on co-operation with South Africa and adopted by the European Council and Parliament, and is linked to the objectives and priorities of EC aid policies as represented in Art. 139 w of the Treaty on the European Union and in Chapter 1 art.2.2 (a, b) of Council Regulation 975/1999. According to the European Programme for Reconstruction and Development (ERPD) 2001, report "The Commission defined its policies and areas of intervention in three main communications presented to the Council and Parliament: in 1995 COM 567 of 22/11/95; in OJ C97 of 31 March 1998 and 2001 COM (252) of 8/5/2001". (<http://www.eusa.org.za/Content/Development/AnnualReport2001.html>). These documents entailed the following:

- Supporting the transition to democracy;
- promoting and strengthening the rule of law by supporting parliamentary activities; strengthening the judiciary (exercise of justice, treatment of offenders, crime prevention); legal assistance aimed at protecting civil and political freedoms; support for government bodies for the defence and

promotion of human rights; transparency of public administration at national and local level;

- promoting a pluralist civil society by promoting the independence, pluralism and responsibility of the media, freedom of expression and strengthening civil society;
- human rights education and public awareness (development of teaching, research and education);
- promoting transparency, good governance and campaigns against corruption;
- support for conflict prevention and peace building; and
- initiatives for target groups needing specific protection or attention such as children, indigenous people, migrants, refugees and displaced people, victims of torture, women and some professions such as journalists and security sector and legal personnel.

(<http://www.eusa.org.za/Content/Development/AnnualReport2001.html>)

The EU has thus played a pivotal role in human rights awareness and protection, and the consolidation of the rule of law mainly through its support to the EU Foundation for Human Rights (FHR). Although funded by the EU and directed by the EU appointee, the FHR is established as a fully independent entity. The foundation was set up with a view to ensuring the responsiveness of the new SA public institution; contributing to the redress in inequity of access to basic rights and services; strengthening and encouraging the NGO sector in its watchdog function and promoting human rights awareness. Thus the FHR's primarily concerns itself with the functioning of the Chapter Nine institutions such as the Human Rights Commission and ensuring that the constitutional principles are carried through to all aspects of legislation and practice (<http://www.finance.gov.za/documents/dcr/dgg.pdf>).

The EU has also supported the South African government in its efforts to deal with the high levels of crime and violence. In this regard the EU committed itself to assisting the government in achieving its objectives as set out in the White Papers on

Safety and Security, the Crime Prevention Strategy and Justice Vision 2000. According to MIP (2000: 15), in the field of law the EU aimed to “provide support for a more effective judiciary system through capacity building and improved functioning of the judiciary system at all levels. Particular emphasis was placed on the improvement of Court Management” (<http://europa.eu.int/comm/development/nip/za>).

Other programmes include supporting NGOs such as the Institute for Democracy in South Africa (IDASA) and the Democracy and Good Governance at Local Level Programme in KwaZulu Natal, which has provided extensive training to local government councillors, and traditional and civil society leaders. This initiative aims to promote better dialogue between local government and civil society and facilitate increased public participation in democratic processes. Transparency South Africa received funds to promote good governance in the public and private sector and civil society by conducting research, public education and advocacy related to anti-corruption initiatives. The South African Labour Development Trust also continued to receive support to improve the capacity of the trade union federations, their affiliates, union membership and organised labour at large. The main aim is to support the labour movement to address macro-economic and policy issues, to build their internal capacity, improve their collective bargaining capacity and to address discrimination, inequality and other issues which affect their members (<http://www.eusa.org.za/Content/Development/AnnualReport2001.html>).

International donor assistance aimed at strengthening the capacity of departments such as public works, justice, safety and security, provincial and local government, and statutory bodies such as the Human Rights Commission, Independent electoral Commission and the Truth and Reconciliation Commission are measures to ensure liberal democratic polity. This evidence shows that international donor agencies viewed a liberal democratic polity as essential in ensuring a sustainable market economy (the second tenet of the NPA). Both private initiative and the strengthening of democracy form the integral part of their programmes.

2.5 ODA institutional recipients

Although, prior to the 1994 elections NGOs were recipients of international development assistance, during the post-1994 period foreign donors redirected funding towards the new government. Seekings states that:

The European Union, to take one example, decided in 1994 to allocate 25 percent of its funds to NGOs (and CBOs) directly, giving 75 percent of its funds to the state (although this includes funds to the Transitional National Development Trust and prospective National Development Agency, for allocation to NGOs and CBOs). In October 1994 it signed an agreement with the new South African government to fund a European Programme for Reconstruction and Development. USAID similarly signed agreements entailing huge aid packages (http://www.nu.ac.za/csds/Publications/donor_19.PDF).

This was a drastic shift from the pre-election period where much of the funding was allocated to NGOs. In this new context a large component of foreign funding that had been channeled directly to NGOs was primarily disbursed to those NGOs that have similar ideologies and understanding of democracy i.e Western conception of democracy. Put in other words, both the major donors such as USAID and EU sought to build civil society organisations in ways that would help steer South Africa's new democracy in the directions of the NPA. According to Hearn (2000: 827), the six most (directly) funded NGOs include: Institute for Democracy in South Africa (IDASA), which is fully committed to procedural democracy; the Institute for Multi-Party Democracy, whose name is indicative of procedural democracy; the Helen Suzman Foundation, which undertakes similar democracy surveys to those of IDASA; the Khulekeni Institute for Democracy, aimed at bringing Parliament closer to the people; the Electoral Institute of South Africa (EISA), which deals with key aspect of procedural democracy; and the South African Institute of Race Relations (SAIRR), which has a foreign donor-funded Free Society project which aims to monitor South Africa's democratic development and to promote the rule of law, ethics, justice and economic freedom.

In this context the government became the conduit for foreign donors' financial assistance targeted at NGO service delivery. However, government lacked the capacity to disburse funds. According to the Advisory Committee Report on structural relations between government and civil society organisations (1997: 9), in

the period immediately after 1994 the “Government found it to difficult to organise itself in such a way as to efficiently utilise foreign funding, made available from the EU and other donors.” This was as a result of a shortage of skilled personnel in development planning and management of government projects and effective funding mechanisms.

Thus, the Transitional National Development Trust (TNDT) was established in October 1995 as an interim measure to fund NGOs, while government investigated a long-term mechanism for disbursing fund to NGOs. Its mandate was that it should serve as an interim development finance agency that works as part of the national development strategy for poverty alleviation. It does this by supporting organisations of civil society in their efforts to promote sustainable, people-centred development. The TNDT’s Board of Trustees was made up of representatives from the CBO Network, government, the IDT, Nedlac, Kagiso Trust and the South African NGO Coalition (<http://www.tndt.org.za/profile.htm>).

The TNDT profile indicates that its funding criteria were in line with the RDP policy (<http://www.tndt.org.za/profile.htm>). The RDP White Paper promised a democratic society that would unleash the economic potential of the country in order to develop its human resources and expand the provision of basic needs to the majority who have been systematically deprived. According to the RDP White Paper, the following are its priority sectors: first, the development of human resources through education and training, arts and culture, sport and recreation, and youth development; secondly meeting the basic needs of the South African population in an integrated manner, through job creation through public works programmes, and the provision of a variety of basic needs: land reform; housing and services; water and sanitation; energy and electrification; telecommunications; transport; environment; nutrition; health care; social security and social welfare; thirdly, to democratise the state to ensure meaningful participation of the majority, modernisation of structures and functions of government in pursuit of the objectives of efficient, effective, responsive, transparent and accountable government (<http://www.polity.org.za/html/govdocs/rdp/html#2.1>). All of the six TNDT's priority sectors resemble the government development objectives. The following table indicates funds allocated by sector from 1996 to 1997.

Table 2.3: TNDT Sector Allocation since 1996-1997

Sector	%
Education & training	50%
Health	16%
SMME	16%
Rural Development	10%
Good Governance & Democracy	5%
Special Programmes	2%
Urban development	1%

<http://www.tndt.org.za/anrep99/agraphs.html#sector> (26/02/2003)

However, the TNDT experienced extreme difficulties in conducting its business. The Advisory Committee Report (1997:32) indicates that:

Some of the difficulties included conflict of interest among the stakeholders in its decision making structures, delays in remittances by the government and the EU, staff recruitment difficulties and differences in organisation culture between IDT and KT. The latter led to the untimely withdrawal of participation by the IDT in this process.

These institutional problems created a major backlog in the disbursement of funds to NGOs. The Advisory Committee Report indicates that the TNDT had disbursed no more than R17 million by the end of 1996. This is insignificant, particularly when one considers the total volume of funds that TNDT received. The government allocated about R50 million and the EU contributed R75 million to match the GNU contribution (Advisory Committee Report: 1997: 32).

The TNDT was therefore replaced by the National Development Agency on 1 April 2000. The NDA is the statutory body responsible for allocating funds from the South African government, foreign governments, and other national and international donor agencies to NGOs to carry out development programmes. Similarly to those of the TNDT, the NDA priorities reflect the development objectives set out in the MTEF/RDP. Table 2.3 indicates the NDA disbursement by sector between 2000 and 2002.

Table 2.4: NDA Disbursement by sector 2000-2002

Sectors	Approved amount
Education & Training	R59. 2 m
Economic Development	R16. 8 m
Health	R26. 8m
Rural Development	R 9. 7m
Urban Renewal	R180 00

<http://www.nda.org.za/programmes/disbursement.htm> (12/10/2003)

Lastly, the NDA attached various management requirements to the allocation of funds. For projects to be accepted they have to meet the following management requirements:

- Beneficiary Participation - The beneficiaries of the project should as much as possible be involved in the planning, management and implementation of the project. There should be a high local awareness of the initiative, and if possible the beneficiaries should have representation in the management structure. The level of community participation of the project should also be considered.
- Economic viability - The project should demonstrate adequate planning in order to ensure future sustainability.
- Skills transfer and utilisation - The activities of the project should result in the transfer of skills and development, as means to a developmental end.
- Balanced gender involvement - Wherever possible the project should have a balance in gender participation and decision-making roles, as well as benefiting from the outcome of the project;
- Institutional capacity - The applicants should demonstrate that they have the capacity and support to implement their proposed initiative;

- Financial management - The appropriate systems should be in place to manage and report on the project's financial resources. Where this is lacking, measures should be taken by the NDA to build capacity in that organisation;
- Development suitability - The project should be integratable within and/or contribute to development planning initiatives in the area;
- Environmental suitability - The project should be appropriate in terms of the local technological, geographical and economic characteristics of the areal;
- Socio-cultural suitability - The design should be sensitive to the customary and cultural practices of the area;
- Accountability - Applicants should be accountable to beneficiaries as well as a governing body. Governance structures must also be representative of the beneficiaries;
- Previous funding - All applicants must declare all previous and current funding received both from TNFT/NDA and other funding organisations.
[\(http://www.nda.org.za/funding/criteria.htm\)](http://www.nda.org.za/funding/criteria.htm)

The NDA, however, experienced difficulties since its inception. In its first year of operation of R340 million the agency had to channel to NGOs, less than one tenth was actually disbursed. Most of the blame for this poor performance was directed at the agency's first Chief Executive Officer, who was forced to resign in April 2001 after allegations of incompetence and mismanagement (See Smith http://www.nu.ac.za/csds/Publications/donor_9.PDF).

2.6 Conclusion

From the discussion above it is clear that purpose and the intent of foreign donor policies resemble the NPA, which embodies two basic sets of beliefs: neo-liberal economics and liberal democracy. First, markets and private initiative are seen as the most efficient mechanisms for achieving growth and providing social services. Government emphasised private initiatives through its GEAR strategy to promote small, medium and micro enterprises (SMMEs) as a strategy for employment creation and income generation. International donor agencies endorsed this strategy through

their private sector development programmes. There was, therefore support for various government programmes and institutions that have been established to ensure the development of SMMEs. This includes support for Khula Enterprise, Ntsika Enterprise, Industrial Development Corporation (IDC) and the Department of trade and Industry's (DTI) development programme. The government's role in this context was to enable and facilitate private provision and to minimise its own direct role in the economy.

NGOs play a significant role in development. To this effect, the government created the TNDT. As indicated above, its mandate was to serve as an interim development finance agency that works as part of the national development strategy (which is encompassed in both RDP and METF) for the alleviation of poverty. It does this by supporting organisations of civil society in their efforts to promote sustainable, people-centred development.

Secondly, foreign donors contend that a sustainable market economy requires a liberal democratic polity with a strong civil society. NGOs are supposed to act as vehicles for democratic consolidation. They are supposed to act as a counter weight to state power, protecting human rights, opening up channels of communication and participation, providing grounds for activists and promoting pluralism. Prior to 1994, in order to assist the transition from apartheid, foreign donors provided support to NGOs that were serving the majority population in the areas of human rights, community and leadership development, and conflict resolution. During the run-up to the 1994 elections, they provided significant support for election administration and for voter education.

During the post-1994 period the government lacked a framework that informed D&GG and foreign donors accordingly developed their own programmes for democratic assistance. Donors focused their attention to reshaping aspects of the 'limited state'. For example, institutions such as DoJ, the National Prosecuting Agency and other specialised justice institutions linked to the ministry received major support. Furthermore, since 1994 international donors funded a number of D&GG

NGOs. These include IDASA; the Helen Suzman foundation; the Khulekeni Institute for Democracy; the EISA; and the SAIRR. In this context international donor agencies saw NGOs playing a critical role in the consolidation of South Africa's new democracy. What characterise these NGOs are their focus on strengthening institutional democracy rather than advocacy NGOs as defined in Chapter One.

Chapter Three

The New Policy Agenda and NGO State relations

3.1 Introduction

The previous chapter attempted to illustrate the link between Official Donor Assistance (ODA) and the New Policy Agenda (NPA). It is also argued that prior to 1994 large donor funding to NGOs was based primarily on solidarity with, and support for, community struggles and the broader social movements against the apartheid state. With the demise of the apartheid system donor priorities changed. Funds were re-channelled towards government and priority was given to programmes associated with the NPA.

This chapter argues that the changes in international development assistance had a significant impact on the role of NGOs and NGO relations with the new state. Firstly, NGOs experienced serious financial crises, which forced some to close down, retrench members, or to employ fund-raising strategies to sustain their operations. The re-channelling of funds from NGOs to government also meant that government would lead the social service delivery programme and that NGOs would be an extension of the state in the delivery of these services. This has resulted in government focusing on organisations with the capacity to help the government achieve its delivery goals at the expense of those involved in advocacy activities—i.e. organisations that play an overt political role.

Additionally, foreign donors in the post-1994 period have emphasised the need for financial and managerial accountability. This has resulted in urban-based, formal NGOs with financial and managerial systems receiving the bulk of donor aid. Consequently informal, grass roots organisations located primarily in rural and peri-urban areas were left with no source of revenue.

3.2 Background to the growth and development of NGOs in South Africa

Like elsewhere in Africa, the history of NGOs in South Africa is a very recent one. In the past few years NGOs have become more visible in many parts of Africa while, other countries such as India NGOs have a much longer history. NGOs in South Africa emerged during the second phase of the mass democratic mobilisation, (between 1968 and 1978). The expansion of the NGO sector was accelerated in the third phase of mass democratic mobilisation (between 1980 and 1990). Walters (1993: 2) observed that "The acceleration of the growth of these organisations reached an all time high during the latter part of the 1980s, despite severe repressive actions by the state".

Part of the reason for this growth was the formation of the United Democratic front (UDF). According to Shubane and Madiba (1994: 243), " The formation of the United Democratic Front... provided impetus for the creation of civic bodies in virtually every township in the country. Many of those that were formed in the time were initiated by enthusiastic local activists. Others were however formed as a result of a UDF campaign to form civic bodies were they did not exist." For example, prior to 1983 there were few civic associations that existed in urban townships such as Soweto, New Brighton-Kwazakhele-Zwide and those around Cape Town. After the formation of the UDF there was an unprecedented growth of NGOs in these areas.

The NGO sector emerged during this period as a powerful force of mass mobilisation against the government. According to Jaggernath (1995: 102), " At the local government level, civic organisations have been the major forms of NGOs that have been involved in community development issues [and also] emerged most strongly as mechanisms for organising and directing activism and resistance."

Despite their advocacy role NGOs in South Africa were also involved in welfare service activities. Walters (1993: 2) states that the function of welfare service organisation was to provide welfare-oriented social services; to "empower" the popular sectors through helping to educate, organise, and mobilise; to provide support services to other organisations in order to improve their effectiveness; and to network.

In line with the above discussion NGOs in South Africa during the apartheid period can be categorised in terms of their diverse purpose and functions; however, their one common and fundamental denominator was that they were committed to the agenda of transferring political power from the minority to a popular democratically elected government.

The nature of NGO state relations during this era was thus characterised by political confrontation and mistrust. This resulted in debilitating mutual suspicion and lack of co-operation. Emphasis was placed on the distance between the NGOs on the one hand and the state on the other. Kihato and Rapoo (1994: 13) posit that this tradition continued to grow during the political transition of the early 1990s and NGOs envisaged that this tradition would still prevail after 1994. Kihato and Rapoo (1994:13) state that “The political and constitutional transformation...triggered a broad consensus among CSOs [civil society organisations] on a number of principles considered vital for entrenching their existence *viz*: free from political interference and manipulation; an absence of government controls and patronage; self-governed and regulated; autonomous; not linked to the state or any of its agencies; and accountable to members, communities, beneficiaries or stakeholders.” Yet, to a large extend the funding environment during this period paralysed the autonomy that these organisations envisaged.

3.3 Effects of foreign aid on NGO-State relations since 1994

The relationship between the government and the NGOs is a political one that impinges on the roles of NGOs within society. This relationship is mediated most directly through the enactment of a wide range of legislation. Over the years several legal instruments have been created in terms of which NGOs can be established in South Africa. Most notable is the Non-Profit Organisations Act (No 71 of 1997).

According to this Act non profit organisations are Section 21 companies, trusts and voluntary associations. Section 21 companies are the most formal legal entity in their registration and reporting requirements (see section 21 of the Companies Act of 1973). The second formal legal category is a trust, which can be established on a basis of a contract (trust deed) between organisations or groups. Trusts must register with the Public Office (Master of the Supreme Court). The least formal and most common legal entity is the voluntary association. Voluntary associations can be formed by way of a written or verbal agreement. There is no government registration requirement, but they can register under the Nonprofit Organisation Act (<http://www.paralegaladvice.org.za/docs/chap15/16.html>). Besides the Non-Profit Organisation Act (No. 71 of 1997) NGOs can be legally recognised under other legislation such as the Labour Relations Act (66 of 1995), Friendly Societies Act (25 of 1956) and National Welfare Act (100 of 1978).

However, NGO-state relationships in South Africa cannot be understood simply in terms of the legal instruments affecting NGOs. Foreign aid has played a critical role in shaping the nature of the relationship between the state and NGOs. The discussion in the previous chapter, showed that since 1994 the nature of donor funding in South Africa has changed dramatically. Firstly, much of the funding that was previously directed to NGOs now goes to the government. This does not mean that NGOs are excluded, but they are expected to work as junior partners to the government. Secondly, donors tend to apportion more of their foreign aid on social delivery programmes, institutional democracy programmes and less on advocacy programmes. Lastly, donors (both government donor institutions and foreign donors) are more concerned about how money is being used and thus they demand greater financial and managerial accountability.

Prior to 2002 there was no accurate empirical data on the size of civil society organisations between 1994 and 1999. According to Kihoto and Rapoo (1999) between 1995 and 1999 estimates of the number of organisations in this sector ranged between 30 000 and 80 000. They argue that conceptual questions distorted the assessment of these organisations.

The recent study conducted by Swilling and Russell (2002) filled this gap. The South African Non-Profit Sector Study adopted a unique methodology to capture the diversity and breadth of the sector. First, they used the Johns Hopkins Comparative Non-profit Sector Study methodology, which relied on government accounts, supplemented by existing lists and opinions of experts on the size and scope of NGOs. However, they found that this was inappropriate for South Africa. An alternative approach whereby the community was used as the basis of the sampling frame rather than NGOs. A geo-demographic model was used to select a random sample of 40 communities nationally. Within each community a snowballing technique was then used to obtain a comprehensive list of all the NGOs. The results were weighted back to the total number of communities within each community type in the country (Swilling and Russell: 2002: 13).

They later found that this sampling method excluded larger and more formal NGOs. It was therefore decided that the findings of the earlier survey should be supplemented with PRODDER's database. The PRODDER data is a voluntary register of NGOs. The data covers "more than 2 550 development organisations active throughout [South Africa] ... It is divided into nine provincial sections with each organisation classified according to 68 keywords, e.g. adult basic education, early childhood development, poverty relief, and voter education. The publication is enhanced by the inclusion of GIS maps indicating the spatial distribution of organisations working on inter alia HIV/AIDS, gender and rural issues." (http://www.hsrc.ac.za/about/annualReport/2001/hsrc_fs.html?prodder.html~main) Swilling and Russell (2002:52) argue that, although the PRODDER database is the most comprehensive and most up to date, it is far from complete as it tends to concentrate on more formal NGOs.

They further found that trade unions were under-represented in the main survey. These results were supplemented with data provided by the Department of Labour. This ensured a more accurate representation of NGOs. There were about 98 920 NGOs in 1999. It is, however, difficult to assess whether there has been a decrease in the number on NGOs during the post-1994, period given the lack of accurate empirical evidence in the pre-1994 period and up until 1999.

However, there is evidence that shows that after 1994 a numbers of NGOs collapsed as a result of the funding crises caused by international donors channelling funding through the government. Organisations previously referred to as development partners were dumped by their foreign partners. Consequently many organisations, having no other alternative sources of revenue, had to close down. According to Kihato and Rapoo (1999: 40), the Independent Development Trust (IDT) 1995 survey results indicated that NGOs were in serious financial difficulty. It was estimated that about 1000 NGOs, mainly engaged in welfare activities, collapsed as the result of funding cutbacks.

Smith (1995: 35) identified some of the NGOs, which had to close their projects and retrenched their staff members. These NGOs included:

- Teacher upgrading programme, the Molteno project, which had in-service courses for 1500 teachers, closed down. It closed an adult literacy project and retrenched some staff members;
- the Planned Parenthood Association had a shortfall of R3.1 m and had to retrench some staff members as well as closing four projects.
- the Goldfields Science and Mathematics Resource Centre, a science and math upgrading programme for pupils in the Western Cape, which also trained them on computers, received no funding in 1995 and thus retrenched 14 staff members;
- the African Cooperative Action Trust, which established and serviced 759 saving clubs and more than 6 300 micro-projects in KwaZulu Natal had a shortfall of R3m; and
- the Disabled People of SA intended to close four of their seven regional programmes in 1995 and later three of the remaining programmes. It was estimated that this would affect 140 self-help groups and 25 000 disabled people.

Some argue that NGOs collapsed as a result of administrative inadequacy and corruption following high-profile cases. Because of the apartheid funding environment characterised by lack of stringent control measures, many organisations

did not develop the basic skills required for running an organisation. As a result many organisations were unable to perform basic internal tasks, such as drafting project proposals, budgets and strategic plans.

There is also evidence that some NGOs collapsed as a result of corruption for example, the Foundation for Peace and Justice set up by Allen Boesak's congregation, of which he was director and trustee. Boesak was found guilty and convicted on four counts of fraud and theft, and sentenced to six years for defrauding and stealing from overseas donors.

However, Kotzé (1999: 178) warns that “contrary to the often simplistic and negative portrayal of NGOs as incompetent and corrupt... thousands of good development organisations served hundreds of thousands of people over many dark decades of apartheid.” Therefore, it is crucial to develop a balanced perspective about the past (and future) roles of NGOs. While some organisations have collapsed as a result of their administrative inadequacy and corruption, there are many organisations that benefited poor communities, which were closed as a result of financial crisis.

Kotzé (1999) points to the case of Valley Trust, an NGO based in the Valley of a Thousand Hills outside Durban in Kwazulu/Natal as an example. This NGO had been involved with the provision of health and nutrition services. Its officials initiated discussion and co-operation with the provincial Health department, but government officials did not support their efforts. Keith Wimble director of Valley Trust (as quoted in Kotzé 1999: 179), states that “We were told that we must slow down because we are going too fast, we are ahead of the game. In fact, what he [Deputy Minister of Health] is not taking cognisance of is the fact that we have been doing it for so long, it is not a case that we going too fast; we are providing services where government previously never did.” As a result they had to retrench some of their staff and go through the process of transforming the organisation into a training center.

This case represents the experience of many NGOs, which were involved in communities and the broader process of reconstruction and development, which had either to close down or to transform themselves into income-generating organisations due to the rechannelling of funds from NGOs to the government. This has led to a

permanent loss of capacity in the crucial civil society sector. Kotzé (1999: 180) argues that this loss of capacity was most felt in rural areas, “where the demise of the local NGOs or CBOs simply took away the only recourse poor people had to some sort of legal advice, literacy and training programmes, small income-generating projects and a conduit to social welfare grants.” Those that survived were forced to charge poor communities for their services, a situation that caused tension between NGOs and these communities. By late 1996 there were flyers in rural areas accusing NGOs of setting themselves up as consultancies (Kotzé: 1999: 180).

The rechannelling of funds from NGOs to the government also meant that government would lead programmes for social services. The fact that major donors such as the EU decided to channel their funding through the RDP office meant that government would control the NGO sector’s activities and funding. Thus, since 1994 development has increasingly became a top-down process rather than a process driven by small-scale community led projects. Seeking states that:

The elections of 1994 (at national and provincial level) and 1995 (at the local level) changed the political and institutional environment in which capacity building has taken place. Development-which had served as the focus of much CBO activity in the early 1990’s was now the responsibility of the state, at least primarily. Civil society was now regarded as a complement to, rather than as substitute for the state and representative institutions of government that supposedly control state. (http://www.nu.ac.za/csds/Publications/donor_19.PDF).

Government sought to place the responsibility for social delivery on government departments. Statements made by government officials also revealed an underlying perception that civil society should only serve as a delivery partner of the government. According to Kihato (2001:18):

Kader Asmal, then minister of water affairs and forestry, said a funding crisis could threaten the ‘valuable development work’ of NGOs, and urged international development funders to support them. But he added that it was imperative for NGOs to work with the government, and indicated that they would be funded through the RDP office. The then minister without portfolio responsible for the RDP, Jay Naidoo, is said to have urged NGOs to establish a body that would co-ordinate the sector’s relationship and development activities with those of the government. Gauteng’s MEC for finance and then secretary of the South African Communist Party (SACP), Jabu Moleketi, argued that the survival of the sector was essential because NGOs could bolster the government’s capacity to deliver. He reportedly stated that NGOs should become ‘part and parcel’ of the RDP, and [to integrate] their programmes with the latter.

There is also practical evidence that corroborates the assertion that NGOs were only viewed as junior partners responsible for implementing projects. In the period immediately after 1994, government developed programmes with less NGO participation and input. For example these, programmes include:

- The Community Based Public Works Programme (CBPWP) managed by the Department of Public Works (DPW);
- the Consolidated Municipal Infrastructure Programme (CMIP) of the Department of Provincial and Local Government (DPLG); and
- the Poverty Relief and Infrastructure Investment Fund (PRIIF) of the (then) Department of Welfare and Population Development.

To implement the CBPWP the DPW instituted the Pre-Implementation Task Team (PITT), which “was to ensure that NGOs were brought into the programme to assist in project management... [at the beginning] of the programme NGO participation had mainly been through the NGOs who acted as project implementing agents” (Ntsime: 2000:113). Ntsime further notes that some were appointed as [Project Implementing Agents] PIAs and continued to play a critical role in the subsequent CBPWP implementation.

Government prioritisation of development programmes has had a fundamental impact on the distribution of funds. The type of funding that is available is project and programme specific. Thus as, Conradie (1999: 294-295) puts it, “Chances of obtaining funding for a South African NGO development project are certainly better if it can be shown how RDP objectives will be promoted.” As shown in Chapter Two, for TNDT’s and NDA’s (statutory bodies responsible for disbursal of funds to CSOs to carry out development programmes) criteria for funding was that the project must reflect the objectives of RDP (See Tables 2.3 & 2.4).

In an interview conducted by Reitzes and Friedman (2001: 26) the NDA official contended that advocacy “falls strictly outside [NDA] ambit: its central mission is not to transform government or realign its programme but to act in support of it.” In view

of this, which organisations are more likely to be funded by the state? The government has focused on organisations with the capacity to help achieve its delivery goals at the expense of organisations that play an overt political role. Rapoo and Kihato (1999: 33) looked at four broad sectors: political and democratic; economic and social welfare; and education and training. They found that an overwhelming 78.8% of respondents funded by government are involved in health and social welfare activities. This was followed by 58.9% in the education and training sector; and 28.4% in economic development. Only 11.6% have political and democratic objectives. These objectives reflected a bias towards institutional democracy, i.e. capacity building, democratic practices such as voter education, policy making and implementation, strengthening the justice system, and human rights education and public awareness. This figure compares favourably with Swilling and Russell's estimations. They state, "Not surprisingly, the bulk of government funds (4.9 billion out of the total 5.8 billion) went to the social service (R2.1 billion), health (R1.7 billion), and development and housing (R1.1 billion) sectors" (Swilling and Russell: 2001: 35).

This funding approach has resulted in a shift in support for NGOs involved with advocacy activities to welfarist NGOs or PSCs. According to Cawthra et al (2001: 137), the government chooses to support larger, well-organised, delivery-oriented NGOs rather than smaller NGOs with a more political agenda (pursuing social justice through advocacy and lobbying).

This has served to erode the role of NGOs in policy decision-making processes or democratic consolidation. In the immediate post-apartheid period a struggle broke out over how the roles of NGOs should be defined. The new government sought to reconstitute a relationship that had been largely adversarial through the establishment of the RDP. The role of the NGOs in decision making was clearly defined within the RDP. It defined the role of civil society as one in which civil society will play a critical role in policy formulation and implementation and eradicating poverty through delivery of basic services.

In summary the RDP focused on the following:

- Participation of civil society organisations in the policy-making process: the RDP document demanded that consultative policy forums be continued after the elections to ensure participation of all the important stakeholders in the policy process; and
- an active civil society sector in the implementation of the RDP: foreseeing that the new government would have limited capacity to deliver services to the poor, the RDP urged civil society organisations "to develop RDP programmes of action and campaigns within their own sectors and communities." (<http://www.case.org.za/htm/civilsaf.htm>)

Despite NGOs being acknowledged in official rhetoric such as the RDP, the lack of financial resources undermined the role of NGOs in deepening democracy. Before proceeding to discuss the impact of aid on the role of NGOs in democratic consolidation, it is important that we look at the South African policy-making process. It is not easy to discern a specific South African policy-making process. According to Kihato and Rapoo (1999: 31):

These processes are extremely fluid, occurring over a long period and involving a host of actors. The complex nature of policy-making, involving informal and obscure processes as well as formal and distinct ones, makes it difficult to define the stages involved in policy-making and their sequence. Policy-making is a continuous, cyclical, process in which decisions are constantly shifting and problems consistently redefined.

However, the process of developing and passing laws consists of three stages. First, the relevant ministry produces the discussion document. This is followed by research and the publication of a Green Paper. At this stage the public or interested stakeholders are allowed to participate through public forums such as meetings, workshops and seminars. This process culminates with the production of the White Paper, which, after further public comment, is tabled in the cabinet and, if approved, is gazetted. The White Paper becomes Bill if it goes through a first reading in Parliament. It is then referred to portfolio committees, which can hold public hearings at which stakeholders make submissions about aspects they feel need to be addressed.

With the necessary amendments made, the Bill returns to Parliament for a second reading. If it is approved, it becomes law once the president assents to it. On the other hand there, are also other informal mechanisms to influence policy. These included methods such as demonstrations, strikes, stay-aways and lobbying.

In their study Kihato and Rapoo (1999: 32) found that more than two thirds (65.5%) of NGOs who participated in their study were involved in the formulation of government Green and White papers. NGOs contributed through making written submissions and comments to the relevant ministry. They also participated in government departments' summits and workshops to make their verbal submissions or express their opinions on the Green or White Paper.

However, the study revealed a significant link between financial problems and impact on the policy-making process. Kihato and Rapoo (1999: 42) argued that “organisations that experienced serious financial problems have low perceived impact [on policy]. This finding is verified by responses [that organisations made, claiming] that their poor financial status affected their ability to make meaningful contributions to the democratic process. Since they struggle to survive financially, their ability to participate in policy-making becomes severely undermined.”

Lack of NGO participation in policy making is not entirely the result of a lack of financial resources. The way in which avenues for participatory democracy have operated in South Africa since 1994 has also served to marginalise NGOs. The most notable case in this regard is the way the National Economic, Development and Labour Council (NEDLAC) functioned. The government established NEDLAC with a view to fostering active participation in decision making. According to Bendix (1996: 102), NEDLAC was “intended to represent all major stakeholders and to consult on economic, industrial relations and labour market policy.” It is thus composed of four chambers dealing with monetary and fiscal policy, trade and industry, labour, and development. The first three are made up of government representatives, business and labour and the forth includes community leaders representing. for example, women, civic organisations, rural bodies and disabled persons.

It is widely perceived that forums are necessary to ensure effective interaction between government and those with an interest in development outcomes. The creation of forums does not necessarily mean that there will be effective interaction between the state and those who have an interest in development outcomes. They conversely serve to exclude NGOs from participation. Formal structures such as NEDLAC, which allow strong organised, private interest does not guarantee access to the state. Friedman and Reitzes (1995: 10) termed this arrangement “democratic corporatism”. They argue that the purpose of this arrangement “is not to empower civil society, but to formalise the participation of interests who already have power and whose demands the state needs to incorporate if it is to govern effectively.” For stakeholders to participate in this corporatist arrangement, it is essential that the stakeholders are able to bind their constituencies to negotiated agreements. They argue that international experience has shown that producer groups- i.e. business organisations, trade unions and professional associations- have the capacity to do this.

According to Friedman and Reitzes (1995:11), business and labour interests are

strong producer interests, with definable constituencies who pay dues to their employer associations or trade unions, that both are organised, and that they have at least the potential to bind crucial constituencies to negotiated agreements. NEDLAC also formalises an existing bargaining relationship, which produced an agreement on new labour legislation during the 1980s. Whatever its fate, three of its chambers represent an attempt to introduce a mode of interaction between the state and strong private interest with a proven ability to coexist with democratic institutions and to enhance industrial efficiency and equity.

Conversely, consumer groups such as the unemployed, rural dwellers and other marginalised groups are incapable of this. These organisations are weak consumer associations with no definable constituencies and less organised. To argue that the fourth chamber of NEDLAC was created to include these organisations in a corporatist arrangement is misleading. This is mainly because the representation of organisations within NEDLAC is based on the ability of organisations to organise, therefore if groups are unable to organise, then their opportunity to participate is constrained. This means that NEDLAC is not a fully representative institution.

This reasoning is also based on the fallacy that those who are not included in the state-initiated institution are denied access to the government. The nature of civil society is that it serves to represent the interest of a plural society to afford those without voice a platform to express their concerns. Effective democracies should not subject organisations to ‘gate keeping’. Cohen and Arato state that “an antagonistic relationship of civil society, or its actors, to the economy or the state arises only when...institutions of economic and political society serve to insulate decision making...from the influence of social organisations, initiatives, and forms of public discussions” (Cohen and Arato: 1992: x-xi).

Furthermore, NGOs wishing to be incorporated into NEDLAC will have to apply and a committee chaired by a representative of the RDP office approves their applications. This means that a government official will choose representatives of civil society. It is therefore likely that government will identify organisations that suit the government ideal typology (i.e. a delivery and apolitical partner) rather than those that play an overt political role.

There is general consensus among NGOs that government has been uncomfortable with the idea of an independent civil society playing an overt political role. Indeed the sector has come under fire on various occasions for being too critical of the government. Nelson Mandela’s speech at the ANC conference in Mafikeng (December 1997) is most often cited as evidence indicating the government’s dissatisfaction with NGOs playing an overt political role. President Mandela stated that:

Pretending to represent an independent and popular view, supposedly obviously legitimized by the fact that they are described as non-governmental organisations, these NGOs also work to corrode the influence of the movement... they lack an issue based driven mass base that is the defining feature of any NGO and therefore are unable to raise funds from people themselves. This has also created the possibility for some of these NGOs to act as instruments of foreign governments and institutions that fund them to promote the interest of these external forces (Mandela: 1997).

Seekings argued that this attack was directed at IDASA which had recently criticised the government's approach to corruption and aggrandisement (http://www.nu.ac.za/csds/Publications/donor_19.PDF). As NGOs are increasingly expected to work in partnership with government, this raises questions regarding some of the most defining characteristics of civil society, *viz*: freedom and autonomy vis-à-vis the state. How can organisations funded by and with government contracts, for example, go about lobbying for fundamental changes and reforms in society? How can they mobilise social movements that express the needs and demands of millions of people on the margins of the society?

As argued above, some NGOs became implementers of government projects, including the CBPWP, the CMIP and the PRIIF. Others have shown their discontent with the way funding has been disbursed. According to Kihato (2001: 22) "One respondent [in a survey on NGOs] claimed that funders have their own interest and political agendas, and do not care about the powerless communities." These organisations became reformist remaining committed to ensuring participatory governance through working with marginalised people, helping them to raise concerns at state level and at the same time working with government to improve delivery and policies. According to Kumi Naidoo, the director of South African Non-Governmental Organisation Coalition (SANGOCO), in the first few years after the first national democratic elections:

NGOs were consumed with helping government to be a good government by doing much of its work. This often made it difficult for NGOs to criticise government where this has been necessary. There was an almost unspoken reluctance to be too hard on government. NGOs felt a need to stand back and give them a chance (Marks: 1999: 10).

Marks (1999: 10-11) adds that:

However, according to Naidoo, NGOs no longer accept their role as simply assisting government. While they remain committed to ensuring a successful and good government, they recognise the importance of defining their role also as lobbying government to ensure the best possible service delivery is available to the poor, and to society as a whole

This involved a delicate and difficult balancing act. According to Marks (1999: 11):

It involves working with the government where there is a common ground, but also maintaining a distinct independence to ensure a lobbying capacity. In order to do this, the NGO coalition now makes use of new public fora, which include parliament standing committees, public hearings, and petitions. Participation in these fora, would allow for a linking with other civil society forces, and would serve to keep government on its toes. Throughout these efforts, the NGO network has asserted the importance of independent thought...

The creation of SANGOCO should also be viewed as an attempt to unify and strengthen the NGOs (particularly NGOs that used to be committed almost exclusively to the anti-apartheid movement, and thus have had to struggle in the post-apartheid period to develop a new positive role). Thus when it was formed in August 1995 its mission statement was “to promote civil society by uniting and strengthening the NGO sector to enable it to influence development policy and advocate programmes that meet the needs of the poor in the best possible way, at the least cost.” It should be noted that SANGOCO is not, nor does it claim to be, the sole legitimate representative of the entire NGO community. It does, however, adhere to a view of civil society as a place where different interests compete in a pluralist framework (<http://www.case.org.za/htm/civilsaf.htm#9094>). The extent to which NGOs managed to maintain their autonomy against the government requires further research.

The post-1994 funding period was also marked by an emphasis on financial and managerial accountability. Although social concerns remain central to donor agencies they have imposed onerous financial and managerial conditionalities. Thus NGOs are required to provide business plans as part of a project proposal. These will indicate time scales, consultation information, expected outputs, performance indicators, information management indicators and communication strategies. Secondly, they have to provide financial statements (preferably audited), income and expenditure, a constitution, letters of support and authentication from formal organisations, names of donor agencies approached, information on the organisation’s track record, and the fund-raising strategy and sustainability plan. Finally, five-year planning and multi-year budgeting are important exercises, which include projections, careful budgeting

and a degree of financial discipline (Conradie 1999: 294). For example, when PITT was given the responsibility to ensuring that NGOs were brought into the CBPWP to assist in project management, adverts were placed in newspapers inviting submission only from NGOs. The basic requirement was to show that the organisation has managed R5 m over the past few years, a condition which many small NGOs were unable to meet (Ntsime: 2001:120).

It is therefore not surprising that donors and government preferred NGOs that are registered as section 21 companies or trusts. Kihato and Rapoo (1999: 9) state that:

Commentators argue that donors and other stake holders who are concerned about the security of their interest, financial accountability and legal certainty prefer the relatively high degree of formality and security offered by trusts or section 21 companies. But the financial costs of the procedures necessary for establishing, registering and administering trusts and ‘section 21s’ often deter some groups intending to take this route.

Very few locally based NGOs in South Africa are registered as section 21 companies or trusts. Many local and informal associations employ the least formal and stringent route (i.e. voluntary associations) to establish organisations. Swilling and Russell (2002: 20) state that “No less than 53 per cent of the NPOs in [their] 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.” Table 3.2 shows the number of NGOs by legal status.

Table 3.2: Number of NGOs by legal status

Legal status	Number of NGOs
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-operatives	644
Other	5 772
Total	101 289

Source: Swilling & Russell: 2002: 21

This has had a fundamental impact on the distribution of funds. Whereas prior to 1994 a greater variety of organisations received donor funding, ranging from formal urban-based NGOs to small, informal and rural community-based organisations, the spectrum of recipients has been narrowed down. The new funding mechanism means that informal, less visible, grassroots organisations located in rural and peri urban areas are less likely to receive donor funding. As noted in Chapter One, these organisations play an important role, because they have the capacity to reach the poorest, and outreach to remote areas, to promote local participation and to implement projects in direct collaboration with target beneficiary groups, to operate on low costs, to be innovative, experimental, adaptive and flexible, to strengthen local institutions/organisations; and to empower marginal groups. Swilling and Russell (2002: 20) further note that they play an important role with regard to poverty alleviation, responding to immediate problems at a community level far quickly than more formal structures, particularly the government. Thus they are well positioned to deal with the HIV/AIDS crisis effectively, as they would be providing support and care to the poorest of the poor, who have few other channels of assistance.

The reason why international donors preferred highly, formal and well-resourced organisations such as section 21 companies and trusts can be attributed to the fact that most of them have the administrative capacity required by international donors. Voluntary associations lack the administrative skills to be able handle donor requirements. They are less visible and also are without structured administrations or membership. Thus their capacity to engage with donors is low.

On the other hand, the voluntary organisations' mode of operation to strengthen democracy is largely confrontational which is "far removed from the non-confrontational framework donors prefer" (Kihato: 2001: 21). As shown in Chapter Two, political funding by USAID focused on NGOs that were serving the majority population in the areas of human rights, community and leadership development, and conflict resolution. During the run up to the 1994 elections, USAID provided significant support for election administration and for voter education, government capacity building, and strengthening policy making and implementation. This reflects biasness towards strengthening institutional democracy rather than participatory democracy.

Similarly to USAID, EU has also focused on areas such as, supporting the transition to democracy, human rights education and public awareness (development of teaching, research and education); initiatives for target groups needing specific protection or attention such as children, indigenous people, migrants, refugees and displaced people, victims of torture, women and some professions such as journalists and security sector and legal personnel. These donor approaches predetermine which NGOs they are likely to work with directly. Most often, these are formal, high profile, urban based and skilled NGOs. This severely hampers the role of NGOs because 'elitist' or professional NGOs that donors favour are not located at grassroots level and are also not representative of the masses.

3.4 Conclusion

This chapter investigated the dynamics between the state and NGOs in the post-apartheid era. In recent years international donor agencies have shifted their focus from NGOs to the government. Since 1994 foreign donors mainly worked with the government. This is in contrast to NGO-donor relations during the apartheid era. Funding was largely channelled through NGOs such as Kagiso Trust and the South African Bishops Conference. Recent developments have had implications for the role of NGOs. The funding crisis which these organisations experienced, as a result of international donor agencies focusing on government forced many of them to close down, or retrench some of their staff members or employ fundraising strategies to sustain their operations.

The shift of focus among international donor agencies from NGOs to the government also meant that government would take the lead in service delivery. NGOs are expected to work in partnership (certainly as junior partners) with the South African government. With regard to some international donor agencies such as the EU, this expectation is implicit in the choice of projects and the funding allocated to government. Among other international donor agencies, such as USAID, it is explicit. The government has also shown dissatisfaction with the idea of an independent civil society playing an overtly political role. Thus on several occasions NGOs have come under fire from government for being too critical. Nelson Mandela's speech at the ANC conference in Mafikeng (December 1997) is a case in point.

Cumulatively, this has served to undermine the capacity of NGOs to engage in vigorous advocacy and policy making. Although some NGOs continue to work within the ambit of government, some have shown dissatisfaction with the way funding has been disbursed. They argue that foreign donors have their own agendas, which are not benefiting the majority who are poor. Consequently these organisations formed themselves into a consortium SANGOCO, which attempts to unify and strengthen NGOs' hand against government.

Furthermore, some foreign aid is now being channelled through elitist organisations, which, lack legitimacy among the grassroots constituency. Methods used by these NGOs to strengthen democracy fit the donors operating framework. Their method of engagement with the state is formal and less confrontational. Support for these organisations is also influenced by their administrative capacity. Many of the NGOs do not fit this 'ideal' donor typology sufficiently to be recipients of political aid. They rely on confrontational methods of engagement with the state and lack the administrative capacity to deal with donor processes.

This takes place in an environment where powerful and well organised groups such as business and labour have become dominant and where the voices of marginalised people, mainly the rural poor, are in danger of being neglected. The role of NGOs and CBOs has become crucially important, as they seek to provide a vehicle for the demands of the most marginalised sectors in society.

Although a corporatist arrangement such as NEDLAC is important in shaping policy among the major players (government, business and organised labour) in the economic arena, it is also problematic in a country with a high unemployment rate and a large informal sector. The majority of people who are not employed or are employed in the informal sector are left out of major decision-making process with regard to socio-economic policies, and their voices are not heard, except when they employ mass action strategies, destroy property, or engage in other disruptive activities. In the absence of institutional channels for the expression of grievances, this kind of action can destabilise government. Making the country ungovernable was a strategy that was used in the 1980s and it helped in bringing down the apartheid regime. To attempt to use this strategy, without clear political goals and with no alternative leadership, would be disastrous.

Changes in the foreign aid funding process also raises the broader question with regard to the effectiveness of foreign aid. Clearly, foreign funding in South Africa has taken a top-down approach rather than bottom-up approach. This has undermined the effective role that NGOs play in addressing poverty and consolidating democracy. Since 1994 the ruling party has consolidated its power, thus it is necessary to strengthen mass movements.

Chapter Four

Conclusion and Recommendations

4.1 Summation of findings

The aim of this study was to explore the influence of the post-1994 funding regime on NGO-state relations in South Africa. The nature of NGO-state relations pre-1994 period was largely confrontational because of the state's exclusionary politics. NGO movements during this period emerged as a powerful force of mass mobilisation against the apartheid state. Despite their advocacy role, NGOs in South Africa were also involved in welfare service activities.

International donor agencies were sympathetic to the fight against the apartheid regime. Donors were lax about monitoring recipient organisations and the expenditure of their funds. They employed a bottom-up approach (i.e. local actors had a lot of say in determining who received aid) in providing funding. However, since 1994 there were dramatic changes in foreign aid policies.

Since 1994 the purpose and intent of ODA policies are to advance the NPA. In this context markets and private initiative are seen as the most efficient mechanisms for achieving economic growth and meeting the developmental challenges of South Africa. Governments enable and facilitate private provision, but should minimize their direct role in the economy. NGOs should play a significant role in providing services. This is because of their cost effectiveness in reaching the poorest members of the population. Thus the functional purpose of NGOs is to humanise the adverse effects of the market economy.

Although markets and private initiative are seen as the efficient mechanisms for meeting the developmental challenges of South Africa the evidence presented in suggests that significant foreign aid resources were allocated to social delivery programmes with a focus on water and sanitation, health, housing, education and training. For example, about 60% of total EU funding was allocated to the delivery of social services between 1997 and 1999.

The development of the private sector with the aim to improve internal and external competitiveness of South Africa only amounted to 20% of EU total foreign aid. USAID allocated only US\$163 million to private sector development programmes, which included private sector development and economic capacity programme compared to US\$724.4 million to social delivery programs, which include education, health, and housing. This means that although markets and private initiative are seen as critical to meeting the developmental challenges of South Africa, social service delivery was the major recipient of aid in the post 1994 period. The international donor community considered both the developmental requirements of the country as well as its social needs in a critical period of transition.

Secondly, since 1994 donors have been preoccupied with democratic consolidation. Donors contend that a sustainable market economy requires a liberal democratic polity with a strong civil society. Political aid in this regard was biased towards strengthening institutional democracy. Thus, political aid was targetted at NGOs that were concerned with the strengthening of norms and practices of procedural democracy. Hearn (2000: 828) concludes that:

“political aid to civil society has had two major consequences. First it has changed the debate on democracy. During the past five years, it is possible to see a process in which democracy has been redefined. Although half of South Africans still believe that access to housing, jobs and a decent income are essential components of a democratic society, this residual belief in social democracy is being eroded and replaced by the norms and practice of procedural democracy. It is our argument that the north has played its role in this process by funding the liberal proponents of procedural democracy in civil society... The second consequence is that this has facilitated a newly legitimised South African state that presides over the same intensely exploitative economic system, but this time unchallenged. External and domestic support for procedural democracy has successfully removed all challenges to the system. It has ensured that democracy in the new south is not about reconstructing the social order but about effective maintenance.”

Thirdly, foreign aid agencies have regarded government as the conduit for the disbursing of funds. Government departments were allocated funds to implement development programmes and to provide funding to NGOs, which would assist them in implementing these programmes. Furthermore, institutions such as the TNDT - later replaced by the NDA- were established to allocate funding to NGOs.

International donor agencies' shift of focus from NGOs to the government meant that government would take the lead in service delivery. NGOs are expected to work in partnership (certainly as junior partners) with the South African government. This top-down funding approach has resulted in the prioritisation of NGOs with the capacity to support government to achieve its delivery goals at the expense of advocacy NGOs who are critical of government policy to influence and advocate alternatives. This has served to undermine the capacity of many NGOs to engage in vigorous advocacy and influencing policy making.

The rechannelling of aid funds to government has also had a significant impact on the distribution of funds. NGOs have been facing serious financial crises. Government funding institutions, such as the NDA, further exacerbated these crises because they lacked the organisational capacity to disburse their funds efficiently. For example, it is claimed that the NDA lacks efficient systems and procedures for processing funding applications. According to the *Mail & Guardian* (2002):

"large numbers of cash-strapped NGOs were waiting for the NDA to assess their funding applications, and in some cases even to return phone calls. One of the NGOs had submitted its application three times. The first and the second applications were lost and the NGO only received a reference number when a third application was hand-delivered. It took nine months for the reference number to be issued by the NDA."

Furthermore, according to a report complied by the Non-Profit Partnership (NNP):

"A more general concern expressed by grant-makers and in the information Frank Meintjes received from 'organisations on the ground' was that the NDA is 'stuck' and is not able to process the approximately 6 000 applications for funding that it received in response to its most recent call for new funding applications between 2 January and 28 February 2002. The perception is that the money is not flowing and a sharp distinction is drawn here between money that is allocated and money that is actually disbursed" (http://www.npp.org.za/resources/reports/nda/NDA_research.doc).

Fourthly, since 1994 donors became concerned about how their money was being spent and they demanded greater financial accountability. As Kihato puts it "...more stringent grant practices have resulted from a global move towards ensuring that aid to developing countries is utilised for the purpose intended, and the need for donor countries to account more rigorously to their taxpayers"

(<http://www.cps.org.za/execsumm/rr86>). Thus the question of who receives aid and how they use it is determined by donor agencies and the government rather than the beneficiaries of aid, as was the case during apartheid. Consequently the spectrum of NGOs that received funding narrowed, because small, informal, and rural community based organisations lacked the reasonable administrative, research and delivery capacity, required by international donor agencies. Many of these NGOs experienced serious financial crises, which at times forced them to close down.

4.2 Recommendations

To resuscitate the role and to ensure continued survival of the advocacy NGOs and participatory democracy, it will be essential to adopt measures that can challenge the current funding environment. These will include building the administrative capacity of both the NDA and NGOs, ensuring NDA independence and the recognition of the important role which critical NGOs play.

4.2.1 Building the organisational and bureaucratic capacity of the NDA and NGOs

The paralysis of the NGOs sector has been the result of foreign donors diverting their funds to the new democratic government (post 1994). Foreign donors anticipated that funding would reach NGOs through government channels. However, since 1994 there has been an absence of an effective state funding mechanism. The TNDT was established in 1996 as a temporary measure to allocate funds. The NDA replaced it in 2000. Both these institutions proved to be ineffective, experiencing major backlogs in the disbursement of funds to NGOs. It is therefore essential to build the organisational and bureaucratic capacity of the NDA. This will transform the current funding procedures and systems. Critical to those procedural issues is the regulation of the application process and the systematic manner in which applications are processed. It is equally important to build a culture of professionalism and commitment to rid the bureaucracy of incompetence.

There is also a need to increase funding for NGOs, particularly for those located in rural and peri-urban areas. However, most of these NGOs lack the organisational capacity required by international donors. It is thus important that funding institutions should develop these NGOs' organisational capacity to meet the requirements for accessing funds.

4.2.2 NDA independence

The NDA is unique internationally because it is a quasi-independent institution . It is financially dependent on government but enjoys some degree of autonomy from government because of the powers it has been accorded. The NDA Act guarantees powers that ensure independence from government. These powers also emphasise its responsibility to NGOs. According to section 4.2 of the Act:

The NDA may

- Grant money from its funds
 - i) in accordance with such criteria and procedures as the NDA determines;
 - ii) and with due regard to the NDA's primary [objective] referred to in section 3(l), to any civil society organisation for any project or programme that organisation intends to undertake or is undertaking;
- make recommendations with regard to legislation and policies directly or indirectly constraining effective development in the Republic;
- exercise any power conferred by any other provision of this Act; and
- generally, do everything which is necessary to achieve its [objectives] referred to in section 3.

Although the NDA is largely independent from government this independence is undermined because it is funded by government. This has manifested itself in the way the NDA perceives itself and its role. According to the NNP report, the Executive Board Strategy states that the NDA “is a unique institution that is sponsored by government yet independent of government. It is not a department of government.”

(http://www.npp.org.za/resources/reports/nda/NDA_research.doc). Although it perceives itself to be independent from government, it appears to view its role as supporting government. According to the NPP report, “In terms of the NDA *Board Strategy* there are ‘key macro and sector trends’ that inform its strategy. Amongst these are:

- the effective implementation of the macro-economic policy that has facilitated stability and balance;
- the fact that the NDA, as a public entity that is the delivery arm of government, occupies a particular niche in development [within] the country

(http://www.npp.org.za/resources/reports/nda/NDA_research.doc).

This implies that the NDA endorses the government’s macro-economic (i.e. GEAR) strategy despite criticism, which have been levelled against it. NGOs have blamed the government macro-economic policy for the socio-economic problems, which persists in South Africa. A joint proposal by Sangoco, Cosatu and South African Council of Churches (SACC) points out that:

“GEAR reinforced the vicious cycle of poverty by supporting an economic strategy that did little to support greater equality. Because its proposals for restructuring the economy remained weak, it effectively maintained South Africa’s historic growth trajectory. That growth path effectively emphasises minerals production and refining for export – which generates few jobs, strengthens big business, and reinforces the underdevelopment of the rural areas. Meanwhile, tight money policies were enforced through measures to increase interest rates, discouraging domestic investment.

At the same time, GEAR called for measures to reduce the bargaining power of labour. As that would limit wages and skills development, as well as aggravating conflict in the workplace, it would worsen productivity problems. This component of GEAR contradicted the new labour policy, which involved new laws designed to encourage the more productive use of labour through greater permanency, protection of labour rights and collective bargaining, and widespread skills development. For the budget, a central contradiction emerged between the need to improve government services for the majority of South Africans and the tight restrictions placed on government expenditure by GEAR’s fiscal targets. As a result, spending on social services and infrastructure declined steadily in real terms in the second half of the ‘90s, undermining a central strategy for addressing poverty” (<http://www.cosatu.org.za/docs/2001/d2001.htm#2.1>).

Economic inequality, poverty and unemployment which are attributed to the neoliberal macroeconomic policies adopted by government and endorsed by international donor agencies, will further fuel the emergence of advocacy NGOs “who are increasingly defining their identity and arguments in terms of a globalised, anti-neoliberalism platform” (Swilling and Russel: 2002: 93).

The NDA has positioned itself within the market economy approach, aligning itself with government policy despite the advocacy NGOs’ position that poverty is linked to present government policies. The NDAs’ support of government policies undermines its responsibility to these NGOs and its independence. Therefore, it is critical to amend and to expand the NDA provisions to ensure greater independence. To ensure greater independence for the NDA, the NNP report recommends that:

- The [NDA] Act should be amended generally to provide for the NDA to account to the non-profit sector and other sectors of civil society,
- There should be a provision that outlines how government representatives on the NDA Board must be elected or appointed,
- There should be provision for the NDA budget and business plans to be influenced by civil society,
- There should be a provision in the Act to ensure that the NDA Board is not the sole determiner of funding criteria. The law should permit the development of criteria that are open to public scrutiny (http://www.npp.org.za/resources/reports/nda/NDA_research.doc).

4.2.3 Recognition of advocacy

International donors, the government and the NDA appear also to have excluded NGOs that play an advocacy and policy-determining role in favour of NGOs that are seen to be directly involved with service delivery. Apart from providing support to those NGOs that are struggling to survive, it is also important to assist NGOs that play an advocacy role and who attempt to influence government policy. Instead of using NGOs as a cost-effective way of implementing their projects, official donors

should also support those NGO's who are playing their role in defining the 'general will' of the marginalised poor. There is an essemial need to recognise NGOs that play an advocacy and policy determining role.

4.3 Conclusion

In the final analysis, the current political economy in South Africa is one in which difficult challenges as well as exciting opportunities face NGOs. NGOs can relate to government in three different ways. First, they can complement government by filling existing gaps and providing services. However, this approach does not take into consideration the policy-influencing role NGOs should play within a political economy characterised by social inequality. Second, NGOs can relate to government by opposing it, either directly or by lobbying against it. Again, this approach fails to recognise the role that NGOs could play in providing social services. Thus, NGOs should combine both these approaches and use them when necessary. Put in other words, in meeting the developmental challenges that confront South Africa, NGOs should not only pursue confrontational agendas, but should also be aware of all possible avenues for cooperation with government, particularly in service delivery programs. After all, they will be judged by the extent to which they have managed to advance a progressive development agenda, not by how much they opposed or supported the state.

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