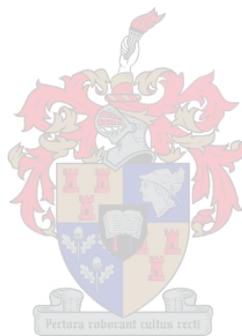


A METHODOLOGY TO IMPROVE
THIRD SECTOR INVESTMENT STRATEGIES:
THE DEVELOPMENT AND APPLICATION OF A WESTERN
CAPE BASED FINANCIAL RESOURCE ALLOCATION
DECISION MAKING MODEL

André de Villiers Smit



Thesis presented for the Degree of Doctor of Philosophy
in Social Work at the University of Stellenbosch

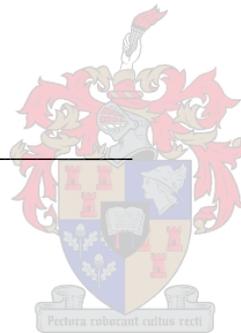
Promoter: Professor S Green

December 2005

DECLARATION

I, the undersigned, hereby declare that the work contained in this dissertation is my own original work save for the technical and other assistance received in the design and development of the financial resource allocation decision making model that formed part of this study and that I have not previously in its entirety or in part submitted it at any other university for the purposes of obtaining a degree.

Signature: _____ Date: _____



ABSTRACT

South Africa has high levels of social need which are steadily growing. While the third sector is large and contributes substantially to social service provision, it together with government is seemingly incapable of providing adequate social services, particularly in the more poverty-stricken rural areas of the country. Among other, at the root of the third sector's inability to adequately serve the needy, is a lack of funding caused by poor funding policies and uninformed financial resource allocation decision making.

As such, this study set out to develop an automated financial resource allocation decision making model that would provide extensive organised data to better inform the allocation decision making process – the first component of the study. It was also purposed to provide a range of otherwise lacking empirical data on the third sector to determine service and staffing norms, patterns of funding and to assess financial management of this sector.

In so doing the Community Chest of the Western Cape was selected to serve as the locus of the study – their existing manual allocation approach was analysed and a new more sophisticated automated model was developed. Data generated by the model pointed to a further research need, that of a better understanding of the funding and financial management practices of the third sector. This gave rise to the third component of the study, a survey of 232 beneficiary organisations of the Community Chest. An analysis of the data generated by the model and collected from the survey highlighted yet another need, the poor financial management acumen of the sector.

In order to address this need and hence the efficacy of the model, a survey of 207 University of Cape Town management accounting students was conducted to determine the feasibility of using their financial management knowledge and skills to support financially and IT-illiterate organisations – the fourth component of the study.

The study primarily adopted a quantitative research paradigm; the research design was exploratory-descriptive and used a primary data design with limited secondary data analysis. Data was captured in MS Access and analysed using Statistica and MS Excel.

Results indicated that the country's funding policies were wanting and that the allocation of state and state-controlled funding agency resources were not being allocated in concert with adopted policy. In almost all cases the poorer rural areas had and received fewer resources. Most organisations surveyed were not financially secured and their ability to fundraise was very limited. Their financial management ability was not good. Fortunately a substantial number of accounting students indicated a willingness to improve the financial management ability of such needy organisations.

The study concludes by recommending further development of the model, utilisation of accounting students and calls for a major assessment of third sector needs, its funding and financial management. It also recommends the formulation of new funding policies.

OPSOMMING

Die Suid Afrikaanse samelewing word gekenmerk deur toenemende behoeftes op maatskaplike gebied. Ondanks die derde sektor se noemenswaardige bydrae tot maatskaplike dienste beskik nóg hierdie sektor nóg die regering oor die vermoë om toereikende dienste aan veral armer landelike gemeenskappe te lewer. Onvoldoende befondsingsbeleid en ondeurdagte finansieële brontoewysing dra hiertoe by.

Die eerste komponent van die studie was die ontwikkeling van 'n gerekenariseerde model vir besluitneming oor finansieële brontoewysing, met georganiseerde data as basis. 'n Tweede komponent was die verkryging van ontbrekende empiriese gegewens oor die derde sektor se vermoëns ten opsigte van dienslewering asook personeel- en befondsingstendense en 'n oorsig van finansieële bestuursvaardighede.

Die bestaande ongerekenariseerde brontoewysingstelsel van die studietuiste, die Gemeenskapskas van die Weskaap, is geanaliseer en 'n nuwe, gerekenariseerde model is ontwikkel. Nuut gegenereerde data het 'n verdere navorsingsbehoefte uitgelig, te wete die derde sektor se behoefte aan verbeterde kennis van befondsing en finansieële bestuurspraktyke. Die derde komponent van die studie, naamlik 'n opname onder 232 organisasies wat befondsing van die Gemeenskapskas ontvang, het die derde sektor se behoefte aan opgeskerpte kennis oor finansieële bestuursvaardighede bevestig.

As vierde komponent van die studie is deur middel van 'n opname onder 207 studente in bestuursrekeningkunde vasgestel of hul kennis en vaardighede benut kon word om leemtes in organisasies se finansieële vernuf en inligtingtegnologiese vaardighede aan te vul, en sodoende geslaagde implementering van die model te verseker.

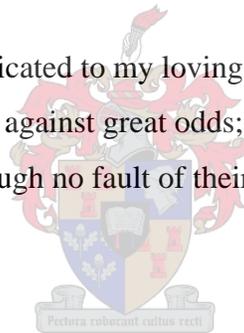
Daar is hoofsaaklik van 'n kwantitatiewe navorsingsparadigma gebruikgemaak, en 'n verkennend-beskrywende navorsingsontwerp is gekonseptualiseer wat met 'n primêre data-ontwerp met beperkte sekondêre data-analise uitgevoer is. Dokumentering en analise van data is deur middel van MS Access, Statistica en MS Excel gedoen.

Resultate toon dat finansieële brontoewysing nie per se aan beleidsbepalings voldoen nie en dat die befondsingsbeleid en die derde sektor se finansieële bestuursvermoëns ontoereikend is. In bykans alle bestudeerde gevalle was die landelike organisasies armer met minder bronne en toewysings. Die meerderheid ontbreek aan finansieële standvastigheid en beskik oor beperkte fondsinsamelingsvermoë. Hul finansieële bestuursvaardighede het voorts tekort geskiet. Hierdie leemtes kon effektief aangespreek word deur die insette van die bestuursrekeningkunde studente van die Universiteit van Kaapstad.

Daar word aanbeveel dat die model verder ontwikkel word, studente se finansieële bestuursvernuf deur organisasies benut word en dat 'n omvattende behoeftebepaling wat fokus op befondsing en finansieële bestuur met die derde sektor gedoen word. Ten slotte word die formulering van 'n nuwe befondsingsbeleid aanbeveel.

DEDICATION

This work is dedicated to my loving family; the social service providers who toil against great odds; and to the myriad in social need who through no fault of their own are not cared for.



ACKNOWLEDGEMENTS

No person could have successfully undertaken a study of this scope and magnitude without the considerable help of a good number of others. It is these significant others that are hereby humbly acknowledged.

Firstly, my promoter of many years, Professor Nariscia Botha, must be singled out for her daring acceptance of this unconventional study. Her support was endless, guidance readily available and her patience never waned. To my second promoter, Professor Sulina Green who succeeded Professor Botha after her retirement, I owe a great debt of gratitude for the support and guidance granted in the fulfilment of this enterprise.

Then there was a particular breed of co-workers who played a pivotal role in making this study possible. For accommodating and supporting me throughout the long study period, special thanks are accorded to Mrs Amelia Jones, Chief Executive Officer of the Community Chest of the Western Cape. Her colleague, Mrs Nazlie du Toit, Manager: Community Investment, Community Chest of the Western Cape, worked very closely with me on this study. To her I convey particular thanks for her constant support and encouragement and for her significant input into the design and development of the financial resource allocation decision making model.

Given the technical nature of this study, the information technology input provided by Mr Roger Haylett of the University of Cape Town was consummate. Apart from his superlative technical acumen, his personable approach, support and availability throughout the study, was most encouraging. He is owed singular gratitude.

Mr Colin Smith, Senior Lecturer, University of Cape Town, needs to be accorded very special thanks for facilitating and assisting with the accounting students survey.

Heartfelt thanks go to Mrs Pat Halford, for her endless encouragement and support; and for proof reading the manuscript.

To the University of Cape Town I wish to accord thanks for making time available for this study and for supporting conference attendance where subject matter pertaining to this study was presented.

Protocol dictates that family comes last, yet inevitably it is family who is always first when support, encouragement and love are needed. Thus, last but never least, to my dear and ever-encouraging wife, Lindy, and my supportive parents, I convey much love and gratitude.

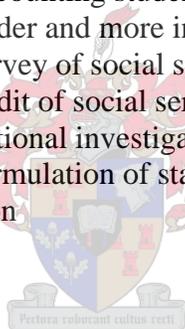
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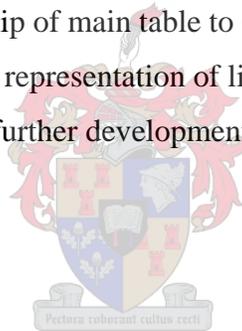
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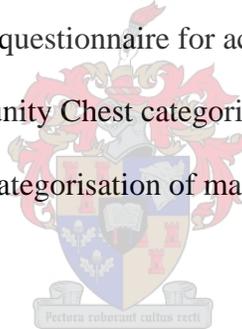


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Chapter 1

Introduction

Contents:

- 1.1 Introduction
- 1.2 Backdrop to study
- 1.3 Study process
- 1.4 Study outcomes
- 1.5 Conclusion

Giving requires good sense.

[Ovid. Amores I.viii.]

1.1 Introduction

Fundraising is an arduous and effort-intensive activity. On the other hand he who gives, requires good sense in the disbursement of such giving. Thus effort-intensive fundraising should be matched by effort-intensive giving. But are they, and what degree of sense is evident?

In South Africa all funding bodies have certain criteria on which they base their allocations. However, they are often vague, open to influence and seldom based on accurate analyses of service needs and organizational performance. How appropriate and effective therefore, can their allocation decision-making be?

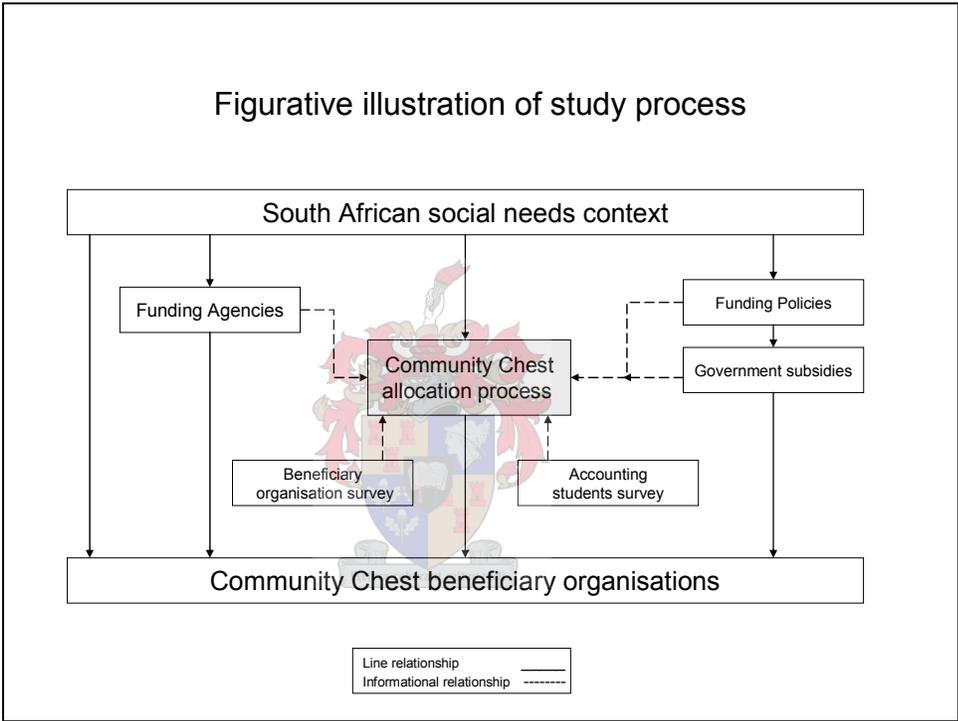
Aided by an illustration, this chapter will introduce the reader to the study. It will serve as a conceptual primer to the chapters that follow. In this manner it will briefly draw together the broader and more abstract issues that served as the backdrop to the study and its more specific intent – the development of a financial resource allocation decision making model and an analysis of funding and financial management of the third sector – prior to going into the various study components in greater detail in ensuing chapters.

1.2 Backdrop to the study

This study had its genesis in a South African society that, as detailed in Chapter 4, had high levels of social need and an inability to serve this need adequately. Also reported in the said chapter, were the country's poor social indicators – the relatively low Human Development Index (UNDP, 2005) and the large percentage of South Africans that were classified as living in poverty (RSA, 2003) are symptomatic of poor funding policies or the inability to give effect to such policies.

In Figure 1.1 (figurative illustration of the study process), the South African social needs context is schematically presented. This need informs funding policy formulation which is the basis of government subsidies to the welfare sector. It also informs funding agencies' allocation criteria and consequent funding of organisations. The need also informs the social service sector – here represented by the Community Chest beneficiary organisations – in terms of service provision.

Figure 1.1 Figurative illustration of the study process



The high levels of social need alluded to demanded that social service delivery be improved both quantitatively and qualitatively. However, this was not likely to happen, primarily due to financial considerations – access to funding, poor financial management and inferior allocation mechanisms.

While there is a substantial amount of funding available, the country's inadequate funding policies and the distribution policies of the state controlled National Lotteries Board and the National Development Agency are inimical to optimal social

service growth and operation. The country's welfare funding policies and the structure and function of the two mentioned funding agencies are described analytically in Chapter 4.

In Figure 1.1 the dotted lines indicate the informational link between the Community Chest and the welfare funding policies, the government subsidies and the funding agencies.

At issue was thus social need, adequate financial resources but yet inadequate service delivery. Central to this funding conundrum was the lack of optimal financial resource allocation technologies. In reviewing the allocation decision making process at the Community Chest of the Western Cape (a well-established funding agency based in Cape Town and hereinafter referred to as the Community Chest), the writer discovered a lack of credible organised data that should constitute the primary source of information required for effective allocation decision making.



1.3 Study process

Given the issues raised as the backdrop to the study in 1.2 above, the purpose of the study became the design and development of an automated financial resource allocation model to meet two aims. Firstly, it had to manage the allocation process. Secondly, and more importantly, it had to generate sufficient empirical data to better inform an inadequate understanding of the complexities of service, staffing and financial activities of a large number of social service organisations. This model is represented centrally in Figure 1.1.

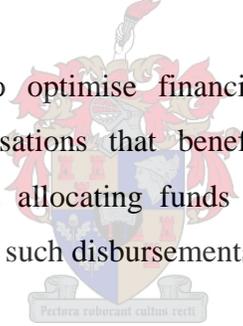
Given that the Community Chest had a well-established manual system of financial resource allocation that would suit substantial further development and automation, the Community Chest served as an ideal organisational locus for the study. This

organisational locus together with the study's terms and definitions are detailed in Chapter 2.

However, in order for the financial resource allocation model to operate optimally, a number of ancillary research activities had to be engaged in. In essence the study consisted of four components.

First and foremost, it consisted of the analysis, design, development and implementation of a financial resources allocation model. Apart from serving as an operational tool for the Community Chest, its design and development was also occasioned by the need to generate empirical data that once analysed, could better inform funding policy formulation and financial resource allocation decision making. This analysis constituted the second component of the study.

However, for this model to optimise financial resource allocations, a better understanding of the organisations that benefited from these allocations was imperative. It was pointless allocating funds not knowing what the prevailing financial climate was in which such disbursements were being made.



This occasioned a subsidiary but vital third component of the study, an extensive survey of the perceptions and practices related to funding and financial management of beneficiary organisations of the Community Chest. Among other, the results of this survey indicated a lack of financial acumen in particularly the smaller community-based organisations.

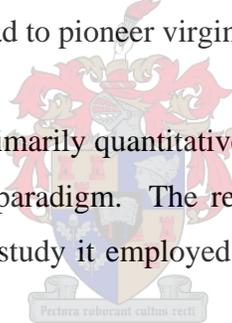
This prevented them from accessing funds and effectively managing such funds as they had. It also constrained their ability to provide accurate data in computerised format that was essential to the optimal performance of the newly-developed financial resource allocation decision making model.

This necessitated the fourth component of the study, a survey of 200-level management accounting students at the University of Cape Town. This survey was undertaken to determine the feasibility and students' willingness to mentor such needy organisations in order to develop their financial management knowledge and skills.

The study intent and the subsidiary goals and objectives formulated for the four components are detailed in Chapter 2.

This four-component study made for a complex research configuration which is described in Chapter 3. It is not a conventional study – it does not follow the common route of undertaking research that is healthily informed by a myriad previous studies. Rather, given the paucity of descriptive material, let alone empirical studies, this study had to pioneer virgin research territory.

The research paradigm was primarily quantitative and augmented by a version of the participatory action research paradigm. The research design was exploratory and descriptive. As an empirical study it employed a primary data design with limited secondary data.



To add to the predictive value of the study, each of the components utilised the entire populations as its probability samples. Data collection methods included a database and two surveys and data analysis was statistical and numerical.

1.4 Study outcomes

One of the major impediments to the study was the paucity of similar or related empirical studies. This lament was also echoed in the limited material sourced for this study. This sector is not well researched, hence the timeliness and import of the study.

An analysis of the country's funding policies over the past two decades or so revealed that while the intentions were to move away from subsidising welfare services based on the social work post formula to that based on welfare programmes, it has not yet transpired. Successive attempts at improving the funding policies have largely failed; with each successive funding policy formulation resulting in diminished scope and depth.

A brief history of welfare funding policies and a descriptive analysis of the more recent funding policies are chronicled in Chapter 4.

In addition to the substantial amounts of funding that welfare organisations derive from state subsidies (based on the funding policies alluded to), at issue are also two major sources of funding that are *de facto* controlled by central government. They are the National Lotteries Board which controls the national lotteries (the biggest and most well-known being the Lotto) and the National Development Agency.

In a review of the development and subsequent operations of these funding giants it was found that the establishment of the National Lotteries Board and the resultant curbing of previously established forms of fundraising by chance (for example scratch cards) has remained controversial. The expected funds that were to flow to the welfare sector failed to fully materialise and it has not compensated this sector for the loss it incurred when its own chance-based fundraising was annulled.

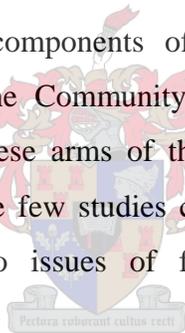
Similar sentiments were also discovered to pertain to the National Development Agency. At its inception it was hailed as a panacea to the stringent financial circumstances under which social services were operating. It too, has not been functioning to expectation.

These two funding agencies' structure and function are detailed in Chapter 4.

Resource allocation practices are age-old and the link between resources and power are well established – the aetiology of war being a case in point. However, as a management tool it is not that well developed, particularly so in the social services sector.

Decision making is at the root of the resource allocation process. While theories of decision making abound, when placed in resource allocation context, they don't. Nor are writings on modern-day resource allocation practices plentiful. While much is written on the ethical dilemmas and other issues faced in the resource allocation process, very few models of financial resource allocation decision making are to be found. Such writings and models as were available are presented in Chapter 4.

Given the third and fourth components of the study, namely the survey of beneficiary organisations of the Community Chest and the accounting students survey, material relevant to these arms of the study are presented in Chapter 4. Among other, these include the few studies conducted on the non-profit sector in South Africa which relate to issues of funding, financial management and governance.



Further, while no comparable studies could be found in which accounting students mentor needy community-based organisations (the accounting students survey attempted to assess such a feasibility), a few, albeit less apposite studies on the concept of volunteerism and in particular, younger volunteers and accounting students, are also presented in Chapter 4.

While the welfare sector has been loathe in adopting information technology to improve its management decision making, this study is heavily dependent on such technology. The systems analysis, design and coding that comprised the development of the automated financial resource allocation decision making model, is detailed in Chapter 5.

This chapter also reports on the operational aspects of the model and provides an illustrated description of the model.

Chapter 6 contains the major findings of the model-generated analysis of data which was based on all beneficiary organisations of the Community Chest. Pertinent to this chapter are the inequities and anomalies inherent in the current financial resource allocation decision making process.

These are highlighted by the analysis of data on services rendered, staffing complements, income sources, items of expenditure and balance sheets. This analysis included discriminating within and between organisations, fields of service and geographic localities.

The results of the beneficiary organisations of the Community Chest survey are also presented in Chapter 6. The findings reflected widespread concern for the lack of funding sources and fundraising ability and hence the sustainability of many services are questioned. Further, the findings indicated that the financial management of many organisations is found to be wanting.

The survey also revealed that there is satisfaction with the manner in which the Community Chest allocated financial resources and a greater future role for this organisation is revealed. Clearly, a need to come to the assistance of smaller, financially less sophisticated organisations is also indicated.

The findings of the survey of accounting students are also presented in Chapter 6. A healthy majority of students indicated that they wished to be part of a process wherein they could impart of their financial knowledge and skills to needy beneficiary organisations of the Community Chest.

Also included are a profile of the students surveyed and their motives for wishing to partake in the proposed mentorship programme that is to follow as sequel to this study.

The study concludes that while the financial resource allocation decision making model developed in this study has significantly improved allocation decision making, much more had to be done to make the system deliver optimal disbursements. The study recommends further enhancements to the developed model and its wider adoption by other funding agencies.

The study also recommends that an investigation be launched into welfare funding that will result in well-articulated and workable funding policies. Further, the financial management and fundraising abilities of beneficiary organisations needs to be improved. To this end, one strategy, the use of volunteer accounting students to assist needy organisations, is detailed.



1.5 Conclusion

A significant number of South Africans live in poverty. The huge resources available to the social services sector from among other government and other large funding agencies must be better allocated in order to address poverty and the concomitant social ills.

In this study an attempt (albeit small) was made to harness available information technology to develop a financial resource allocation decision making model that not only served to better inform the decision making process but that would also constitute a rich source of on-going empirical data that in analyzed form could also inform the policy formulation process and other related research in this sector.

In summary, the study genesis, intent and locus are presented in the following chapter. The research configuration applied to the study is contained in Chapter 3 while the major themes related to third sector investment strategies, namely the context, funding policies, funding sources, resource allocation decision making and a variety of related research findings, are presented in Chapter 4.

The development and design of the automated financial resources allocation decision making model is presented in Chapter 5 whereas the analysis of data produced by the model is presented in Chapter 6. The findings of the two surveys also form part of Chapter 6.

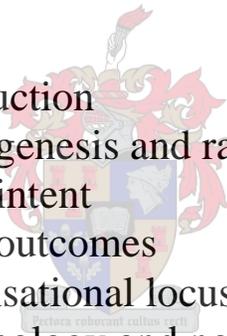
The study is concluded with Chapter 7 wherein the major findings are summarized and recommendations based on the outcomes of the study are made.



Chapter 2

Study genesis, intent and locus

Contents:

- 
- 2.1 Introduction
 - 2.2 Study genesis and rationale
 - 2.3 Study intent
 - 2.4 Study outcomes
 - 2.5 Organisational locus
 - 2.6 Terminology and nomenclature
 - 2.7 Conclusion

Revolution is not the uprising against pre-existing order, but the setting-up of a new order contradictory to the traditional one.

[José Ortega y Gasset. The Revolt of the Masses.]

2.1 Introduction

This chapter will endeavour to legitimate “...the setting-up of a new order contradictory to the traditional one.” A cogent case for an improved model of financial resource allocation decision making will be based on a number of ascendant issues confronting the South African welfare fraternity.

Any research endeavour has an origin, a *raison d'être*. The genesis and rationale of this study was the South African welfare sector and its financial resource allocation in the 21st Century. As such, this chapter will lightly etch the more salient issues that pertain to this sector, its funding and resource allocation – this light etching will serve as a primer for further embellishment in following chapters.

In brief, the issues were South Africa's extensive social need, the need for increased services and better allocation of the fairly substantial financial resources that this sector consumed annually. The need to be inclusive of smaller community-based organisations and the imperative for improved organized data to better inform the financial resource allocation decision making process, were the backdrop on which the genesis of this study was located.

Based on the issues at hand, the study intent, represented in the form of study aims, goals and objectives, is articulated. The two aims of the study are logically refined into subservient goals which are in turn followed by more detailed objectives. These objectives are presented in a classified format as conceptual, descriptive, design and development, operational, analytical, developmental and outcome objectives.

Given the study intent, a number of study outcomes are presented. Chief among these is the design and implementation of an improved financial resource allocation decision making model that could be easily and more widely adopted.

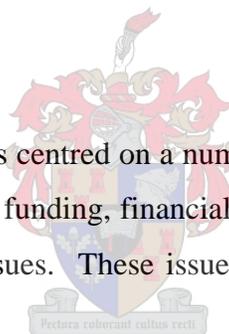
The organisational context of this study is identified and the nature and function of the host organisation are briefly described. The import of this organisational base to the study and vice-versa is declared.

Technical terminology and concepts used in this study are listed and defined. Select existing nomenclature and that coined for the purposes of this study are similarly listed and defined.

The chapter concludes that the South African backdrop to this study is vexing and that the development and introduction of a more efficacious model of financial resource allocation decision making is both considered necessary and timely.

2.2 Study genesis and rationale

The rationale for the study was centred on a number of substantiations based on past and more importantly, present funding, financial management and financial resource allocation decision making issues. These issues are dealt with fully in Chapters 4 and 6.



In the new South African democracy expectations of improved living standards and decreased levels of poverty are founded on a number of statutes and policies. Notably the country's constitution (RSA, 1996) guarantees a number of fundamental rights which include access to certain services.

The country's adopted developmental approach to social service delivery as set out in the White Paper for Social Welfare (RSA, 1997) and the attendant statutes and policies aim to provide social services that better target social need and to distribute financial resources in a more equitable fashion.

To this end the state has made substantial funds available from its coffers and has created and controls other funding agencies to augment such funds, notably the National Lotteries Board and the National Development Agency (both are reported on in detail in Chapter 4). Within the private sector numerous funding sources (corporate and non-profit) also annually contribute vast sums of money to this cause.

Notwithstanding the above, as reported in Chapter 4, levels of social need remain stubbornly high, particularly so in rural areas resulting in an urgent need for improved service delivery, both quantitatively and qualitatively.

While the intentions were laudable, the expected transmogrification of such intentions into reality never fully materialized. At the root of this letdown were a number of issues that will be fully reported on in Chapters 4 and 6. In summary, these are poorly-articulated state funding policies that together with inappropriate funding from the National Lotteries Board and the National Development Agency have lead to an under-funded and financially insecure third sector. This sector's lack of financial management acumen has added to these woes.

Central to these financially-related issues is the disbursement of funds. One of the more compelling manners in which the issues raised could be resolved is by providing more organized data that could better inform the financial resource allocation decision making process.

In summary, high levels of social need require more social services. These services in turn require funding and good financial management. The manners in which funds are allocated and managed are crucial in meeting these needs.

The substantial amount of funding that was being directed at the third sector warranted more optimal deployment of resources. This could only be achieved through better informed financial resource allocation decision making and improved third sector funding and financial management.

As such the need for an improved method of allocation that not only better informs the financial resources allocation decision making process but that was based on a sound understanding of the third sector's funding and financial management, served as the rationale for this study.

2.3 Study intent

In the foregoing section a number of reasons for the need for improved financial resource allocation decision making were presented. Chief among these was the absence of a robust automated model of resource allocation decision making and hence this study.

However, many attendant issues also required attention if the proposed new model of resource allocation was to be successful. This study thus set out to primarily develop an automated financial resource allocation decision making model but also to achieve a number of wide-ranging but intimately related intentions.

In order to address the vexing issues raised in 2.2 above, appropriate study aims, goals and objectives were formulated.

2.3.1 Study aims

The aim of the study was two-fold:

- To better understand welfare financial resource allocation decision making and the attendant financial management and sustainability issues confronting the welfare sector; and
- Based on the first aim, to develop an automated financial resource allocation decision making model and its attendant support system required to improve the financial resource allocation decision making process.

2.3.2 Study goals

In order to achieve the study aims, a further refinement of the study intent into study goals was effected. The study had five distinct but directly related major goals. These were as follows:

- Firstly, it seeks to develop a model that will generate a wide range of organized data needed to inform whatever allocation approach is adopted;
- Secondly, this model must also be capable of managing a large funding organisation's resource allocation process;
- Thirdly, it seeks to conduct a sophisticated statistical analysis of the data generated by the model in conjunction with other regional data to better underpin the developmental agenda set out in the country's social policies (particularly its funding policies);
- Fourthly, it attempts to determine the financial management characteristics of the Community Chest beneficiary organisations and their perceptions of and need for funding; and
- Lastly, to determine the degree to which financially literate volunteers could be harnessed to improve the Community Chest's financial resource allocation decision making process by enhancing the financial knowledge and skills of financially underdeveloped beneficiary organisations.

2.3.3 Study objectives

In order to realize the study goals, a further refinement of these into subservient objectives was required. The resultant study objectives are listed in classified format (*conceptual, descriptive, design and*

development, operational, analytical, developmental and outcome objectives) below.

2.3.3.1 In order to locate and begin to address the various vexing issues alluded to thus far, a number of *conceptual* goals were formulated to conceptualize:

- A holistic and feasible solution to erroneous resource allocation decision making;
- The design, development and implementation of an automated resource allocation decision making model;
- The link between beneficiary organisation capacity and perception to the automated model of financial resource allocation decision making;
- A manner in which beneficiary organisation incapacity can be addressed; and
- Further development of this study beyond its present brief.

2.3.3.2 To realize the above objectives, a number of *descriptive* objectives were articulated to describe:

- Past and present South African welfare funding policies;
- Resource allocation process of the Community Chest (manual and automated systems);
- The financial acumen and funding needs of beneficiary organisations of the Community Chest; and
- The characteristics and willingness of financially literate volunteers to assist underdeveloped beneficiary organisations of the Community Chest.

2.3.3.3 In order to address the flaws that would arise in realizing the descriptive objectives, *design and development* objectives were formulated to:

- Design a robust automated financial resource allocation decision making model; and
- Ensure the development of the automated financial resource allocation decision making model.

2.3.3.4 To complement the design and development objectives, appropriate *operational* objectives were formulated to:

- Test the automated financial decision making model in terms of accuracy, validity and stability and correct any malfunction; and
- Fully implement the model over a five-year period and correct any malfunctions and improve on design limitations.

2.3.3.5 Should the objectives enumerated above be met, a number of important *analytical* objectives could be addressed. These were to analyze:

- Former and present South African welfare funding policy frameworks and operations;
- Other major statutorily determined South African funding policy frameworks and operations;
- Community Chest beneficiary organisations' funding strategies, financial acumen and sustainability;
- Volunteer support and motivation to assist grassroots organisations to improve funding capacity and financial forecasting;
- Select past, present and projected service activity of beneficiary organisations on an inter-/intra organisation, inter-/intra magisterial district and inter-/ intra regional basis;

- Select past, present and projected financial activity of beneficiary organisations on an inter-/intra organisation, inter-/intra magisterial district and inter-/ intra regional basis;
- Select past, present and projected human resources activity of beneficiary organisations on an inter-/ intra organisation, inter-/intra magisterial district and inter-/intra regional basis; and
- Select past, present and projected funding patterns on an inter-/intra organisation, inter-/intra magisterial district and inter-/intra regional basis.

2.3.3.6 Based on the above-mentioned objectives, a number of *developmental* objectives should be attainable. These were as follows:

- To more equitably and accurately target funding in terms of pertinent priorities of social need; and
- To improve underdeveloped organisations' financial knowledge and skills in order to improve their access to funding.

2.3.3.7 In conclusion, once all the above-mentioned objectives have been realized, a number of *outcome* objectives could be achieved as follows:

- To monitor the continued use of the financial resource allocation decision making model in order to improve, expand and modify its capability for use by the Community Chest or other funding agencies;
- To determine a set of welfare human resource cost norms on a regional and sectoral basis;

- To determine a set of service cost norms on a regional and sectoral basis;
- To determine new funding patterns for the Western Cape on a regional and sectoral basis; and
- To develop a proposal on the use of financially literate volunteers to develop the financial acumen of financially underdeveloped beneficiary organisations of the Community Chest.

2.4 Study outcomes

As the first study of its kind in South Africa and to the writer's knowledge, the first of its kind worldwide, the import of the study cannot be minimized. While the study focuses on the Western Cape, the issues studied are similar to those found throughout South Africa. Hopefully, the results will be of major significance in determining the country's future funding policies (both nationally and locally).

The Community Chest of the Western Cape has successfully adopted the automated model and has at the time of writing completed the fifth year of use – complete data sets for a five-year period are now available to better inform whoever seeks such information.

The interest displayed in the financial resource allocation decision making model (including that from the corporate sector) will be pursued in an attempt to have it adopted by a wider range of funding agencies. Modifications to suit such divergent organisations are, given the modular design and common usage of the software package, eminently possible.

One of this study's recommendations, based on the assessment of beneficiary organisational need and the feasibility of engaging financially literate volunteers to impart of their financial knowledge, is to link volunteers with financially

underdeveloped beneficiary organisations in order to improve their financial knowledge and skills. This will result in better access to funding and add immeasurably to the efficiency of the financial resource allocation decision making model.

It is anticipated that funding agencies that adopt the model will benefit from improved financial resource allocation decision making. As a consequence, this should benefit those that are at the receiving end of the funding (service providers) and their beneficiaries (communities). Thus, while primarily an applied academic exercise, the outcome of this study could benefit numerous funding agencies, which in turn benefit the welfare sector and hence South African society in general.

2.5 Organisational locus

This study was located at the head office of the Community Chest of the Western Cape, based in Cape Town. As the oldest funding agency of its kind in South Africa, it was established in 1928 by a group of Rotarians and other civic-minded Capetonians who were concerned about the lack of funding for the then-called charities in Cape Town.

The Community Chest has multiple registrations. In terms of the Nonprofit Organisations Act, 1997 (Act 71 of 1997), it is registered as a non-profit organisation (RSA, 1997a). As the South African Revenue Services approved it as a Public Benefit Organisation in terms of Section 30 of the Income Tax Act, 1996 (Act 36 of 1996) it has also registered in terms of Section 18A of the said Act in order to benefit from tax exemptions granted to donors to the Community Chest (RSA, 1996a).

It is affiliated to the America-based and international United Way – last year the combined United Ways of America (1 350) raised \$3.9 billion and was ranked first in the Philanthropy 400 rankings (Hall, et al, 2005: 1).

The organisation's *raison d'être* is "The alleviation of poverty, By adding human value and human resource, to make a Positive impact on the Community." (Community Chest, 2005: 1). The organisation's nature of business is described as follows:

The Community Chest develops and facilitates philanthropy through partnerships with a wide range of donors and social development organisations. We act as an objective and professional community partner to ensure accountable utilization of donor resources. We provide services and advice to enhance the management, financial and skills capacity of more than 520 Non Governmental and Community based organisations in the Western and Southern Cape that are engaged in social development. (ibid, 2005a: 3).

Managed by a Board of 17 members and a small three-person Executive Committee, it has nine standing committees that oversee the various activities of the Community Chest. These range from finance and fundraising to human resources to grant management (formerly allocations). It currently employs 29 full-time staff and relies on a huge volunteer force (9 000 in the case of the annual carnival). A newly-proposed structure for the organisation is reflected in Attachment 1.

During the past financial year (2004/05) the Community Chest reflected a total revenue of R16 266 433 – donations and trust and legacy income accounted for some 71 percent of total income (ibid, 2005:7). The bulk of the organisation's management and administrative costs are borne by a trust established many years ago for this purpose. Thus most of the funds it raised are distributed amongst its beneficiary organisations.

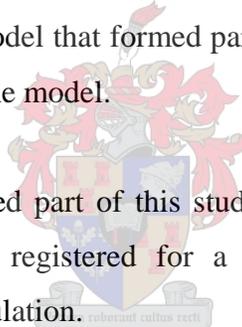
As one of the oldest funding agencies in South Africa, it has had many years to develop a resource allocation process. The Grant Management Committee consists of a number of volunteer professional accountants and social workers. These volunteers are supported by the paid staff of the Community Chest that includes social workers and other professionals. This combination of financial as well as social development expertise results in healthy interrogation of applications for funding.

Given its history, its branding in Cape Town is well-known. Over the years it has also built up a sizable number of members in both its beneficiary and donor constituencies. One of the two surveys conducted as part of this study was based on the beneficiary organisations of the Community Chest.

Given its expressed eagerness to become more responsive to the social needs of the Western Cape and its willingness to embrace innovative technologies that would be supportive of this aspiration, it unlike many other change-resistant funding agencies, fashioned the perfect organisational locus for the study.

As a consequence of this study, the Community Chest now manages the financial allocation process by means of the designed and developed financial resource allocation decision making model that formed part of this study – see chapter 5 for a more detailed description of the model.

The second survey that formed part of this study was located at the University of Cape Town where students registered for a 200-level course in Management Accounting served as the population.



2.6 Terminology and nomenclature

It should be noted that in policy documents, legislation and other literature a number of terms are used interchangeably. This also pertains to verbal communication within the various defined sectors listed below. In South Africa for instance, the distinctions between the non-governmental, non-profit, community-based, private and voluntary organisations are often blurred.

Furthermore, as most welfare organisations are private, voluntary, non-profit, non-government and could also include Section 21 status, they are, depending on the source, also variously labeled. Added to this documentary source of problematic

interchangeability are the widely-differing definitions of terms and concepts that emanate from verbal communication sources. The different spelling of concepts, terms and words added to this dilemma – for instance ‘non-profit’ is variously spelt or termed ‘Non-profit’, nonprofit, ‘not for profit’, respectively.

While the study relies on standard terms, albeit confusing, these commonly-found and used terms are defined. Given the technical nature of the study, a number of less common terms and newly-coined nomenclature are also defined. Given the above, the writer’s definition of standard concepts, terms, abbreviations and acronyms as also technical terminology and nomenclature coined for the purposes of this study are presented as they pertain to this study.

2.6.1 Standard terms and concepts:

- *Community-based organisation:* Any organisation that meets the definition of non-profit and non-government that is relatively small, has strong community support and whose services are limited to a relatively small geographical area or a specific component of a given community.
- *Database:* A database is a collection of related data items that are stored in a format that allows for selected information retrieval in various levels of organisation. In the case of this study, it relates almost exclusively to an automated database (computerized or also referred to as electronic).
- *Funding agency:* Any organisation whose purpose is to either fundraise or generate income by some other means that is disbursed to third sector organisations. Such agencies could be found in the government sector, corporate (business or private), or third sector.
- *Non-governmental organisation (NGO):* Similar to a non-profit organisation and community-based organisation, it is a voluntary not

for gain association that espouses a commonly-held cause or mission. With the introduction of registration in terms of the Nonprofit Organisations Act, 1997 (Act 71 of 1997), the term NGO is steadily being replaced by that of the NPO.

- *Non-profit organisation (NPO)*: These are all organisations that are constituted to give effect to a commonly-held cause or mission that is devoid of the profit motive but in the public interest. Most such organisations can also be defined as voluntary or private and whilst not obligatory, most are registered in terms of the Nonprofit Organisations Act, 1997 (Act 71 of 1997) in order to access certain funds (RSA, 1997a).
- *Norms*: Standards, patterns or trends of behaviour, occurrence or values that represent the significant majority of the population from which such norms emerge.
- *Section 21 Company*: An organisation registered in terms of Section 21 of the Companies Act, 1973 (Act 61 of 1973) as an association not for gain – a non-profit company (RSA, 1973).
- *Third sector*: This sector is constituted by all organisations that are excluded from the government and private (for profit) sectors. These include all voluntary, non-profit, non-government, community-based and faith-based organisations.
- *Voluntary sector*: This includes all organisations that are independent, voluntarily constituted to espouse some social cause and who rely primarily on voluntary contributions (financial or in kind) for survival.
- *Welfare (or private welfare) organisation*: This includes any form of organisation here defined (voluntary, non-profit, non-

government and community-based) whose purpose is to provide a welfare service, irrespective of the type of welfare service rendered.

2.6.2 Abbreviations and acronyms:

- AFS: Audited financial statements
- NDA: National Development Agency established in 1998 in terms of the National Development Agency Act, 1998 (Act 108 of 1998) as a public entity listed under schedule 3A of the Public Finance Management Act, 1999 (Act 1 of 1999) (RSA, 1998, 1999).
- Lotto: The South African National Lottery founded in 1999 in terms of the Lotteries Act, 1997 (Act 57 of 1997) (RSA, 1997b).

2.6.3 Nomenclature as applied to study:

- *Beneficiary organisation*: An organisation that has been granted membership in terms of the constitution of the Community Chest of the Western Cape – see Attachment 2. It should be noted that such membership implies neither that the organisation is in receipt of Community Chest funds nor that it is necessarily entitled thereto.
- *Financial resource allocation*: A process of rational decision making that is informed by the total amount for allocation, funding policies and criteria, and a permutation of organized data to determine which of the competing entities (or funding applicants) will benefit, by which financial amount, in what form (once-off or in tranches), by which date and on what conditions.
- *Financially literate volunteer*: Any person who has financial (accounting) knowledge and skills and that is prepared to volunteer his or her time to improve the financial (accounting) knowledge and skills of financially underdeveloped beneficiary organisations

through a form of mentorship. In the case of this study students registered for a 200-level course in management accounting at the University of Cape Town constituted this typology. The intention was to utilize their services when they were in their third year of study, namely 2006.

- *Financially underdeveloped beneficiary organisations:* Mostly these include small, community-based (informal) organisations that do not have access to financial (accounting) knowledge and skills which constrain their financial management ability and access to funding.
- *Investment strategies:* In a number of writings authors refer to expenditure in the third sector as an investment and not expenditure. The basis of this argument is sound – money is not spent on improving the social and economic functioning of individuals, groups or communities, rather money so directed is an investment that produces a dividend, the desired improvement. An investment strategy is thus a plan to fund services that includes both the tactics employed to generate revenue and the mechanisms used to distribute such income.
- *Model:* A model is a complex automated analytical instrument that uses specified criteria and conventions to convert raw data into authentic or extrapolative organized data to better inform decision making.

2.7 Conclusion

In post-apartheid South Africa, all citizens have rights enshrined in the country's constitution. While the government's approach to social service funding is

developmental in nature, development needs of communities are seldom accurately assessed and funds are not adequately steered in pre-determined areas of need.

South Africa has high levels of poverty and attendant social ills. In order to address these needs and to meet a backlog of service delivery built up over a number of years, substantially more social services will have to be rendered. While a large number of welfare or non-profit organisations provide social services, many of these are reputedly informal, less sophisticated and despite their important role in combating poverty and the ravages of HIV/AIDS, are outside of the formal funding loop.

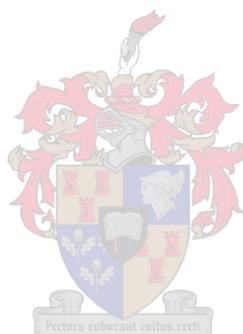
While a number of organisations derive their income from a variety of sources such as the government and funding agencies, the allocation criteria used by the various sources of welfare funding vary enormously and are largely based on past, rather than on future needs and services.

There is a dearth of data on welfare services that could be used to better allocate resources and better manage the sector. There were thus compelling reasons to conduct a study of this nature and to develop an appropriate model that could provide a wide range of organized data to better inform the financial resource allocation decision making process.

Consequently, the intention of this study was to design, develop and implement an automated financial resource allocation decision making model to both manage the funding process of the Community Chest and to allow for a sophisticated statistical analysis of the data it garnered during normal operations. The Community Chest was chosen as the locus of the research because of its willingness to be part of this study and for the benefits that would derive from the study.

It also aimed to determine the financial management characteristics of beneficiary organisations and their funding issues. Lastly, it aimed to determine the degree to

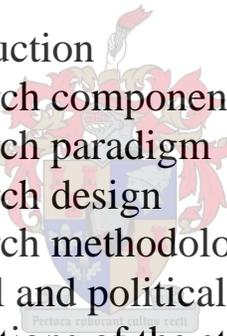
which financially literate volunteers could be harnessed to improve the Community Chest's financial resource allocation decision making process through enhancing financial knowledge and skills of financially underdeveloped beneficiary organisations.



Chapter 3

Research configuration

Contents:

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- A faint watermark of a university crest is visible in the background of the table of contents. The crest features a shield with a cross, a crown on top, and a banner at the bottom with the Latin motto "Pectora cunctisq; cultus recti".
- 3.1 Introduction
 - 3.2 Research components
 - 3.3 Research paradigm
 - 3.4 Research design
 - 3.5 Research methodology
 - 3.6 Ethical and political considerations
 - 3.7 Limitations of the study
 - 3.8 Conclusion

*Oh! Rather give me commentators plain,
Who with no deep researches vex the brain,
Who from the dark and doubtful love to run,
And hold their glimmering tapers to the sun.*

[George Crabbe: The Parish Register, I. introduction, 89]

3.1 Introduction

Alas, given the complexity of this study the writer could not offer “...commentators plain, Who with no deep researches vex the brain...” However, the writer did not from “...the dark and doubtful run...” but rather held a glimmering taper to illuminate the complexities that otherwise could vex the brain.

This chapter reflects the manner in which effect was given to the conceptualization of the study as presented in Chapter 1. As mentioned in the said chapter, this study is more multifaceted and complex than is customary at this level of research. As such, this research endeavour’s multi-componentry and the various methodologies employed, are presented.

While a number of sources on social, policy and organizational research were consulted (among other, Babbie and Mouton, 2001; Baldock, Manning, Miller and Vickerstaff, 1999; Bryman, 1989; Bulmer, 1978; De Vos, 1998; Dunn, 1981; Grinnell, 1988; Hill and Bramley, 1986; Lehman, 1991; Leach and Stewart, 1982; Leary, 1990; Mayer and Greenwood, 1980; and Mouton and Marais, 1988), in parts this study has an uneasy fit with the conceptual moulds proffered in the mentioned texts.

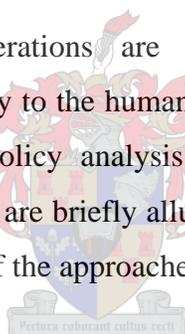
Consequently, where apposite, this study is outlined primarily in the form presented in the comprehensive and seminal work of Babbie and Mouton (2001). It does however break ranks with their conventional notions of research to conceptualize the author’s notion of a research paradigm that better fits the form of this study. Given that the study is comprised of four components, each will, where appropriate, be dealt with independently.

The manner in which effect was given to realizing the study intent as set forth in Chapter 2 will be expanded upon to better reflect the intent of the various but related research approaches adopted.

The research paradigms that best reflect this study are identified and discussed for each of the research approaches adopted. Primarily this is the quantitative paradigm augmented by a version of the participatory action research paradigm. The research design reflects the overall design adopted for the study and the specific designs of the various approaches. It sets out the research parameters in terms of the nature and type of study planned, the research issues and the information required to address the issues raised.

The research methodology sets out the research activities undertaken in order to meet the research design considerations. The research tools employed by the approaches adopted for the study are also enumerated.

Ethical and political considerations are addressed. The required ethical considerations are limited mostly to the human participants of the two surveys. The political implications of the policy analysis and subsequent critique of current funding policies and procedures are briefly alluded to. In conclusion, the limitations of the study are listed for each of the approaches adopted.



3.2 Research components

In order to give comprehensive effect to the research intent, a number of stand-alone but integrally related research activities were embarked upon. This research endeavour consisted of the following four major but related components:

- The design and development of an automated financial resource allocation decision making model for the Community Chest;
- The analysis of a wide range of organized data produced by the model to better inform funding decision making;
- A survey of beneficiary organizations of the Community Chest to determine their funding and financial management practices; and

- A survey of select second year accounting students at the University of Cape Town to determine the feasibility of utilizing their financial knowledge and skills to improve financial resource allocation decision making.

Although an analysis of funding policies is included in Chapter 3, the limited nature of its extent precluded it from constituting a further or fifth component, that of policy analysis. For presentation purposes the first component (the design and development of the model) is dealt with comprehensively in Chapter 5 whereas in this chapter the research components regularly referred to are limited to the analysis of data generated by the model and the two surveys.

In order to address the complex and extensive research conundrum posed by the above components, more than one research paradigm and various methods had to be adopted to better understand the nature and relationships of various organizational and human constituencies.



3.3 Research paradigm

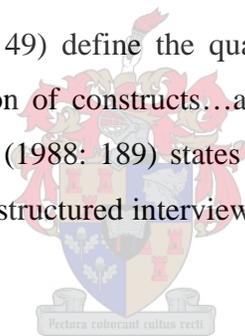
Unfortunately, there are a number of interpretations of what constitutes, and how research is, and should be constructed. Various authors have over the years proffered different conceptualizations and definitions – Babbie and Mouton (2001: 63) concede that the research field is “...already beset by numerous overlapping terms and conceptual confusion...” They state that social research has been dominated by three broad methodological paradigms, namely the quantitative, qualitative and participatory action research paradigms (ibid: 49). In their approach, action research is related to participatory action research (ibid: 63).

Differing from this conceptualization of methodological paradigms, Bryman (1989: 28) rather distinguishes between research design and methods of data collection but also concedes that “...it is not always easy to sustain the distinction...”

He states that, "...Experiment...Survey...Qualitative research...Case study...and Action research" constitutes research designs (ibid: 29). Epstein (1988: 185) further extends this lack of research conceptual clarity by referring to quantitative and qualitative methods as opposed to paradigms or designs as conceptualized by Babbie and Mouton and Bryman, respectively.

So in some texts concepts are treated as a research paradigm and in others as a research design consideration or under the heading of research methods. For this reason the writer presents his understanding of research – this fortunately follows closely to that proffered by Babbie and Mouton. Notwithstanding the differing conceptualizations and interpretations, pivotal to this study are the quantitative paradigm and derivatives of the participatory action research paradigm.

Babbie and Mouton (op cit: 49) define the quantitative paradigm as having "An emphasis on the quantification of constructs...assigning numbers to the perceived qualities of things." Epstein (1988: 189) states that "Quantitative research studies tend to utilize social surveys, structured interviews, self-administered questionnaires, census data, and the like."



In defining action research, Bryman (op cit: 30) states that:

In action research, the researcher is involved, in conjunction with members of an organization, in dealing with a problem that is recognized as such by both parties. The researcher feeds information about advisable lines of action back to the organization and observes the impact of the implementation of the advised lines of action on the organizational problem. In a sense, the researcher becomes part of the field of investigation.

De Vos, Schurink and Strydom (1998: 9) introduce another dimension with the concepts of intervention research and developmental research by stating that:

Intervention research is a concept which grew from the collaboration between the two major pioneers in the field of developmental research, Edwin J. Thomas and Jack Rothman. Developmental research here denotes the development of a technology, or better termed, technological item essential to a profession such as medicine, nursing, psychology or social work.

Further, they state that, "...to develop technology in the human service professional fields requires a special type of research, mainly akin to the developmental research undertaken in the fields of engineering and business, and adapted to the needs of the human professions such as social work and others..." (ibid: 10-11).

For them, "Intervention research...is targeted to address the practice application of research." (ibid: 11). They continue by identifying three types of intervention research as follows:

- Empirical research to extend knowledge of human behaviour relating to service intervention – referred to as intervention knowledge development, or KD
- The means by which the findings from intervention knowledge development research may be linked to and utilized in practical application – referred to as intervention knowledge utilisation, or KU
- Research directed towards developing innovative interventions – referred to as intervention design and development, or D&D. (ibid).

They conclude that while the types listed differ in terms of objectives and methods employed, all constituted applied research, the mission being to intervene.

While linked primarily to the positivist metatheoretical tradition, the quantitative paradigm underpins virtually the entire study. The emphasis in this study is almost entirely based on quantification – in both surveys (beneficiary organizations and accounting students) conducted and in the analysis of data generated by the organizational database.

However, in the case of the design, development and implementation of the organizational database, a case could be made for the inclusion of a minor role for participatory action research paradigm, or a derivative or relation thereof. If viewed through the different lenses of time, any of these paradigms (action, developmental or intervention) could be applied to this study.

However, with the lens of hindsight, the best fit, if indeed required, will be that of developmental research. However, equally at home would be the design and

development paradigm if applied to organizational constituencies instead of client populations, its most common application.

In summary, in this study the primary research paradigm adopted is quantitative, the secondary (and minor) being the developmental research paradigm. The latter could easily be construed as a refinement of the former, though the research literature has not yet made this logical connection.

3.4 Research design

“A research design is a plan which includes every aspect of a proposed research study from the conceptualization of the problem right through to the dissemination of the findings.” (Grinnell and Stothers, 1988: 219). Fouché and De Vos (1998: 124) in quoting Hyshamen state that the research design is a plan or blueprint that, “...offers the framework according to which data are to be collected to investigate the research hypothesis or question in the most economical manner.” Babbie and Mouton (op cit: 74) state that “A research design is a plan or a blueprint of how you intend conducting the research...” and that research design and research methodology “...are two very different dimensions of research.”

Babbie and Mouton (ibid: 73) state that “All research commences with the identification and clear formulation of a research problem. The research problem is often formulated...in the form either of a research question or a research hypothesis.” De Vos (1998: 115-116) agrees with this sentiment by stating that “Research always commences with one or more questions or hypotheses. Questions are posed about the nature of real situations, while hypotheses are statements about how things can be.”

In the case of this study, both research questions and hypotheses are formulated and postulated respectively. Overarching the entire study, various strategic empirical research questions are formulated as follows:

- Exploratory
 - How can the effectiveness and efficiency of the Community Chest's financial resource allocation decision making procedure be improved through automation; and
 - How feasible would it be to utilize accounting students to assist in improving the financial resource allocation procedure of the Community Chest;
- Descriptive
 - What are current service and human resource cost norms of beneficiary organizations of the Community Chest;
 - What are current funding patterns of beneficiary organisations of the Community Chest;
 - What is the current status of funding and financial management in beneficiary organizations of the Community Chest;
 - What are the causes of financial insecurity in beneficiary organizations of the Community Chest; and
 - What has been the success of national and provincial funding policies over the past few decades?

Subservient to these strategic research questions the following hypotheses were postulated for testing against data gathered from the resource allocation model and the two research surveys conducted:

- Incongruity exists in unit service costs at intra- and inter organizational, sectoral and geographical echelons;
- Incongruity exists in human resource costs at intra- and inter organizational, sectoral and geographical echelons;

- The majority of the beneficiary organizations of the Community Chest experience financial hardship because of dwindling income and/or poor fundraising abilities;
- The financial management acumen of many of the beneficiary organizations of the Community Chest is not up to standard; and
- It will be feasible to utilize University of Cape Town management accounting students' financial knowledge and skills to improve financial resource allocation decision making.

Babbie and Mouton (op cit: 76) classify research designs in terms of empirical/non-empirical, primary/secondary empirical data (primary data designs versus secondary data studies) and numeric data/textual data. This was an empirical study that employed a primary data design – the surveys and the resource allocation model. Arguably, it was also a secondary data study as it analyzed existing numeric data generated by the resource allocation model. Rubin (1988: 325-326) states that:

...secondary analyses are a research method in which we can analyze or reanalyze available data collected by others rather than collecting data ourselves. However, secondary analyses do not refer to multiple analyses conducted on data we have already collected as part of our own study. The key point here is that data collection must predate the formulation of the specific study which uses those data”.

To add complexity to this study, data analyzed was sourced from data collection that did and did not predate the formulation. The data generated by the newly-developed model could be primary data as this had not previously been generated. However, given that the data analyzed was based on five years of data that was used operationally in the resource allocation process at the Community Chest it will for purposes of this study be considered as existing data. It is interesting to note that the use of secondary analysis is becoming more common-place –

...a major development stimulating increased use of secondary analyses has been the proliferation in social service agencies of Management Information Systems (MIS) which utilize computer technology to process, store, retrieve, and analyze extensive data collected routinely...The advent of MIS has made the use of secondary analyses very common among social workers (ibid: 326-327).

Babbie and Mouton (op cit: 79) state that for social research “...the most common and useful purposes are exploration, description, and explanation.” Based on the exploratory and descriptive research questions formulated earlier, this study adopted both exploratory and descriptive designs. In the case of the exploratory design, the nature and structure of an existing manual allocation process and its impediments was explored. Through discussions, analyses and observations a new automated model was designed, developed, tested and modified. Throughout this process exploratory data was gathered.

True to the nature of research, this exploratory data lead to the development of the two surveys in order to address some of the major difficulties discovered during this exploratory phase of the research. Exploratory studies are expected to do just that – identify areas that need further exploration and/or a more focused descriptive design.

The survey of accounting students also employed the exploratory design as no existing data exists to indicate such students’ willingness to assist organizations with their financial management.

Once implemented and allowed to function for five years to gather sufficient data and to improve imperfections, the analyzed data the model generated was descriptive in nature. This was precise and accurate numerical data that accurately and precisely described a range of financial, service, human resource and geographical characteristics. Similarly, the survey of beneficiary organizations of the Community Chest described a wide variety of situations, events, processes, perceptions and characteristics of the organizations.

The units of analysis included organizations and individuals. The resource allocation model provided a wealthy database of organizational information for analysis. Similarly the survey of beneficiary organizations of the Community Chest provided valuable organizational data to complement that provided by the resource allocation

model. The accounting student survey unit of analysis was restricted to individuals, the students.

Lehman (1991: 27) states that “A survey is a technique for collecting information on a range of variables rather quickly by using a standard data-collection form...[the] ...aim is to determine current attitudes and opinions.” Babbie and Mouton (op cit: 263) indicate that “Surveys are particularly useful in describing the characteristics of a large population...[and]...offers the possibility of making refined descriptive assertions...” Mindel and McDonald (1988: 305-306) identify two survey design options; a cross-sectional survey design which collects data at a single point time and the longitudinal survey design which allows for data collection on a number of occasions.

The longitudinal survey design consists of trend studies and cohort studies. Trend studies determine trends over a period in time whereas cohort studies measure changes to subpopulations over time. This study relied primarily on the cross-sectional design as both surveys collected data at one point in time. Much of the analysis of data provided by the resource allocation model was also time-fixed. However, the model also allowed for analysis of data over a five-year period in order to determine trends – in this case the trend studies design was adopted.

3.5 Research methodology

As stated in 3.4 above, some authors are at pains to indicate that there is a fundamental difference between research design and research methodology. However, these differences are often not clearly articulated in the research literature, though Babbie and Mouton (op cit: 75) make an attempt by stating that research methodology “Focuses on the research process and the kind of tools and procedures to be used.” As such, the writer deemed research methodology to include the

following processes engaged in and the methods (techniques or tools) employed to give effect to the study aim:

- The process followed in executing the research;
- The population and sampling techniques adopted;
- The methods of data collection employed;
- The research instruments developed; and
- The procedures adopted to analyze data.

The abovementioned methodological processes and methods are presented for each of the three main components of the study.

3.5.1 Research process

Ab initio, it was clear that the study would be more complex than a single design study. In keeping with the characteristics of developmental research, for every probe, at least another one reared its head. Given, the import of developing a successful model for financial resource allocation decision making, the lure of further probing proved difficult to forbear.

As a result, what was initially conceptualized as the development of a model and the analysis of the data it generated, was later extended to include two new components, namely the surveys of attitudes and perceptions of beneficiary organizations of the Community Chest and second year University of Cape Town accounting students.

In order to give effect to the study aims as indicated in Chapter 2, the study started with an in-depth analysis of the existing manual model of financial resource allocation decision making in use at the Community Chest – see Attachment 3 for the model systems analyses activity checklist. Based on this analysis, a detailed systems analysis was conducted in keeping with information technology conventions. Based on this systems analysis, a

detailed system specification was formulated and given to a computer specialist to code – a database using Microsoft Access software.

Throughout this process, consultations were held with the intended user (the Community Chest) and the computer specialist. This was to test innovations and to improve or modify design specifications. Throughout this five-year period the envelope of potential applications was continuously enlarged.

The model prototype was introduced in late 1999 and became fully operational by the end of 2000, albeit with some technical glitches. Subsequent to the inception various modifications and improvements have been effected on an on-going basis. The model is currently fully operational and meets all system specifications – it is more ingenious than intended.

Based on data organized by the model and analyzed by the writer, two new areas of enquiry begged inclusion. Firstly, the data indicated that the financial management acumen and the revenue activities of the beneficiary organizations of the Community Chest were unsound. These largely annulled the improved benefits derived from the newly-developed financial resource allocation decision making model. Thus if the model was to be effective, the degree and extent of such organizational impediments to improved revenue and financial management had to be determined.

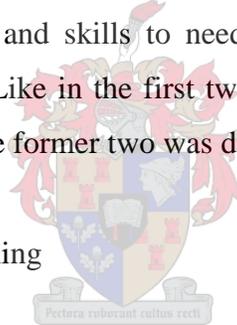
As a result, a comprehensive survey of beneficiary organizations of the Community Chest was conducted to determine a wide range of data on particularly funding and financial management. In keeping with the software and design conventions of the database serving the allocation model, a database was designed to capture the results of the survey. This form of data capture, while more costly and complex, allowed for extensive

data sharing between what effectively became two complimentary relational databases.

Based on an analysis of data garnered from both the resource allocation model and the survey, a further need arose. A source of assistance had to be found to address the need for improved financial management of beneficiary organizations of the Community Chest and to improve on the data integrity to be captured by the resource allocation model – accurate input data is crucial to its successful operation.

Thus the fourth and last component of the study was a survey of students registered for a 200-level course in management accounting at the University of Cape Town to determine their preparedness to volunteer their financial knowledge and skills to needy beneficiary organizations of the Community Chest. Like in the first two cases, a database in keeping with the conventions of the former two was developed to capture the results.

3.5.2 Population and sampling



Much has been written on sampling and sampling methods – virtually every book written on research devotes at least one chapter to deal with the topic. In some a distinction is made between the concepts of universe and the population (Strydom and De Vos, 1998: 190) whereas in others no distinction is made (Seaberg, 1988: 241). At issue is the need for a clear and unambiguous definition of the whole that constitutes the respondents (subjects) as a single entity. For the purposes of this study the most commonly-used term “population” is used for all three components of the study.

Sampling on the other hand is the process used to select a number of respondents (the sample) for investigation in a manner that will, depending

on method of sampling used, determine the degree to which a sample accurately reflects the characteristics of the population from which the sample was drawn. Lehman (1991: 219) is at pains to point out that a sample is "...a *subset* of a *population*...[and]...that nothing in the definition of *sample* says anything about whether a sample is representative of the population – ...the definition of a sample doesn't imply anything about how a sample was selected."

At issue here is the degree to which the sample accurately reflects the numerical characteristics (parameters) of a population – mean, median and measures of standard deviation (ibid). In a bid to improve this accuracy inferential statistics are employed.

Most writers also refer to the most common types of sampling: probability and non-probability – the former being a more reliable form of ensuring that the sample is representative of the characteristics of the population. Probability sampling allows for margins of error to be accurately calculated thus enabling relatively accurate determinations of how sample data are likely to deviate from that of the population.

Popular forms of non-probability sampling in social work include availability, purposive, convenience and snowball sampling where the sample is constituted from a population on a non-probability basis which is based on ease or availability of participants. Non-probability forms of sampling substantially reduce the accuracy of reflecting the characteristics of the population from which the sample was drawn.

It is self-evident that studying a sample is less effort intensive than studying the whole population. Given the correct non-probability sampling techniques and appropriate use of inferential statistics, the predictive

accuracy that can be ascribed to a population on the basis of the sample analysis can reach high levels.

Bryman (1989: 111) contends that larger samples “...stand a greater chance of providing a representative sample...[and]...the more heterogeneous the population, the larger the sample...to encapsulate that variety.” It will however never be a one hundred percent correct reflection. Leary (1990: 82-83) states that:

Only if we have a representative sample can we draw accurate inferences about the population from data obtained on the sample. Unfortunately, samples rarely mirror their parent populations in every respect. The characteristics of the individuals selected for the sample almost always differ somewhat from the characteristics of the general population. This difference, called sampling error, leads to results that differ from what would have been obtained had the entire population been studied.

In social research, the population very rarely constitutes the “sample” – the time and cost implications being the biggest deterrent. However in this study, despite the time and cost implications the populations identified and defined for the three components, constituted the samples. There were a number of considerations that influenced this decision, among other:

- It was a more accurate reflection of the characteristics of the respective populations studied than could have been obtained through sampling;
- The complex design of the allocation model and its myriad tables and data fields would have required numerous and painstaking stratified random samples to accurately reflect time, sector, service, staffing, financial and geographic data parameters;
- Having been operational for some years the resource allocation model contained full data sets for all tables and data fields listed above;

- The computing strength of the hard- and software used was more than a match for the complex permutations of numerical computations; and
- Importantly, the data gathered from the surveys would constitute an important adjunct to the data contained in the resource allocation model – this would allow for additional multifarious analysis at a later stage including correlation studies.

Thus for the purposes of this study, the populations as defined below also constituted the samples:

3.5.2.1 *The financial resource allocation decision making model*

In the case of the allocation model, all beneficiary organizations of the Community Chest that had received a financial allocation between the 1999 to 2005 financial years were included. Should an organization only have received one allocation it formed part of the population for that particular financial year. The number of organizations varied from year to year with 500 in 1999, 350 in 2005 and an average of 400 for the period 1999 to 2005.

3.5.2.2 *The beneficiary organizations of the Community Chest survey*

All beneficiary organizations of the Community Chest that had been awarded a grant by September 2004 for the 2004/5 financial year formed the population and were included in the survey – they numbered 376 organizations. These organizations included all fields of service funded by the Community Chest with the exception of a few organizations that constituted the HIV/AIDS category whose applications had not been finalized by that date.

3.5.2.3 *The accounting students survey*

All students who attended tutorial sessions during the last week of their semester course on management accounting (a 200-level course) at the University of Cape Town formed the population surveyed – they numbered 234 students.

3.5.3 Data collection methods

3.5.3.1 *The financial resource allocation decision making model*

As a fully operational relational database that is used in the allocation of financial resources and management of information on beneficiary organizations of the Community Chest, it was host to a myriad of data items. All data contained in this database was gathered from the application process to become a beneficiary organization of the Community Chest and the subsequent annual funding application process which included the submission of detailed financial statements – see Attachment 2 for copies of the data capture forms. This data was captured on an on-going basis by the data capture clerks employed by the Community Chest.

3.5.3.2 *The beneficiary organizations of the Community Chest survey*

The survey format was adopted to collect data from beneficiary organizations of the Community Chest. According to Mindel and McDonald (op cit: 303) “The survey is probably the best data-gathering method available to us if we require data about a population too large to be directly observed or personally interviewed.” Given that beneficiary organizations of the Community Chest numbered in the hundreds and were spread throughout the Western Cape, the survey method proved the most apposite.

All organizations were mailed a self-administered survey questionnaire with detailed instructions and a self-addressed envelope. Three experts were available throughout the survey period to respond to respondents' queries.

Mindel and McDonald (ibid: 307) state that:

The self-administered questionnaire has a clear advantage regarding cost since interviewers do not have to be trained and paid to conduct the interviews. Other advantages to this approach include convenience for the respondent as to when the questions are answered and anonymity in responding to sensitive topics.

However, they also state that a major disadvantage of the self-administered questionnaire is the tendency of low response rates. They consider a response rate of 50 percent as adequate, 60 percent as good and 70 percent or more as very good (ibid).

Fortunately in the case of this survey a 'good' response rate of 64.36 percent was achieved. By the return date, 242 out of the 376 survey questionnaires had been returned. This represented a wide range of welfare/NGO-type organizations operating throughout the Western Cape Province. While a couple more were received after the return date, these were not processed. All questionnaires were given to a data capture clerk who captured the data in the mentioned database.

3.5.3.3 *The accounting students survey*

The survey format was also adopted for the accounting students survey. The large number that constituted the population and the varying times that they had tutorials necessitated a more manageable data gathering method. The survey had to be anonymous as not to have academic staff influence student

responses. Further, it had to be relatively non-time consuming for students to participate. The survey method met these criteria best.

The students identified in the population were given a self-administered questionnaire during a tutorial and collected from them later. Out of the 234 self-administered questionnaires handed out, 207 were returned. This represented a response rate of 88.46 percent or 'very good' in terms of Mindel and McDonald's definition.

All questionnaires were given to a data capture clerk who captured the data in the mentioned database.

3.5.4 Research instruments

Three research instruments were developed and used to capture data for this study as set out for each of the study components below:

3.5.4.1 *The financial resource allocation decision making model*

A relational database was designed using Microsoft Access software to capture beneficiary organizations of the Community Chest. It contains tables to record a wide range of data including among other organizational, banking, office bearer, staffing, services, capacity (utilized and unutilized), income and expenditure, audited financial and balance sheet details. For a more comprehensive description of the financial resource allocation model refer to Chapter 5.

3.5.4.2 *The beneficiary organizations of the Community Chest survey*

As no similar survey had ever been conducted before, a new survey questionnaire had to be developed to gather a variety of

organization-related data and organizational perceptions on a number of issues. A copy of the survey questionnaire is appended as Attachment 4.

The survey questionnaire comprised a number of themes that had differing numbers of essentially closed-ended statements and questions that in most cases required simple responses; “Yes”, “No”, “Don’t Know” or a numerical value.

The following themes and their attendant intentions were surveyed:

- *Organizational information:* To provide identifying details and contact numbers;
- *Community Chest fund application process:* To determine how organizations experience the Community Chest fund application process in order to improve this process;
- *Accounting practices:* To determine accounting practices and budget formats applicable to organizations;
- *Development and sustainability:* To determine organization’s future development and sustainability;
- *Project and operational funding:* To determine the degree of difficulty in getting operational funding as opposed to project or capital funding;
- *Funding sources:* To determine the various funding sources and the difficulties encountered in seeking funds from a wide variety of sources;
- *One-stop funding:* To determine whether the Community Chest could serve as a broker and package funding on behalf of beneficiaries;
- *Corporate governance:* To determine structures and procedures adopted to ensure adequate management controls are in place;

- *Provincial funding policies:* To determine the impact of current and proposed government funding policies; and
- *Perceptions of the Community Chest:* To determine current views on the Community Chest in order to make the organization more responsive to beneficiary needs.

3.5.4.3 *The accounting students survey*

As in the case of the survey of beneficiary organizations, no similar survey had ever been conducted before and this necessitated the development of a new survey questionnaire. The survey questionnaire was designed to gather a variety of student details and their perceptions of social responsibility and their willingness to offer of their financial knowledge and skills in assisting needy beneficiary organizations of the Community Chest with their financial management. A copy of the survey questionnaire is appended as Appendix 5.

The survey questionnaire comprised a number of themes that had differing numbers of essentially closed-ended statements and questions that in most cases required simple responses; “Yes” “No”, “Don’t Know” or a numerical value.

The following themes and their attendant intentions were surveyed:

- *Biographical information:* To generate a biographical profile of students;
- *Social service activity:* To generate a social service profile of students;
- *Social development issues in South Africa:* To determine students’ social awareness of current issues in South Africa; and

- *Participation in social service project:* To determine willingness to participate in the social service project and preferences.

Given the focus of the research, the use of non-standardized survey instruments was deemed appropriate. However, any researcher must recognize the role that reliability and validity (external and internal) plays in research and where appropriate address these issues. Reliability relates to the degree in which during repeated use an instrument delivers a similar result. Babbie and Mouton (2001: 119) state that, "...reliability is a matter of whether a particular technique, applied repeatedly to the same object, would yield the same result each time."

In the case of the allocation model, the annual repeated use of standard data items ensured a fair degree of reliability. As the survey questionnaires were used in once-off surveys, their reliability could not be confirmed. However, results indicated fairly consistent responses to questions.

"External validity is the degree to which the answers given by a sample randomly drawn from a population can be generalized to the population from which the sample was drawn." (Mindel and Mc Donald, 1988: 309). By adopting the population as the sample and by using instruments that were essentially comprised of closed-ended questions improved the degree of external validity. The relatively high response rate of the surveys also contributed to this improvement.

"Internal validity is the degree to which the questions contained in the survey instrument can accurately and reliably measure the underlying concept being measured." (ibid: 311). In an effort to improve the degree of internal validity the survey instruments contained short unambiguous

questions and statements, used simple and commonly-understood language and avoided double-barreled questions or statements.

A pilot study in the form of a focus group consisting of 12 beneficiary organizations was conducted to test the instrument used in the beneficiary organizations of the Community Chest survey. A number of semantic and content amendments and additions were made based on this pilot study. This too contributed to improving internal validity.

The exploratory nature and main purpose of the accounting students survey and the strict need for anonymity precluded a pilot study.

3.5.5 Data analysis

Data analysis was almost exclusively numerical and statistical. Given the nature of Microsoft Access, a very wide variety of queries could be processed to provide any manner of data in an (un)organized and an (un)analyzed manner. This data was either analyzed using the computational features of the software or exported to either Microsoft Excel (a spreadsheet software programme) or Statistica for more advanced analysis.

While in the main, the data was analyzed using similar techniques for all three study components, minor variations applied. In the case of the financial resource allocation decision making model the data is live and not static – it is an operational database. However, given its design it could generate data over a number of given financial year periods and across a number of service sectors and geographical locations. A wide permutation of data was analyzed using this distinct advantage of an operational database as opposed to a once-off survey.

Among other, data was analyzed in terms of periods (financial years), fields (fields of service), organizations (inter- and intra) and districts (magisterial and/or other) to determine:

- Service need;
- Service capacity;
- Service usage;
- Cost per service unit;
- Staffing patterns;
- Staffing cost comparisons;
- Staff/output ratios;
- Funding history;
- Sources of income and correlations to sources of income;
- The accuracy of financial forecasts/state subsidy income over given periods;
- Investment portfolios and investment strategies and patterns;
- Organizations' financial management acumen;
- Current patterns of financial resource allocation; and
- Regional demographics and service provision.

In the case of the surveys, numerical and statistical analyses of responses were conducted. Secondly, analyses of data linked to given responses were also analyzed. In the case of the data contained in the beneficiary organizations of the Community Chest survey database could be correlated with data contained in the financial resource allocation decision making model. This allowed for far wider and more compelling analyses of data.

The data generated by the three components of the study are reflected in a variety of formats as contained in Chapter 6.

3.6 Ethical and political considerations

Research ethics are increasingly being accorded far more attention than ever before, particularly in the social sciences where human subjects are often the focus of research where sensitive issues are researched. Strydom (1998: 24) defines ethics as “...a set of moral principles which is suggested by an individual or group, is subsequently widely accepted, and which offers rules and behavioural expectations about the most correct conduct towards experimental subjects and respondents, employers, sponsors, other researchers, assistants and students.” He goes on to list (here paraphrased) harm to or deception of respondents, informed consent, violation of privacy, researcher actions and competence, restoration of respondents, influence of sponsor, publication of findings as major ethical considerations (ibid).

Throughout this study no sensitive issues of a personal nature were raised nor sensitive personal data required. In the case of organizational data gathered for operational purposes of the allocation model, all such information was in the public domain by virtue of the non-profit registration requirement of beneficiary organizations. This data was secondary in nature and not elicited directly from human respondents. The analysis of this data could thus not construe an ethical breach or harm to or deception of respondents, informed consent, and a violation of privacy.

The surveys did elicit responses (organizational in terms of the beneficiary organization research and personal and perceptual in the case of the accounting students survey) directly from organizations and students. However, in both surveys, consent was sought by clearly and repeatedly indicating that participation was voluntary. The writer attempted throughout to act professionally and to subject both organization and student respondents to sound research practice. In the case of the surveys, every effort was made to not make promises or to raise expectations. While there may well be the few exceptions, the writer is of the opinion that there was no need for restoration of respondents.

Of import was the role of a sponsor, the Community Chest. Part of the costs associated with the surveys and the software development costs were borne by the sponsor. However, throughout the study the writer was never required to compromise the study to suit the sponsor. On the contrary, the sponsor accorded the writer access and support rarely encountered in organizational studies.

Findings of this study have and will be disseminated in a manner accessible to all concerned constituents. Thus far, four papers have been presented and four publications have appeared on the study. Every effort will be made to make findings as accessible and widely dispersed as possible – after all it was the study’s intention to address a widespread resource allocation problem.

While earlier it was stated that no sensitive issues of a personal nature were part of this study, political sensitivities may be touched on by the overwhelming evidence indicating that all is not well with financial resource allocation in the welfare sector and that part of the blame could be laid at the door of government. This sensitivity could also be experienced by other funding agencies that similarly are identified by this research as not meeting constituency needs and expectations. At issue is the degree to which the outcomes of the study are used to bring about change for the better in identified constituencies or society at large.

While due consideration should be given to such political and organizational sensitivities, the study’s *raison d’être* was to provide incontrovertible evidence of the need for improved financial resource allocation decision making in both the public and private sectors. As such, and given the huge human need that is dependant on effective resource allocation practices, it was ethically incumbent on the writer to forthrightly portray the outcomes of the study in this and in future writings.

This is in keeping with Babbie and Mouton’s view that “...knowledge can be viewed as pure action or praxis – an actor view of knowledge...” as opposed to a

“...spectator view of knowledge” in which knowledge remains theoretical – “...intellectualism or contemplativism.” (2001: 537).

The study constituted what Babbie and Mouton (ibid) term weak interventionism – “...attempts to make one’s research available to serve a certain cause, either by means of a critique of the existing order or by means of legitimizing an incipient alternative to that order.” The model of financial resource allocation decision making developed as part of this study is an alternative, albeit not incipient.

3.7 Limitations of the study

Any study will have limitations and this study was no exception. However, in any study, the aim is to reduce such limitations to the absolute minimum. Some of the limitations of this study are briefly dealt with.

As a specialized and restricted field of study, the most frustrating limitation was the lack of a wider review of literature in this field. In mitigation though, this study, unlike most others enjoyed the benefit of collateral data – two sources (the model-generated data and the organisation survey data) were used to confirm trends.

Another frustration was the enormity of the field of study – the nature and scope of financial resource allocation practice in the welfare sector in South Africa is enormous. Not only are there numerous players but the total monetary value of their combined annual allocations amounts to billions of Rands. This study, while extensive by standards set for such an academic submission, had to be restricted to one funding agency and its related constituencies.

While the enormous range of data contained in the various databases alluded to (some two million data items), the restrictions on this submission precluded significantly more data analyses.

In the case of the survey of beneficiary organizations of the Community Chest, the response rate of some 64 percent was good. However, the findings could have been skewed. Bryman (1989:112) states that it is useful to distinguish between the study's *de jure* and *de facto* samples – "...those people or firms that agree to participate may differ substantially from those that do not." Fortunately in the case of the accounting students survey, the very high response rate (some 88 %) effectively negates such a limitation.

It could also be argued that as beneficiary organizations of the Community Chest, respondents felt obliged to comply. In such a case the writer would have expected a higher response rate. The response rate could also have been detrimentally affected by the time of the year that it was sent out (November) – this is a very busy period and influenced by the festivities of the season.

Mindell (1988: 332) alerts the reader to a potential limitation of any secondary study by stating that "...the misuse of computer technology in "massaging" massive amounts of data until some-thing "significant" appears...[and the lack of care taken in checking the reliability and validity of the secondary data by being]...inattentive to the methodological limitations inherent in these data." While every effort was made to verify the reliability and validity of the secondary data, a number of errors were encountered which adversely affected accuracy. Where identified, such data corruption forced the recapture of data.

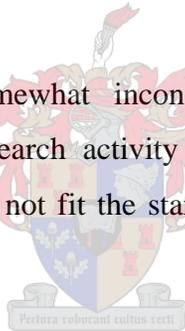
It cannot be concluded with absolute accuracy that all data tables are a hundred percent reflection of the original manual data source. However, numerous validation statements were built into the database capture templates. Over the five-year period these were added to and improved – the data in 2005 was significantly more reliable than in the beginning stages of the study. It is also expected that this limitation will steadily decrease over time.

A limitation that arose from this study's scope and the further cost of developing another database was the absence of a Geographical Information System (GIS) that could communicate with the other databases. This would have allowed for significantly more data analyses and mapping of need and resource allocation patterns. Fortunately, this development will follow after this study.

3.8 Conclusion

This chapter set out to trace the research route followed in this study from conceptualization through to reporting in this format. Given the gravity of the subject matter and the research paradigms adopted, it was not going to be an undemanding study.

Added to this were the somewhat inconsistent writings on research – an unambiguous road map of research activity had to be patched together for the purposes of this study as it did not fit the standardized 'one-size-fits-all' notion so prevalent in social research.



The paucity of relevant material and the urgent need to find feasible and functional solutions to the research questions lured the writer into further expansion of the study with the resultant myriad data sets that begged analyses.

On reflection, perhaps it went a tad too far. Notwithstanding, every additional endeavour nudged the research outcome that closer to solving the research conundrum. This made the effort that much more gratifying.

Chapter 4

Third sector investment strategies

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- 4.1 Introduction
 - 4.2 Contextual locus
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*When men are easy in their circumstances,
they are naturally enemies to innovations.*

[Joseph Addison: The Freeholder No.42]

4.1 Introduction

In reviewing the issues that gave rise to this study and in analyzing policies and pertinent literature, progress and innovation in South African welfare funding methodologies was hard to discern. Perhaps here too, ‘...men are easy in their circumstances...[and]...are naturally enemies to innovations.’ This is distressing given the call for changes to welfare funding policies made some thirty years ago and the adoption of a developmental approach to welfare delivery in 1997. While there were numerous attempts to bring about change, the intentions were mostly ill-advised, design-flawed and/or implementation-bungled.

A further disquiet was the paucity of research and literature in the chosen field of study. Here again, given the enormous amounts of funding that are consumed annually by the third sector and the noticeable impact that such funding could potentially have on addressing the country’s pressing social needs, the minimal degree to which this issue was grappled with over the past decade or two attracted startling disbelief.

Notwithstanding this lack of progress and paucity of relevant material, this chapter will submit such existing material that is germane to the study in the broader welfare funding context and also more specifically as it relates to the financial resource allocation decision making model and the attendant survey findings.

As such this chapter will begin by presenting a disconcerting backdrop which, apart from having served as a rationale for the conduct of this study, served as a canvas of disturbing social circumstances on which remedial welfare funding activities could be sketched.

This chapter will identify and review the progression of welfare funding policy implementation over the years. This will include policy intentions, their motives and issues related to their implementation.

Principal to this study was the development of a method central to all funding agency operations, the means of allocating resources. It thus behoves this study to briefly discuss funding sources.

In this broader context, given the disquiet experienced by the welfare community surveyed, two examples of funding agencies other than the Community Chest are briefly presented. In Chapter 6, the survey findings will add to the significance of this inclusion as another example of questionable intentions resulting in unintended and potentially ruinous outcomes.

The writer could find no comparative welfare related financial resource allocation decision making models that could accommodate the broad spectrum of funding that the Community Chest was engaged in. However, while not directly comparable to the financial resource allocation decision making model developed in this study, a few germane approaches and studies in related disciplines and the social service sector, are briefly described.

There were, given the scope of this study (model development and two surveys), a number of other related findings. Among other, these relate to issues identified in the beneficiary organisation survey. The concept of volunteerism and how it relates to accounting students is included to serve as a basis for analyzing the data from the accounting students survey.

The chapter concludes that despite numerous ill-fated attempts, little progress has been made in formulating funding policies apposite to the adopted developmental approach to welfare service delivery. Further, limited if any, attention has been directed at developing effective models for the disbursement of welfare funding in South Africa.

4.2 Contextual locus

While in this chapter the study briefly delves back to the welfare initiatives of the last Century, it focuses mainly on the present and on the years since the establishment of the South African democracy in 1994 to provide the contextual link. As such, a number of concerns are portrayed that constitute the larger backcloth on which the study was positioned.

In parts of this chapter the paucity of relevant research findings on the non-profit or third sector will be evidenced. This paucity was underscored by Kraak (2001) in his six-year review of the sector post-1994. One of the enduring problems he encountered was a lack of empirical data "...and the negative impact this continues to have on effective policy formulation for the sector..." (ibid: 131). He continued by stating:

Due to a dearth of sound empirical data and targeted research, our perceptions of the voluntary sector have remained unchanged for several years...Each time one attempts a review of the voluntary sector one is struck by the lack of accurate empirical data and targeted research. What we know about the sector – or rather what we *think* we know – is cobbled together from outdated studies lacking a common methodological approach, anecdotal information, self-perpetuating myths and received wisdoms. These are all inaccurate to a greater or lesser extent. (ibid: 130 & 132)

This lack of research and empirical data added to the impetus to generate more empirical data for this sector to better inform policy making and to improve service delivery.

In terms of the Human Development Reports issued by the United Nations Development Programme, South Africa does not rank well on their Human Development Index (HDI). The rankings are divided into High, Medium and Low HDI. The highest ranking country in 2003 was Norway (1). A sample of Commonwealth countries include Australia (3) and Canada (5) as characteristic of

High HDI, South Africa (120 with a HDI of 0.658) and India (127) as characteristic of Medium HDI and Malawi (165) and Zambia (166) representing the Low HDI categorization (UNDP, 2005:1).

South Africa has the fifth and twenty-seventh largest populations in Africa and the world, respectively (Ziehl, 2002: 57). While the Western Cape Province boasts better demographic indicators compared to the country as a whole, they are nonetheless reflective of significant levels of need. In 1999, the poverty rate for South Africa was 47.3 percent compared to 19.2 percent for the Western Cape Province (RSA, 2003: Annexure H, Table H1). South Africa's HDI of 0.658 and the country's high levels of poverty (and the myriad social ills commonly associated with poverty) highlighted the need to substantially expand and improve, among other, social services.

Constitutional rights composed another compelling case for improved service delivery. South Africa has one of the most advanced constitutions in the world enacted by the Constitution of the Republic of South Africa Act, 1996 (Act 108 of 1996). In Chapter 2 (Bill of Rights), section 10, it specifically makes reference to human dignity: "Everyone has inherent dignity and the right to have their dignity respected and protected." Further, in addition to the right to health care, food and water, in section 27 (1) (c) "Everyone has the right to have access to...social security, including, if they are unable to support themselves and their dependants, appropriate social assistance." (RSA, 1996). In the case of children, in addition to a number of other relevant rights, section 28 (1) (c) states that "Every child has the right to basic nutrition, shelter, basic health care services and social services." (ibid).

Despite these basic rights for children, the Children's Institute found that "Various studies have found childhood poverty rates to be as high as between 60 – 70%, with 30% of children residing in households with food insecurity." (Children's Institute, 2003: 12).

However, for the first time, South African citizens were guaranteed access to services, thus necessitating a much more optimal deployment of financial resources.

The welfare agenda of the post-1994 government changed radically at national policy level, if not at local delivery level. The Reconstruction and Development (RDP) policy was introduced in the early stage of the new dispensation. This policy focused primarily on transformation and empowerment – key to reconstruction and addressing the high levels of economic and social need. However, it was replaced by a more capitalist-friendly economic growth model, the Growth Employment and Redistribution (GEAR) strategy.

While these policies were central to all national and provincial government endeavours, a more welfare-specific policy, the White Paper for Social Welfare was adopted in 1997 (RSA, 1997).

Since then all welfare related activities have been underpinned by the White Paper for Social Welfare. This is remarkable given the sluggish pace at which the wish list contained in this policy has been realized. Throughout the Paper, regular reference is made to equity and sustainability – little of which has materialized by 2005, some eight years after its adoption. Ironically, it calls for an,

...equitable allocation of funds...to address disparities...to redress racial discrimination in the delivery of services...the allocation of resources to address rural development needs...reallocation of resources to identified social priorities...[and]...the phasing in of the financing of social welfare programmes which will be sustainable and based on approved business plans and performance audits... (RSA, 1997: 10).

Very few, if any, of these ideals have been realized which emphasized the need to better target social need and to redress inequity.

Throughout particularly the last six decades of the previous government, welfare services were rendered in the main by a partnership arrangement between the state and the voluntary (or private) welfare sectors. In exchange for subsidies (various

schemes were developed over the years to fund organisations), the latter provided welfare services on behalf of the state. As funding was (and always will be) crucial to survival, many private welfare organisations relied very heavily on state subsidies and were thus not inclined to challenge the state's discriminatory approach to welfare funding and/or service delivery.

This gave rise to the formation of two welfare organisational typologies, particularly so in the last ten to fifteen years of the previous government's reign. There were the state welfare services and those that it subsidized (the larger segment of the private welfare sector) and those organisations that chose to forgo subsidies (and hence subjugation) but rather to seek international funding which was plentiful at that stage.

This juxtaposition lead to the so-called "traditional" welfare organisations (that received subsidies and were perceived as being part of the repressive "system") and the so-called "progressive" welfare organisations (internationally funded and thus independent of much state control – the term "progressive" was derived from the commonality of usage in general to personify those opposed to the state and also latterly known as the "informal" welfare sector).

The traditional differed in many ways from that of the progressive welfare organisations. On the organisation design continuum the former were positioned far closer to the mechanistic model whereas the latter were more aligned to the organic model. A summary of differences is contained in Table 4.1.

It was these differences (and in some cases they were considerable) that would constitute the nub of the future funding conundrum – it remains a vexation to this day.

Table 4.1 Traditional versus Progressive organisational characteristics

<u>Characteristics</u>	<u>Traditional</u>	<u>Progressive</u>
Origin	Social	Political
Goals	Limited	Broad
Service emphasis	Curative	Developmental
Community support	Limited	Extensive
Organisation design	Mechanistic	Organic
Motivation	Extrinsic	Intrinsic
Funding	Local/state	Foreign

Modified from: SMIT, A. 1992. Traditional versus progressive welfare organisations – Diverging trends. **Social Work Practice**, 2.92, p 24.

In the early 1990's, with the beginnings of equalization of society, the progressive organisations who were formally out of the formal domestic funding loop, increasingly demanded local funding as foreign funds were then increasingly redirected from the private sector to that of the government sector.

In viewing Table 4.1 it is clear that the progressive organisations were “politically more correct” by having challenged the former government, espoused a developmental approach, having had wide community support and being of organic organisational design. However, they often lacked the organisational wherewithal to qualify for the more formal funding criteria applied to the traditional organisations.

This notion of less sophisticated progressive organisations was corroborated by the seminal study conducted by Swilling and Russell (2002) on the non-profit sector in South Africa.

This study reported that in 1999 there were 98 920 non-profit organisations (NPOs), up slightly from the estimate of 93 300 in 1994 (ibid: 20). Of these, at least 53 percent were classified as “...less formalized, community-based NPOs, that is they are not formally structured as Section 21 non-profit companies, trusts, religious institutions, trade unions, or co-operatives. In South African legal terms, some are classifiable as voluntary associations.” (ibid).

Further, this study indicated that:

Previously, these smaller community-based NPOs have not been recognised because most existing databases have not been designed to capture them. This substantial sub-group is believed to have an important contribution to make to poverty alleviation, responding to immediate problems at a community level far more quickly than any more formal structures, particularly the government, can. Anecdotally, their response would be particularly effective for the HIV/AIDS crisis, as they would be providing support and care to the poorest of the poor, who have few other channels of assistance. (ibid: 20-21).

Of the 98 920 organisations recorded, a total of 22 740 were operative in the social services sector – among other, comprised of a sizable 10 011 informal/voluntary organisations, 3 614 Section 21 companies and 6 359 religious organisations (ibid: 22). There were thus a fairly large number of smaller community-based NPOs that were active in the welfare field. Many of these organisations fit the “progressive organisation” typified previously.

At issue here was to devise a method of bringing these organisations into the formal funding loop by providing the requisite financial knowledge and skills that would ensure successful fund acquisition. This was deemed obligatory as the existing funding envelope could not financially accommodate both groupings simultaneously.

Anecdotally, traditional organisations that did not qualify in terms of the developmental approach criteria continued to access funds at the expense of progressive or informal organisations that, while qualifying for funding, were incapable of accessing such funding.

The funds that are annually consumed by the welfare, non-profit or non-governmental (NGO) sector (or third sector) in South Africa are not inconsiderable. According to an estimate by the Southern African Institute of Fundraising (1994: 4) South African philanthropy contributed some R10.110 billion to the non-profit sector which included the faith-based sector – 74 percent of this amount (R7.5

billion) having been contributed by individuals followed by 8.4 percent (R840 million) by the South African corporate sector.

In the Swilling and Russell (2002: 15) study the non-profit sector is hailed as “...a major force in the South African economy.” In 1998 the total operating expenditure of all South African non-profit organisations amounted to R9.3 billion or 1.2 percent of gross domestic product (GDP) (ibid). The large number of NPOs in South Africa and the large amount of money that they expended annually served as another cogent reason for better utilization of such allocated resources.

In the 2003 Intergovernmental Fiscal Review (RSA, 2003: 98) the actual transfers (subsidies) to organisations to provide welfare services for the 2001/02 financial year amounted to R2.183 billion – it is estimated that an amount of R 4.188 billion will be transferred in the 2004/05 financial year. While these figures represent only 8.9 percent and 9.5 percent of the total national social development budget for those periods respectively, the Rand amount set aside for allocation to welfare services is not inconsiderable. It is expected to increase in future:

Because of the greater need for specialised care and the fact that it is largely unmet, it is commonplace to argue that social welfare services require greater priority and funding in future. Demand for these services will grow because of the impact of HIV/AIDS on communities and households, and an increase in reported cases of child abuse, neglect and exploitation. (ibid: 107).

These large amounts of funding were allocated in terms of the prevailing funding policies that, as detailed later in this chapter, have failed despite various attempts to clearly articulate funding criteria and to move away from the seventy-year history of funding organisations based on positions rather than on the intended programme funding formula first articulated some 25 years ago. The large amount of funding that provinces allocate annually (and its purported growth as a result of increasing social need), reflected further need for optimal redistribution of this large funding.

Apart from the ineffective allocation of resources there is another cause for concern, the oft-heard inability of entities to fully disburse the funds at their disposal. While

this is true of many, it was particularly alarming when, according to the Auditor-General, Shauket Fakie, the National Department of Social Development failed to spend R127 million (24.1 %) of its budget in the 1999/2000 financial year (Randall, 2001: 3).

Fortunately, this was down from 78.5 percent and 43.3 percent that remained unspent for the 1988/1999 and 1997/1998 financial years respectively (ibid). In the 1988/1999 financial year in the poverty relief category, R204 million (99 %) remained unspent and by the 1999/2000 financial year R37 678 million remained unspent and had thus to be rolled over to the next financial year (ibid). This also depicted ineffectual mechanisms to disburse funds.

The 2003 Intergovernmental Fiscal Review concluded that “Given a lack of uniformity, to date, in the classification of welfare services as well as weak information systems, it is difficult to be conclusive about spending and service delivery trends for welfare services across provinces.” (RSA, 2003: 98). The Review also indicated future activity: “A range of key issues with regard to welfare services and developmental support is currently receiving attention. The most central factor is the consideration of appropriate service delivery and funding models. Given the increasing poverty and vulnerability challenges in the country, these are high priorities.” (ibid: 109).

This lack of uniformity of classification and differential interpretations of funding criteria resulted in welfare organisations having to meet diverse subsidy requirements which increased the uncertainty of successfully accessing such funds. Added to this were the large number of funding agencies and their significantly differing funding criteria.

Further, this myriad of funding sources was often not aware of each others’ existence, their funding policies and/or funding criteria and annual allocations made. This reflected a lack of uniformity in welfare classification, of information systems

and appropriate funding models and the confusion caused by large and diverse funding agency policies and funding criteria.

The last and very vexing issue was the writer and others' frustration at having to make resource allocation decisions as a member of the Community Chest's then Allocations Committee without reference to data that could better inform the decision making process. While a wide variety of information on health is readily available in South Africa, the same is not true of welfare services and the NPO sector. For example, norms of expenditure and services delivered, vital in allocation decision-making, rarely exist.

Thus in order to demonstrate that organized data could better inform the allocation decision making process, a number of manual data extractions were analyzed in a spreadsheet. This generated a number of valuable cost norms which greatly improved resource allocation decision making. For illustrative purposes, two examples are mentioned.

Firstly, in an analysis of the costs of social work services in 60 organisations employing a total of 308 social workers, the costs varied from a high of R185 300 to a low of R35 725 per social worker – no norm, apart from the maximum average state subsidy for social workers (R47 643) existed at that stage (Smit, 1995: 122).

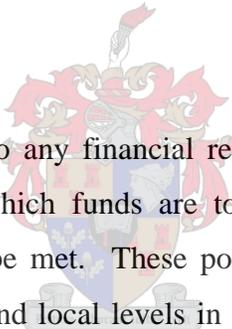
In the second example, an analysis of educare facilities in the magisterial district of Mitchell's Plain revealed that 17 centres had a combined capacity for 1 447 children whilst accommodating 1 801 children – two centres accounted for 56 vacancies whereas 5 centres were operating at more than double their capacity (Smit, 1999: 408).

Knowledge of these unit costs was crucial in allocation decision-making. Similarly, a wide range of information on services rendered, staff employed, sources of income

and expenditure, and importantly, future need, was required before an informed allocation decision could be made.

In summary, the combination of issues raised on the backcloth; the lack of credible research data, high poverty levels, constitutional rights to service delivery, a developmental approach to welfare service delivery, a need to include the thousands of informal service providers, huge funds consumed by the sector, injudicious allocation of substantial state funds and the lack of crucial allocation decision making data – norms; could only be interpreted as reflective of a need for enhanced welfare funding through improved financial resource allocating decision making.

4.3 Funding policies



Funding policies are pivotal to any financial resource allocation decision making. They provide the basis on which funds are to be distributed and often contain specific criteria that have to be met. These policies are operative at all levels of funding; national, provincial and local levels in either the public or private sectors. The formulation of such policies is thus fundamental to effective resource allocation. Unfortunately, funding policies, unlike many other policies, rarely pass the muster. As such they are inimical to targeting identified areas of need.

However, funding policies are but one component of the financial resource allocation decision making process. Despite well formulated policies and clearly articulated procedures, the intended policy outcomes are not often achieved. This could be as a result of inept management or a lack of pertinent data or both. In such instances, targeting the needy for service delivery is like hitting the periphery of the dart board instead of striking the centre.

In South Africa a succession of state funding policies has not accurately targeted need. This was mostly as a result of poor policy formulation and management. While limited, the synopsis of state welfare funding policies here included and survey results presented in Chapter 6, will attest to this assertion. The synopsis is limited to state funding policies over the last few years as they presented a backdrop to the development of the financial resources allocation decision making model and the beneficiary organisation survey that constituted parts of this study. The short historical narrative is allied to current funding policy.

Central to all social service delivery world-wide is the role that the public and private sectors play in providing for the needy. Either governments provide services themselves or they contract with the private sector to provide such services. In South Africa, a combination of state and private-rendered services has been in place for decades. However, South Africa's welfare history goes back further than this arrangement.

4.3.1 Early funding policies

According to Winckler (1969: 31), the first welfare provisions in South Africa were enacted some one hundred and fifty years ago in the *Meesters en Dienstboden Wet, 1856* (Act 15 of 1856). Thereafter, a flurry of welfare related statutes were promulgated over the years.

Soon after the Union of South Africa came into being in 1910, Borat in quoting Kruger stated that "...state assistance was confined to distribution of benefits in kind and cash to needy communities and subsidies to private philanthropic organisations..." (1995: 595). While various forms of poor relief were available towards the end of the 19th Century, statutorily determined social benefit schemes began emerging from the 1920's (Winckler, 1969: 98).

Soon after the Carnegie Commission of Inquiry into the Poor White problem, the first Department of Welfare was formed in 1935 as part of the Department of Labour and subsequently became independent in 1937 (Martine, 1989: 124). “Welfare provision to the population now began to be channelled institutionally through the state and in this era the seeds of a segregated social policy were first sown.” (Bhorat, 1995: 596).

Over the years the central government had many intentions – they all attempted to prescribe more formalization and control over all welfare activity in the country. The politics of the day substantially influenced funding policies – the former government’s race-based funding being known to all as is the current government’s developmental approach to welfare. These intentions were chronicled in a number of enquiries, reports and policy documents.

In 1938 the first scheme to subsidize social workers was introduced by the Department of Social Welfare. It consisted of 75 percent of the salary costs of White social workers in the private sector and local authorities while Blacks in the employ of local authorities only attracted 50 percent subsidy (Martine, 1989: 124).

The well-known welfare partnership between the state and the private sector that exists to this day had its origins among other, in the Welfare Organisations Act, 1947 (Act 40 of 1947) and the Du Plessis Committee of Enquiry into the Financing of Voluntary Organisations which reported on uniformity and determined roles of the respective partners (USA, 1947 and Martine, 1989: 125).

In 1964 the social work subsidy scheme was simplified and extended to include subsidies for supervisors and control posts (Martine, 1989: 125-126). Shortly afterwards in 1966 this scheme was amended to include point-based

criteria (size and nature of the caseload) which remained the basis of subsidies to this day (ibid: 126).

A new scheme for the subsidisation of social welfare services was introduced in 1978 and was the first attempt to move away from subsidies based on social work posts. According to a Department of Social Welfare and Pensions circular the new scheme:

...differs from the existing scheme mainly in that it is not confined to only one fragment of the services rendered by welfare organizations, as for example the provision of professional expertise in the field of social work, but covers also the auxiliary services which are usually an indispensable part of the main activities of the organization in question. It is accordingly the costs generally involved in rendering the services in question rather than the characteristics of the organization concerned or the salary structure of a particular post that will attract subsidy (RSA, 1978: 1).

However, it did not go far enough to fully embrace the notion of programme funding. The Committee to Establish a Norm for Social Work Posts reported in 1984 that the "...subsidy procedures are inadequate and unequivocally recommends that subsidies for social work posts be considered only in the context of an approved service programme." (McKendrick, 1985: 157).

The recommendations of the above-mentioned Committee formed the basis of the Formulation, Evaluation and Financing of Social Welfare Programmes issued in 1987. While advocating a programme plan subsidy scheme, it remained fairly restricted to professional social work activity (RSA, 1987: 6).

In 1991 the enquiry into the Voluntary Welfare Initiative and the Financing of the Welfare System undertaken by the Working Committee of the South African Welfare Council and the Interdepartmental Consultative Committee on Social Welfare Matters also recommended funding on the basis of approved welfare programmes (RSA, 1991: 70).

This enquiry resulted in *The Formulation, Evaluation and Financing of Social Welfare/Service Programmes* – a more liberal interpretation of the former subsidy formulation (RSA, 1991a). The first main aim was, “The main aim of financing in terms of programmes is to ensure that a cost-effective network of services is available to meet the social/social welfare needs of people in every community.” (ibid: 2). For the first time, the issue of sound management practice and cost-effective service delivery was introduced.

A departmental working document issued in 1992 stated that “The state will finance social welfare services in the future in accordance with an approved welfare programme...” and the implementation date was set for 1 April 1992 (RSA, 1992: 14).

A significant shift in welfare policy occurred with the adoption of the White Paper for Social Welfare in 1997 (RSA, 1997). The developmental approach to welfare service delivery necessitated a more fundamental change to the funding policies. Since the adoption of the White Paper, another three funding policies were formulated.

4.3.2 Draft Policy for Financing of Developmental Social Services

While not without flaw, of the three policies formulated, the first, entitled “Policy for Financing of Developmental Social Services”, was the most innovative, comprehensive and feasible of the three. It was issued by the national Department of Welfare in draft form only in May 1998. This pioneering policy was drafted by consultants and aimed to:

- include organisations previously excluded from receiving financial assistance from the Department;
- target financing towards the highest priorities;
- promote equitable distribution of resources and services;
- include flexible and varied financing options;
- facilitate a network of accessible services for all in need;

- promote the capacity and sustainability of organisations; and
- provide financial incentives for good management and achievement of results (RSA, 1998a: 1) (sic).

Apart from its more broadly appropriate aims, it contained enterprising ways of funding services:

- Grant financing for emerging or developing organisations that did not meet requirements for the more conventional programme funding;
- Programme funding which consisted of four components of financing based on organisational ability:
 - Foundation (for research, capacity building and seed, matching, and venture financing);
 - Furniture and equipment;
 - Programme implementation;
 - Capital investment; and
- Promoting priorities financing in which the state could invite organisations to forward proposals to deliver services specified by the state (RSA, 1998a).



This policy identified four main categories of service: empowerment, community intervention, residential intervention and resource development, and planning and management (ibid: 19).

While the policy was widely circulated and scheduled workshops for its implementation were held, it was never formally adopted. The reason for this lack of adoption, further debate or modification was never fully revealed. Nor were the costs of its formulation and implementation activities revealed – anecdotal evidence though suggested that it was an expensive exercise.

4.3.3 Financing Policy for Developmental Social Welfare Services

Instead, yet another financing policy, The Financing Policy for Developmental Social Welfare Services, was hastily prepared and gazetted in March 1999 for implementation on 1 April 1999 (RSA, 1999a). The haste in which it was prepared was evident in the lack of depth that a policy of this nature should have. It was pedestrian and did not reflect a broad consensus.

It had similar aims to the 1998 draft policy, namely, among other (ibid: 15-16):

- Meet government's agenda to address and eliminate the current imbalances in services to citizens
- Include service organisations previously excluded from receiving financial assistance from the state
- Target financing to the highest strategic priorities
- Promote equitable distribution of finances, services and infrastructure
- Include flexible and varied financing options
- Facilitate the emergence of a network of accessible services for all in need
- Promote the capacity and sustainability of organisations (sic).

This policy identified four levels of service delivery as follows (ibid: 12-13):

- Level 1 Prevention (programmes that strengthen and build capacity);
- Level 2 Early Intervention (strength-based programmes for the vulnerable);
- Level 3 Statutory Process (services provided by statutory process); and
- Level 4 Continuum of Care and Developmental Services (residential and other restrictive environment services, i.e. probation, foster and day care).

The policy intended that over a five-year period the funding would shift from the then dominant concentration on level 4 programmes to level 1 programmes (ibid: 14). Ironically, this policy was based on tenets not that dissimilar to the policy of 20 years ago that also propounded prevention, community care and as last resort, institutional care and treatment (RSA, 1985: 103).

The 1999 policy focussed mainly on three focus groups:

- Children, Youth and Families;
- Women; and
- Older Persons (RSA, 1999a: 12).

The policy's financing options included similar, albeit less accurately articulated, options contained in the 1998 draft policy. These included among other, financing early stages of development, short-term project funding, lump sum transfers, venture financing, service purchasing and importantly, outsourcing through a tender process (ibid: 26).

The Portfolio Committee on Welfare and Population Development was not consulted before adoption of the policy and at a briefing meeting on the policy held on 27 October 1999, unanimously resolved "... that the failure to actually consult the committee on the Financing Policy was extremely unfortunate." (RSA, 1999b: 4).

The civil society consultative processes that preceded the policy formulation were similarly inadequate. Ntjantja Ned, the then deputy Director-General of Department of Welfare, was reported to have said that:

Civil society has not been involved in the formulation of the new financing policy due to there being a lot of confusion at the National Department of Welfare. Many committees and task teams were formed between 1995 and December 1998, and that created a lot of confusion. The consultation process has been unacceptable, especially

as the Department of Welfare has a stake with civil society (Ramklass, 1999: 3).

This lack of consultation is surprising given that the White Paper on Transforming Public Service Delivery (*Batho Pele* White Paper) which was accepted in 1997, has consultation as the first of the eight *Batho Pele* principles (RSA 1997c: 15).

At the Portfolio briefing meeting mentioned, Ntjantja Ned agreed "...that the policy was a political document..." and that "The implementation of such an optimistic and ambitious policy would undoubtedly be difficult to say the least." (RSA, 1999b: 2).

Further, at a continuation of the mentioned meeting held on 12 November 1999, Selwyn Jehoma from the Financial and Fiscal Commission (FFC) stated that "He was convinced that the new Financing Policy needed a rethink taking into account the cost implications and strategies." (RSA, 1999c: 2). He also stated "...that because of the vagueness of the term "developmental welfare services" it was difficult to project accurately the costs of the Financing Policy." (ibid: 2-3).

Both the 1998 and 1999 funding policies contained elements of accountability. In the case of the former emphasis was put on ongoing monitoring whereas in the case of the latter emphasis was placed on a quality measuring activity, the Development Quality Assurance (DQA). In both cases this crucial aspect of a funding policy was insufficiently developed and its implementation remained mostly unarticulated.

Further, in both policies men were largely ignored – the focus was primarily on families, children, women and the aged. Both also favoured an integrated social service approach and were in agreement that that residential intervention (level 4) should be the last form of intervention.

While adopted, the Financing Policy for Developmental Social Welfare Services was never fully implemented and thus necessitated the continuation of the social work-based subsidy scheme. For instance, in the Western Cape, the Department of Social Services, for a number of reasons found it impossible "...to implement any aspect of the new policy with effect from April 1999." (RSA 1999d: 3).

Some organizations suffered substantial financial losses by embracing the new policy without realizing that their subsidy would continue to be determined by the old, rather than the new policy. For example, by concentrating on prevention rather than providing residential care, their headcount, on which the former policy was based, dropped and so as a consequence, their subsidy decreased.

4.3.4 Policy on Financial Awards to Service Providers 2004

The latest welfare funding policy, the Policy on Financial Awards to Service Providers 2004, was approved in February 2004 for implementation on 1 April 2005. This policy "...looks more broadly at the funding of services... [w]hereas the previous strategy looks only at social workers (sic) salaries...It has the objectives of transformation of NGO service delivery as well as the way they are funded. The policy seeks to promote accountability and good governance." (RSA, 2005: 23-24).

This funding policy is aimed "...at guiding the country's response to the financing of service providers in the social development sector, to facilitate transformation redirection of services and resources, and to ensure effective and efficient services to the poor and vulnerable sectors of society." (RSA, 2004: 7). This is a very broad aim but according to the policy it is intentionally so, "...to provide for national and provincial governments to

develop procedure guidelines according to specific needs and resources.” (ibid). This appears to be the first attempt to have a differential application in provinces despite the legacy of confusion caused by the absence of uniformity in welfare funding in the different provinces.

The policy objectives are similar to the aims of the 1998 and 1999 policies. They are as follows (ibid: 8):

- To establish the funding relationship between the department and service providers that render developmental social welfare services
- To determine the requirements and mechanisms for making financial awards to service providers rendering developmental social welfare services.
- To provide a tool to facilitate the transformation of social welfare service delivery.
- To develop the capacity of emerging and previously disadvantaged organisations that do not have the resources but understand and could meet the needs of the communities.
- To create an enabling environment for new service providers previously excluded from government funding.
- To provide a basis for the redistribution of resources in a more equitable manner (sic).

The policy identifies some shifts in funding. In summary, these include funding services that promote equity, diversity and social integration; areas of high priority and need; outcome-based services; and accountable service delivery (ibid: 19).

This policy introduced new concepts; there are transformation and performance criteria that the beneficiary organizations will have to meet. In addition to stipulating the transformation required from beneficiaries of state funding, it lists 15 criteria for measuring such transformation (ibid: 20).

There are the standard organisation-related eligibility criteria for financing and while requiring that beneficiaries must provide effective and efficient services, the measurement of such requirements is not clearly articulated. The types of financing are more limited than in the previous two policies and

include seed, capital, venture, partial, shared and long-term contractual funding (ibid: 24-25).

The policy in its present form is unacceptably vague and the supporting documents required for successful implementation (procedure manuals, norms and service standards, key performance indicators, among other) are seemingly not yet available. Ominously, at the Portfolio hearings on the 1999 policy, Selwyn Jehoma said, "...that when formulating policy, one should have clear implementation guidelines, which were simply absent...[and suggested in the case of that policy]...that it was necessary to go back to the drawing board." (RSA, 1999c: 2).

Of the three funding policies presented here, the last is the most poorly-researched and formulated policy. In a juxtaposition of the 1998 draft policy with that of the recently-adopted 2004 policy, the scale will tip substantially in favour of the former. It is disquieting to observe this substantial deterioration in the country's welfare funding policies over the past few years.

Based on the activities of the mid-1980's and in anticipation of subsidies being determined on a programme plan basis rather than on the original social work post subsidization formula, McKendrick wrote a seminal article on funding of programme proposals some twenty years ago which served as a guide in ensuing policy formulation deliberations (McKendrick: 1985). However, despite repeated attempts at introducing a fully functioning programmed-based funding policy, welfare organizations are still receiving subsidies based the policy of yore.

Thus, despite the enterprising initiative of some seven decades ago when social workers were first subsidized, the countless funding policies issued since then and the last 20 years of programme funding talk, ominously little progress has been made.

This inability to nail down an acceptable, uniform and feasible welfare funding policy has taken its toll on the private welfare sector. There is also the astronomical cost of developing all these failed policies. With the introduction of each policy there were the endless and costly road shows to convince a befuddled welfare community that the latest version was better than the previous one.

4.4 Funding sources

In addition to state funding, welfare organisations also rely heavily on other sources of funding. Such funding is derived primarily from the private sector (including corporate, non-government funding agencies, faith-based organisations and foreign non-government sources). In addition, welfare organisations rely on a range of in-house fundraising activities.

The estimated income for the non-profit sector in 1998 was R14 billion of which some 42 percent or R5.8 billion was funded by the state which included foreign government Overseas Development Aid estimated to be no more than R500 million (Swilling and Russell, 2002: 34). The bulk of this amount (R4.9 billion) was allocated to social services (R2.1 billion), health (R1.7 billion), development and housing (R1.1 billion) and culture and recreation (R50.9 million) – the sectors that received the most (social services and health), ‘...were characterised by well-developed, formal NPOs, which tended to be more active in established, urban working class and middle class communities than in the poorer communities.’ (ibid: 35). Forty-seven percent of social services NPOs were ‘...concentrated in the middle-income socio-economic category...’ (ibid).

The income derived from the private (including corporate and NGO international aid) sector was nearly R3.5 billion or 25 percent of the non-profit sector – one of the

highest rates in the world (ibid: 36). To this amount should be added the financial value of volunteer work estimated to value R5.1 billion Rand – this sector thus in total added some 46 percent of the total revenue flow to NPOs (ibid: 37). However, the bulk of this income went to the health, development and housing and education and research sectors (ibid). In terms of self-generated income (R4.6 billion or 34 % of total NPO income) the social services sector generated the most such income – about R1.2 billion (ibid).

In summary, in 1998 the social services sector received a total income of R3.738 billion; R2.113 or 56.5 percent from government, R1.210 or 32.4 percent from self-generated activity including fees, sales and investment income and R0.415 billion or 11.1 percent from private sector donations (ibid: 37, 39).

In addition to government sources of funding already mentioned, the state has also statutorily created other funding agencies to fund the non-profit sector. Notably two such funding sources (agencies) are briefly dealt with here as they are substantial, have the potential of distributing large amounts annually and were purportedly hailed as the panacea to welfare and other non-profit organisation funding needs at their respective inception. These funding sources are also a major source of disgruntlement in the welfare sector – see Chapter 6.

4.4.1 National Lotteries Board

The first, the South African National Lottery, was founded in 1999 in terms of the Lotteries Act, 1997 (Act 57 of 1997). Among other, the purpose of the Act was “To regulate and prohibit lotteries and sports pools; to establish a National Lotteries Board...” (RSA, 1997b: 2). It had its origin in a number of investigative activities into lotteries, sports pools and gambling. The most significant of these, the Howard Commission of Inquiry into lotteries, sports pools, fund-raising activities and certain matters relating to gambling, reported to the State President on 23 March 1993 (RSA, 1993).

The Act contained a number of provisions. Firstly, in terms of Section 2, a National Lotteries Board was constituted as a juristic person to serve as the industry regulator (RSA, 1997b: 6). This Board was appointed in 1998 (National Lottery, 2005:1).

The second major provision was contained in Section 13.(1) which stated that, “The Minister may, after consultation with the board, issue one license at one time authorizing a person to conduct the National Lottery, which for purposes of section 57 will constitute a lottery, in accordance with the provisions of this Act.” (RSA, 1997b: 16). On 9 September 1999, the Minister of Trade and Industries granted Uthingo Management (Pty) Ltd a seven-year licence to operate the National Lottery (National Lottery, 2005: 1).

In terms of Section 21.(1) a National Lottery Distribution Fund was established and managed by the Lottery Board. In terms of Section 21. (2), “The board shall annually table a report in Parliament in respect of the fund...” (RSA, 1997b: 26). The Act made provision for funds to be distributed to the following five major categories (ibid: 28 -30):

- Reconstruction and development;
- Charities;
- Sport and Recreation;
- Arts, culture and national heritage; and
- Miscellaneous purposes.

It is surprising that the term “charities” is still being used. However, it should be noted that the category “Charities” is very widely defined and most welfare organisations would only fit into one of the five areas constituting this category. In the 2005 invitation for funding applications, the

Distributing Agency for Charities indicated that it would focus its funding on the following areas (National Lotteries Board, 2005: 1):

- a) Development of under-developed social service organisations and groups.
- b) Literacy and numeracy programmes (ABET).
- c) Organisations supporting or assisting school-going children in underprivileged communities.
- d) Community and residential programmes for children; the youth; women; families; the chronically/terminally ill; older persons, people with disabilities, drug, crime prevention and rehabilitation programmes; and HIV/AIDS prevention and treatment programmes.
- e) Projects aimed at meeting the basic needs of a community.

In addition to competing with the other categories, this further increased competition for funds within in the Charities category.

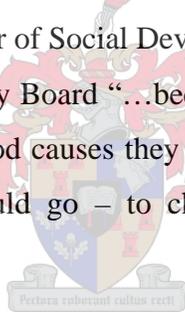
Distribution Agencies were established for each of the categories and the awarding of funds followed what appears to have been a fairly pedestrian procedure. The process started with an assessment of merit based on advertised criteria followed by an award (if successful) and conditions (if any) and then only the possibility of a visit of applicant verification (National Lotteries Board, 2005a: 1).

The Distributing Agency for Charities would only consider applications from registered non-profit organisations that could produce audited financial statements for the previous two years (ibid). Ironically, this would surely preclude a large number of informal community-based organisations that were actively engaged in the activities defined for this category, from accessing funds.

Of importance, is the role that was accorded to the “Minister responsible for welfare and population development in the national sphere of government...” in terms of Section 28.(1):

So much of any sum paid into the fund as is allocated for expenditure...shall be held in the fund for distribution by the distributing agency appointed by the Minister in consultation with the Minister responsible for welfare and population development in the national sphere of government which possesses the required skills and expertise to distribute the allocated sum fairly and equitably amongst all persons who meet the prescribed requirements...The distributing agency shall consider applications for grants and may...pay such grants to appropriate recipients in accordance with this Act and subject to the conditions applying to its appointment and to any directions issued by the Minister after consultation with the Minister responsible for welfare and population development in the national sphere of government, or by the Minister of Finance, from the sum allocated for charitable purposes. (RSA, 1997b: 28).

Thus while a private company operates the lotteries, the Lotteries Board is responsible to national Cabinet Ministers (either in terms of line or advisory function) and must report to Parliament on distributions. Surprisingly then, that in 2002, the Minister of Social Development stated that he had a problem with the National Lottery Board "...because I don't know what they do with the money and what good causes they support...The money has not gone to where I thought it would go – to children, the aged and civil society." (Hooper-Box, 2002: 1).



This National Lotteries founding legislation outlawed most chance-based fundraising activities (scratch cards, lotteries, etc) conducted by many non-profit organisations at the time – among other, the Community Chest, Viva Trust, South African Red Cross Association, St Luke's Hospice, St John's Ambulance and Ithuba Trust. This removed from the non-profit sector the ability to design and operate lottery-based fundraising activities and thus the right to resource allocation decision making.

As the National Lottery was established as a centralized funding agency with the sole right to raise funds through chance-based activities (apart from low Rand denomination activities – thus creating an effective monopoly), this deprived many organisations of millions of Rand that their chance-based

fundraising activities generated. In the case of St Luke's Hospice, the curtailment on their fundraising in 2000 was estimated to reduce their income from this form of fundraising by some R2.6 million whereas the Community Chest estimated a loss of some R4.2 million (Le May, 1999: 6).

Presciently, at that stage a Community Chest spokesperson stated, "I foresee a mountain of money accumulating, with no way of distributing it to those in dire need of it." (ibid).

It also adversely affected all organisations (particularly the smaller, less sophisticated) that were beneficiaries of funds so generated by funding agencies. In some cases, a number of funding agencies that were very dependent on this form of income (i.e. Viva Trust) for distribution to beneficiary organisations were forced to cease operations.

In others, like for example the Community Chest which introduced South Africa's first scratch card in 1990 (the "Community Chest Challenge" scratch card) which resulted in the Community Chest nearly doubling its funds for allocation that year, now no longer have that source of revenue. To date, despite repeated assurances that the National Lottery will make good such losses, the Community Chest has not received any funds from the National Lottery.

Brown and Korten (1989: 23), in quoting Bratton, state that, "Big donors and small NGOs make uncomfortable bedfellows by virtue of unbridgeable differences of scale, ethos and capacity. In an asymmetrical power relationship driven by the movement of money, the goals of the dominant agency will invariably displace the goals of the subordinate partner."

Thus the abolition of a number of smaller voluntary funding agencies in favour of a monolithic, government controlled funding agency was inimical

to bringing the smaller, less-sophisticated voluntary organisations into the funding loop.

Further, the National Lottery's flagship, the Lotto, has been controversial since its inception. Apart from interminable delays in distributing funds there has been widespread criticism. According to Louw, "In the 2001-2002 funding cycle, barely half (R233 million) of the money available (R439 million) was dispersed. *This is a national disgrace, and cannot be allowed to continue.*" (2002: 20).

Further, Louw stated that there is a lack of "...any clear developmental agenda informing the allocation of funding..." and that as a result of the potential to change criteria for priority funding "...organisations can (and, in the case of Charities, have already) find themselves in a situation where they have to "re-invent" themselves annually in order to apply for funding." (ibid: 21).

For the first time, the "charity" or welfare sector had to compete against a number of influential sectors that were well-organized with powerful lobbyists. This has raised a number of major questions. Over the years the welfare sector has looked on with horror as huge sums of money went the way of the other sectors. For instance in 2002, the "Charity" sector received only 36 percent of funds allocated (National Lotteries Board, 2005b: 2).

Last year the amount allocated had increased to 48.7 percent – see Table 4.2 for the Lottery funds distributed in the 2004 financial year (ibid, 2005c: 2). By 31 March 2004 a total of R2.2 billion was distributed to over 5 000 beneficiaries since the inception (ibid).

By extrapolation, given that R1.26 billion was allocated in 2004, up until 2004 less than half the total raised had been distributed over the previous

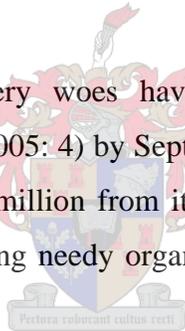
four years – years crucial to welfare organisations starved of their erstwhile lucrative lottery-based fundraising activities. Further, it is significant to note that the lowest single award value contained in Table 4.2 is that of charities.

Table 4.2 Lottery funds distributed in the 2004 financial year

Category	Award R	Award %	Number organisations	Single award value
Year:	2004	2004	2004	2004
Arts, Culture and National Heritage	375,400,000	29.83	267	1,405,993
Charities	613,100,000	48.72	1144	535,927
Sport and Recreation	252,400,000	20.06	390	647,179
Miscellaneous purposes	17,400,000	1.38	1	17,400,000
Totals:	1,258,300,000	100.0	1,802	

Source: NATIONAL LOTTERIES BOARD 2005c. **Team South Africa gets a R28,3 Million Boost from Lotto**, p2. Available from: <http://www.nlb.org.za/pressarticle.asp?id=69> accessed on 2005/11/05.

Further, National Lottery woes have regularly appeared in the press. According to Ndenze (2005: 4) by September 2005, the National Lottery had still to distribute R488 million from its previous financial year. Given the urgency of funds reaching needy organisations timeously, this delay cannot be condoned.



It is reflective of either bad management by the National Lotteries Board, the National Lotteries Distribution Trust or the Distribution Agencies. It could also be reflective of poorly-designed and managed financial resource allocation processes that include proper training of beneficiaries in the funding application process.

Freijser (2005: 4) indicated that the country's most popular gambling game, the lottery, is contributing to deepening the crises of the poor. In quoting Peter Collins (expert on damaging effects of gambling), Freijser continues by stating that lottery games are more accessible to people (as opposed to casinos) in terms of both cost and geography. The response from the

National Lottery was that “Some players may spend their bread and milk money, but we cannot tell poor people they cannot buy lottery tickets.” (ibid).

More than 70 percent of South Africans spend R80 million a week on the lottery and as a component of gambling, it is seven times bigger than the lottery component in other countries (Power, 2003: 5). Further, approximately 43 percent of players earn less than R2 000 per month and a quarter are unemployed (ibid).

There was substantial anecdotal evidence that the poor, who can ill-afford to gamble, even resort to using of their meagre social pensions income in the hope of the “big win” that will pluck them from their penurious circumstances. So, ironically it creates social needs that add a further burden on the country’s social services sector.

The National Lottery turnover was R4,248 billion in the financial year ended on 31 March 2005 and of that amount only R3,249 billion was allocated for prizes (R2,044 billion) and beneficiaries (R1,205 billion or 28.36 % of turnover) (Ndenze, 2005: 4). Thus, presumably some R1 billion (23.5 %) went to the coffers of the operating company.

So society (including large numbers of the poor) spent R4,248 billion of which only R1,205 billion (28.37%) was ploughed back into communities in a wide number of forms that did not necessarily improve the plight of the poor. For example, the “Team South Africa” was granted R28,2 million last year to compete in the 2004 Athens Olympic Games (National Lotteries Board, 2005c: 1) – this did not feed the hungry nor house the poor.

4.4.2 National Development Agency

Another major source of funding is the National Development Agency (NDA) which was established in 1998 in terms of the National Development Agency Act, 1998 (Act 108 of 1998) as a public entity listed under schedule 3A of the Public Finance Management Act, 1999 (Act 1 of 1999) (RSA, 1998, 1999).

The National Development Agency reports to Parliament through the Minister of Social Development and its major source of revenue comes from allocations from the National Revenue Fund and donor funding. It was established among other to:

- To grant funds to Civil Society Organisations (CSOs) for the purpose of meeting the developmental needs of poor communities;
- To strengthen the institutional capacity of CSOs for long term sustainability;
- To proactively source funds for the NDA for purposes of achieving its objectives;
- To promote consultation, dialogue, and sharing of developmental experiences;
- To debate and influence developmental policies; and
- To undertake research and publication aimed at providing the basis for development policy (NDA, 2005: 7).

While the National Development Agency's vision contained in the official website differs from that reflected in the National Development Agency's Strategic Plan 2005/06 to 2009/10, that contained in the latter is as follows: "The National Development Agency aims to be the premier partner to civil society, the donor community and government in eradicating poverty and its causes in South Africa." (ibid: 7).

The National Development Agency mission statement reads as follows: “The NDA is a statutory body that strengthens civil society and government in eradicating poverty and its causes through resource mobilization from both local and international donors.” (ibid). It aims to give effect to its mission statement through among other, development funding, research and policy development and capacity building (NDA, 2005a: 1).

The funds allocated to provinces by the National Development Agency during the 2003 financial year are presented together with selected South African demographics (ranging from 1996 to 2001) for analysis in Table 4.3.

Table 4.3 NDA funding and selected South African demographics

	NDA Award	NDA Award %	HDI	Population	Popu- lation %	Poverty %	Urban- isation %	Personal income per capita
Year:	2003	2003	1999	2001	2001	1999	1996	1999
Eastern Cape	47,393,285	16.29	0.51	6,657,000	15.06	63.3	43.3	8,789
Free State	19,623,490	6.75	0.55	2,819,000	6.38	48.2	69.6	10,900
Gauteng	65,089,369	22.38	0.69	8,094,000	18.31	27.5	98.5	23,589
KwaZulu Natal	31,730,577	10.91	0.55	9,160,000	20.72	53.1	45.9	11,076
Limpopo	46,222,390	15.89	0.48	5,497,000	12.44	64.2	32.4	7,588
Mpumalanga	15,239,588	5.24	0.53	3,109,000	7.03	53.6	49.5	10,308
Northern Cape	8,599,553	2.96	0.56	891,000	2.02	39.9	77.1	12,798
North West	19,358,921	6.66	0.52	3,621,000	8.19	52.7	49.8	9,384
Western Cape	37,588,949	12.92	0.68	4,354,000	9.85	19.2	89.4	21,593
South Africa	290,846,122	100	0.58	44,202,000	100	47.3	57.9	13,468

Source: REPUBLIC OF SOUTH AFRICA 2003. **Intergovernmental Fiscal Review 2003**. Pretoria: Government Printer, Annexure H, Table H1 and NATIONAL DEVELOPMENT AGENCY 2003. **Funding Amounts 2003**, p1. Available from: <http://www.nda.org.za/ndaMap.htm> accessed on 2005/11/05.

In viewing the figures contained in Table 4.3 in conjunction with the National Development Agency’s *raison d’être*, a number of observations are apposite. Given the major focus on development and poverty relief (particularly thus in rural communities where poverty levels are the highest), it is surprising that Gauteng with the highest personal per capita income (R23 589), the best HDI (0.69), the highest urbanization rate (98.5 %) is

granted the biggest award, some R65.1 million or 22.4 percent of the total allocated. Similarly, the Western Cape which is second to Gauteng in terms of most indicators, despite having the lowest poverty levels (19.2 %) received some R37.6 million or 12.9 percent – the fourth largest allocation.

In a further analysis of the data contained in Table 4.3 and presented in Table 4.4, the Western Cape with the lowest levels of poverty, by extrapolation received the highest per capita award per poor person, R44.96. Gauteng, once again despite the second lowest levels of poverty, was by extrapolation awarded the second highest per capita award per poor person, namely R29.24. These awards compare poorly with those awarded to other provinces, particularly KwaZulu Natal. With a high poor population (53.1 %) and a low urbanization rate (45.9 %) it was only awarded R6.52 per capita poor person.

Table 4.4 Analysis of NDA awards per province

	NDA Award 2003	NDA Award 2003 %	Population 2001	Poverty % 1999	Poverty numbers 1999/2001	Award per capita poor 2003
Year:	2003	2003	2001	1999	1999/2001	2003
Eastern Cape	47,393,285	16.29	6,657,000	63.3	4,213,881	11.25
Free State	19,623,490	6.75	2,819,000	48.2	1,358,758	14.44
Gauteng	65,089,369	22.38	8,094,000	27.5	2,225,850	29.24
KwaZulu Natal	31,730,577	10.91	9,160,000	53.1	4,863,960	6.52
Limpopo	46,222,390	15.89	5,497,000	64.2	3,529,074	13.10
Mpumalanga	15,239,588	5.24	3,109,000	53.6	1,666,424	9.15
Northern Cape	8,599,553	2.96	891,000	39.9	355,509	24.19
North West	19,358,921	6.66	3,621,000	52.7	1,908,267	10.14
Western Cape	37,588,949	12.92	4,354,000	19.2	835,968	44.96
South Africa	290,846,122	100	44,202,000	47.3	20,907,546	13.91

Source: REPUBLIC OF SOUTH AFRICA 2003. **Intergovernmental Fiscal Review 2003**. Pretoria: Government Printer, Annexure H, Table H1 and NATIONAL DEVELOPMENT AGENCY 2003. **Funding Amounts 2003**, p1. Available from: <http://www.nda.org.za/ndaMap.htm> accessed on 2005/11/05.

A number of further such anomalies can be found. However, suffice it to say that those mentioned are symptomatic of a financial resource allocation process that is not effective in achieving that which it was intended to. It is thus not surprising that despite its establishment some seven years ago, the National Development Agency admitted in its Strategic Plan 2005/06 to 2009/10 to some serious shortcomings. These are euphemistically referred to as key challenges as follows (RSA, 2005a: 5):

- High turnover of staff result in loss of corporate memory
- Poor governance and accountability systems
- Ineffective policies, procedures, and systems
- Inappropriate location of NDA in the broad development context
- Inappropriate configuration of the organisation to meet its development challenges
- Poor leadership
- Unclear fundraising strategy
- Insufficient stakeholder management strategy; and
- Negative publicity that affected the public image of the NDA (sic).

Based on the above, the National Development Agency aims, among other, to enhance the “Appropriate project identification, assessment, and monitoring, evaluation and reporting system...” (ibid: 6). Given its central role in funding services to address the country’s urgent social development agenda, such intentions are long overdue.

Given the large amounts that the government contributes in terms of subsidies and the substantial sums it *de facto* controls through the National Lotteries Board and the National Development Fund, renders the welfare sector in South Africa now more reliant on government than ever before.

Of further concern, is that the resource allocation processes of these vast funding entities are far from ideal. This has resulted in both the inability to adequately target need and in non-optimal investments in the third sector.

4.5 Resource allocation

At the root of resource allocation is, as the name implies, resources, which in turn means power. For centuries men have gone to war to gain power and resources. As such, resource allocation is a concept that has intrigued the minds of particularly philosophers, economists and politicians for centuries. It is thus not uncommon to stumble upon multifarious debates that range from obfuscating complexity to unscrupulous partisanship. It is the in-between rather, that follows.

Resource allocation decision making approaches range from very elementary “gut feel” to the complex mathematical models. The model developed in this study is a rational model that is numerically based. Trying to find literature specific to this type of model proved fruitless – supporting the earlier assertion that it is probably the first of its kind.

However, a selected range of sources was consulted to provide a background understanding of the issues that confront this process. Further, some specific models that have been developed for particularly the health field, were also included to provide a context in which this study’s model could be discussed.

Brown and Korten (1989: 6) define development as, “...a process by which the members of a society develop themselves and their institutions in ways that enhance their ability to mobilize and manage resources to produce sustainable and justly distributed improvements in their quality of life consistent with their own aspirations.” Key to this definition is the issue of distributive justice, implying that poverty is as much a political as is it an economic condition.

Brown and Korten (ibid: 8) continue by stating that, “In many Third World societies the achievement of broadly based sustainable development depends on achieving a more broadly based distribution of economic and political power, while

simultaneously strengthening incentives and values that support the use of power to make productive use of available resources.” At issue here is the important role that the voluntary sector has in countering the state’s relentless tendency to centralize power (and thus resource allocation decision making). This is particularly so in Third World countries where residual feudalistic structures and values may remain unchanged (ibid).

Central at the macro policy formulation is the notion of distributive themes. As a subclass of meliorative themes, their role is to elicit comparative judgments on alternative policies. As such they are concerned with “...the extent to which certain advantages or misfortunes are or would be parceled out to a greater or lesser number of people, for comparative judgments that make use of distributive properties entail numerical comparisons of distribution.” (Braybrooke and Lindblom, 1970: 171).

However there are usually a large number of conflicting distributive themes and a lack of time and resources to adequately investigate each one of them. The final policy outcome is thus usually based on probabilities and approximations. Further, policy analysts “...lump people together in subgroups, ignoring the different impact a policy may have on individual persons within the subgroups. They concentrate on subgroups that especially interest them for theoretical or other reasons, and they discuss only the distributive effects on these subgroups.” (ibid: 178.)

This appears particularly true in the case of the 1999 and 2004 funding policies. Needless to say, the veracity of funding policies in meeting need have an enormous impact on whatever mechanism is chosen to distribute financial resources.

Clear-cut definitions of resource allocation do not abound. Rather, they like the debates, tend to vary depending on their field of application. However, it is apposite to begin with a definition of the function of resource allocation. According to Hurwicz (1977: 19):

It is the function of a resource allocation mechanism to guide the economic agents (producers, consumers, bankers, and others) in decisions that determine the flow of resources. Simplifying to the utmost, we may imagine each agent having in front of him a console with one or more dials to set; the selection of dial settings by all agents determines uniquely the flow of goods and services (trade vector) between every pair of agents and also each agent's production (input-output vector), his "trade with nature"...It is natural to demand that the mechanism should guide the agents toward actions which are at least feasible, and even that can be difficult.

Hurwicz also points out that in the case of classical welfare economics more than mere feasibility is required – in this case attributes such as efficiency or optimality are required (ibid: 20). Further, he concluded that, "After decades of meanderings, we are fairly clear on our options – from efficiency in production...through optimality...to the maximisation of a social welfare function." (ibid).

The notion of optimality is central to allocations and is influenced by, "...whether an allocation is or is not optimal depends on its feasibility and on the individual preferences, with feasibility determined by the individual endowments and the technology." (ibid).

Resource allocation decision making is not simple. According to Stauth (1989: 21), "There is a complex and dynamic network of influences impinging on the resource allocation decision making process, and this complexity and dynamism dictates a flexible approach to making decisions that is geared to coordinate the input of many parties and make use of limited and changing information."

Central to allocation of resources is decision making. However, the notion of decision making is complex and the subject of numerous writings. Outside the ambit of this study, that debate will not be engaged with. However, the Stauth study on resource allocation decision making raised some important concepts which are also germane to this study. Stauth (ibid: 19) states that:

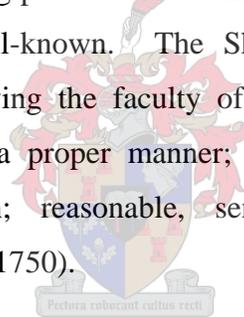
There are many approaches to decision making, but all are concerned with forecasting and evaluating the possible outcomes of alternative actions in terms of one or more objectives, and all are based on some set of premises and

decision rules (which may or may not be stated). Very often this process is not formalized, and forecasts and evaluations are obtained by making rather casual, intuitive judgments rather than carefully reasoned, explicit judgments...For particularly complex decisions (such as resource allocation proposals), the original decision making problem can be broken down into a series of problems, each requiring a series of decisions.

Central to all decision making is the notion of rationality. Stauth continues by stating that:

The decision making process can be facilitated and strengthened by the provision of a rational analysis – i.e., an analysis that is comprehensive, systematic, and explicit – so that all parties (including the decision maker) can clearly see how the decision was reached, and on what judgments it was based. Then the decision can be reviewed and assessed for reasonableness. By definition, rational analysis is rational behaviour (ibid: 20).

As stated, the decision making process can be improved by rational behaviour. The notion of rationality is well-known. The Shorter Oxford English Dictionary describes 'rational' as, "Having the faculty of reasoning; endowed with reason. Exercising one's reason in a proper manner; having sound judgment; sensible, sane...Agreeable to reason; reasonable, sensible; not foolish, absurd, or extravagant." (Onions, 1973: 1750).



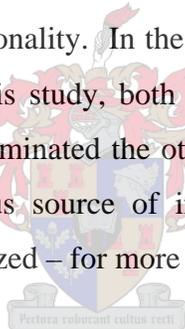
Given the prominence of rationality on much of daily decision making, it is not surprising that approaches to decision making would include some reference to rationality. In citing Simon and Bjorkman, Stauth (1989: 22) distinguished between two such approaches; political rationality and economic rationality.

The former implies limitations of control and human cognition; the political system assumes that because the decision making environment is unstable and very complex and that all required information is not available, decisions could never be optimal and therefore solutions that are generally acceptable and based on compromise are in order. Such non-optimal decision making serves to satisfy rather than to maximize the benefits of the decision making process.

In the case of economic rationality, the opposite holds true where benefits of the decision making process are maximized. In this approach this is possible as adequate information and a more controlled environment allow for optimal decision making. “This is generally done by calculating numerical values (“the bottom line”) for a range of alternatives and thus finding the optimal course of action.” (ibid: 22).

The well-established notion of ‘bounded rationality’ coined by Simon, “...means that because organisations are constrained by the amount of information and knowledge they possess, their leaders make choices that satisfy rather than optimize the organization’s goals.” (Albert and King, 1996: 62).

In summary thus, political rationality aims to find an acceptable solution whereas economic rationality aims to find the best solution. However both would be subject to some degree of bounded rationality. In the financial resource allocation decision making model developed in this study, both decision making approaches applied. The extent to which the one dominated the other would depend on the users of the model and given the enormous source of information generated by the model, bounded rationality was minimized – for more details see Chapter 5.



An important consideration in any resource allocation decision making process is the exactitude of the input data. Given the pivotal role that costing plays in any programme planning process, the choice of budget format used is decisive. Cutt (1974: 107) in a study on resource allocation in the public sector argued, “...that the process of public sector resource allocation decision making can be made more effective and more efficient by the use of program budgeting, in particular, by the careful development of its analytical component.”

While programme budgeting is preferable to line-item budgeting (the most commonly-used budget in the welfare sector), an even more detailed budget, the uncommon functional budget format is the most preferred in terms of the degree to which it more accurately informs the decision maker. Further, Stretch argues that

either the programme or functional budget must be used in conjunction with the zero-based budget approach – for more details on these budgetary considerations see Stretch (1980).

Given that the economic rationality approach applies to the financial resources allocation model developed in this study, it is crucial that particularly data input is both accurate and appropriate. As the model relies heavily on financial analysis, the adoption of this budget format by all Community Chest beneficiary organizations would be agreeable.

While most resource allocation studies related to how governments allocate resources in concert with their political agendas, there were a few relevant to this study. As such, the few more germane studies are briefly included here.

In looking at resource allocation in medicine, Benatar (1987: 64) also raises the issue of the need to consider justice, particularly redistributive justice. However, this is not that easy. He continues by stating that:

There are several possible **material principles** of justice each of which identifies a ‘property’ on which distribution of benefits and burdens could be based. These include an **equal share** for all, or a share in relationship to **need, individual effort, societal worth, merit, utility, or free exchange** in the market-place. Which of these do we consider the most relevant as a basis for redistributive justice? Who is equal and who unequal? How do we distinguish a medical ‘need’ from a medical ‘want’? (ibid).

The complexity does not end there. Benatar (ibid: 67) continues by stating that, “The way in which resources should be allocated to medicine in South Africa is seen differently by sociologists, economists and physicians. Each group contributes to the analysis of this issue different perspectives influenced by the group’s own experience and concept of morality”.

Many countries allocate resources for health care purely on an incremental basis and, “These patterns are often inequitable as they are determined more by the historical supply of services – itself a function of the political influence of powerful interest

groups – rather than the needs of populations.” (Doherty and Van den Heever, 1997: 3).

The basis of this approach to resource allocation, historical expenditure, inflationary pressures and the funding envelope, are also the most commonly-found approaches to resource allocation in the social service sector in South Africa.

Obviously the simplest formula for resource allocation would be to allocate resources based purely on a per capita basis. “This option, which is often adopted by poorer countries which suffer from data deficiencies, results in a relatively conservative re-distribution of funds, but is nevertheless useful in addressing the large inequities in these countries.” (ibid: 17).

However, in a number of countries (notably England, Australia, New Zealand and Canada) resource allocation was driven more by the need for equity in geographic re-distribution of resources – this gave rise to the so-called ‘needs-based formula’ of resource allocation (ibid: 3). In South Africa, which had a history of inequity based on race, such a needs based formula was first postulated in the seminal works of a number of academics (Klopper, et al, 1989, Bourne, et al, 1990, McIntyre, et al, 1990 and McIntyre, et al, 1991).

While health budgets showed major inequities well into the 1990s, a major attempt to rectify this was made in the 1995/6 budget cycle when a needs-based weighted capitation formula based on the number of people living in the various provinces and adjusted by average per capita income (as indicator of need) was introduced (Doherty and Van den Heever, 1997: 5). The needs-based weighted capitation formula allocates, “...financial resources on the basis of population figures (that is, per capita data), adjusted for the relative need of these populations (broken down by age, sex and geographical region.” (ibid: 14).

Another formula on which resource allocation is based is that formulated by the British Resource Allocation Working Party (RAWP formula) and used in England since the 1970s. This formula included a geographic dimension (McIntyre, 1990). After a review in 1990 it changed its name to become known as the “weighted capitation formula” (ibid: 18). Needless to say this formula held much promise for application in South Africa (hence the Klopper, Bourne, McIntyre et al studies) as it placed emphasis on regional equity.

A change to the 1995/96 South African national health allocations resulted in rapid shifts of funding between provinces which caused a number of difficulties. As such, the formula was tweaked for application in the 1996/97 year. It too, however did not pass the muster as these allocations:

...resulted in allocations which were unrealistic in terms of pace of change they meant to promote. A lesser problem is that even the 1996/97 formula was not able to measure need on a truly equitable basis. We fear that the re-distribution of real resources in South Africa will remain a paper exercise, as it did to some extent in England, especially with regard to shifting resources away from higher levels of care. (Doherty and Van den Heever, 1997: 43).

These experiences highlight the difficult nature of resource allocation decision making. Further, there are totally unintended but crucial consequences of ineffective resource allocation decision making as summarised below (ibid):

- Large cuts as a consequence of redistribution cause poor staff morale;
- Access to services for the poor decreases as services are indiscriminately cut back;
- The above leads to redistribution not occurring as planned;
- Poorer provinces cannot spend surpluses and richer provinces have deficits;
- It encourages unrealistic budgeting; and
- The competition for resources causes conflict rather than cooperation between competing entities.

Despite serious attempts to more equitably allocate resources through use of the formulae mentioned above, there is always the danger that all such activity could be

in vain should political or other considerations prevail. A good example occurred in the health sector in the Eastern Cape:

Without these planning and budgeting committees, district and regional offices may adopt less formal mechanisms for allocation. An example was cited where one of the sub-directorates at regional level participated in drawing up criteria for resource allocation using population size of the district, the number of health facilities available as well as some of the activity and utilisation data from these facilities. This was however undone by a verbal request or instruction at the regional office to simply split the resources into 25 % for each district without a thorough explanation of the process of allocation. (Morar, 1988: 21).

Worryingly, Benatar (2000: 822) also indicates that resource allocation decision making does not always reflect rationality by stating that:

Each society could decide either on intentional rational grounds or by default on the level of expenditure it wishes to allocate to health compared with other services such as education, defence and welfare. Regrettably such decisions are usually not reached by rational decision-making processes but rather by the emotional, psychological, political and economic pressures and influences interlinking haphazardly over the years.

In a study on resource shifts in South African schools after the political transition, Van den Berg (2001: 405) revealed a model that had as its basis of decision making fiscal resource shifts and geographic parameters. In the study significant fiscal resource shifts occurred at formerly Black schools and non-metropolitan areas gained significantly more resources. However, fiscal inequalities remained as qualified teachers remained scarce in poorer (including Black) schools.

An important lesson to be learned from this allocation decision making was that, “...poor matriculation results indicate that additional resources, whether fiscal or real, were poorly translated into improved educational outcomes. As equity in education should be measured by equitable educational outcomes rather than equity in educational resource allocation, much work remains to be done.” (ibid). This is a major difficulty facing any financial resource allocation decision making process, particularly so in the social services sector. While not elementary, the input calculations are, with few exceptions, much less complex and time-consuming than are the measurements of outcomes.

It took a study in the field of rehabilitation services (physio-, occupational-, speech and hearing therapists, assistants and community rehabilitation workers) to determine the inequity of resources in the Mitchell's Plain community. In this study, Struthers (2001: 5-6) found that 76 percent of all expenditure in this sector was allocated to Lentegeur Hospital and the Care and Rehabilitation Centre for profoundly intellectually disabled persons. However, as these services served a community broader than the Mitchell's Plain district, only 24 percent was thus allocated to this district to serve all its needs.

In analysing the 24 percent mentioned, 70 percent was allocated to one school which employed 79 percent of the district's therapists serving 190 children (a mere 6 percent of children with disabilities in the district). Struthers (ibid: 6) concluded that:

The distribution of rehabilitation personnel in the Mitchell's Plain health district reflected a continuation of the history of state financial support to the employment of personnel at institutional level and not at primary level facilities within the community or community based rehabilitation...An analysis of the cost of employing the rehabilitation personnel indicated that there were inequalities in the distribution of funding in the Mitchell's Plain health district...At one centre for 160 children with intellectual disabilities there was only one therapist, and at three other centres that provided a day care service for 156 children with intellectual disabilities there was no state funding for rehabilitation personnel.

This situation is clearly reflective of a lack of an effective financial resource allocation decision making process in the rehabilitation services field or that considerations other than those based on rationality swayed decisions. The financial resource allocation decision making model developed as part of this study could provide an analysis such as presented in this study in a matter of seconds – see Chapter 6. Needless to say, this study raised crucial issues identical to those being experienced in the welfare sector.

A study to determine the extent to which the caseload-based resource allocation process was practised in seven Californian counties during the 1985 to 1992 period revealed that:

...all else constant, a caseload-driven funding mechanism can have the unintended effects of driving up child welfare caseloads. An allocation methodology based on population measures would eliminate this unintended effect. A funding mechanism which relies on various demographic, social, and economic factors to allocate resources may create an incentive for counties to prevent child abuse reports rather than to depend on the investigative efforts of child abuse reports in order to obtain resources. (Albert and King, 1996: 74).

Further, it found that:

A caseload-driven methodology rewards counties that can justify having served more children in the prior fiscal year. The caseload-driven approach can become self-perpetuating; counties with more staff members can serve a larger client population and, in turn, justify their need for a greater share of total appropriations...[and it]...does not give greater consideration to serving needier clients...Counties with insufficient staff or smaller caseloads may, in fact, be serving needier clients...[and it]...also creates the opportunity...to manipulate caseload statistics in order to maximize...resources. (ibid: 66).

The above-mentioned results are not surprising. South Africa has for decades been applying this allocation mechanism to varying degrees. Caseload numbers in South Africa have traditionally been pegged at a high of 60 in contrast to the international norm of 10 to 20 cases (Stein, et al, 1990: 40). This high caseload also questions the qualitative aspect of service delivery. So, in addition to questionable service delivery, the caseload-based system of resource allocation in South Africa remains a flawed one.

In a study of models of state budget allocation in child welfare services in various states of the United States of America, Karski and Barth (2000: 49) identified four methods of state allocation; caseload, needs-based (demographic and social factors), workload and programme performance standards and outcomes. As in the case of the Albert and King study, they found that the caseload budget formula for allocation, while easy to administer, had an inbuilt incentive to maximize volume of services as this method had no cost ceiling (ibid: 51).

Further, while the needs-based allocation was seen to be equitable and better at meeting social needs rather than addressing a known client population, it did not suit programmes where accurate measures of need were not readily available (ibid: 54). Budgets based on workload, allocated funds on work undertaken – the number of clients served and services provided (ibid: 55). Apart from providing a much better source of information on productivity, the costs of this approach are high, it could affect morale and it does not interrogate services needed – it only rewards those performed (ibid: 56).

In the case of programme performance standards and outcomes, the allocation process either rewards desirable outcomes or produces disincentives when not meeting standards and outcomes (ibid: 57). A major advantage is its directness and simplicity – it pays for services in clearly determined output costs. On the down side, it is not appropriate where resources are scarce and it assumes that the capacity for delivery exists. It also negates the development of new services (ibid: 59).

In choosing an allocation formula, Karski and Barth (ibid: 60) state that, “In order to choose the optimum allocation formula, four key program variables need to be considered: (1) the nature of the target population, (2) whether clients are already known to providers, (3) whether there are clear units of work, and (4) whether there are clear outcomes and measures of quality”.

Berman (1991: 23) indicates that: “Information systems can play an important role in social policy formulation and social planning in general, and more specifically in resource allocation and planning.” He continues by stating that in order to improve the budgetary process the Israeli Ministry of Labor and Social Affairs adopted a uniform approach based on existing information systems. Seven variables which represent five social indicators are each weighted to determine the criteria for budget allocations (resource allocation) – see Table 4.5.

This model represents an interesting combination of need and geographic location data that informs the decision making process. It is interesting to note the different weighting accorded to the various indicators. Of particular interest is the high weighting (60 %) accorded to recipients of services. This implies a skewing of resources to existing rather than to need-to-be-determined services. This approach is inimical to identifying need and developing appropriate services for such need.

Table 4.5 Israeli budget allocation criteria

<u>Indicator</u>	<u>Variable</u>	<u>Weight</u>
Potential	Population of locality	5 %
Received service	Percentage of population receiving services	60 %
Poverty	A – Number receiving basic subsistence support	7 %
	B – Number of large families	7 %
Social problem	Number of one-parent families	6%
Deprived area	Border town	8 %
	Regional council (rural area)	7 %

Source: BERMAN, Y. 1991. Toward Rational Resource Allocation in the Personal Social Services, **Journal of Social Work and Policy in Israel**, Vol. 4, p 27.

The United Way of Allegheny County was one of few funding agencies that in the 1990's went beyond the measurement of need; it also measured output of service. It devised a programme evaluation form that influenced the allocation decision making. Importantly, it included good governance as one of its prerequisites for funding in its then new funding policy. It stated that, "...agencies will pre-qualify for funding review by demonstrating compliance with management, government, and fiscal standards established by the National Charities Information Bureau." (United Way, 1993: 5)

While ethical considerations cannot be divorced from resource allocation decision making, it is particularly central to health and social service sector resource allocation decision making. Benatar (2000: 822) states that:

The rapid growth in numbers as a percentage of elderly patients in developed societies, their increasing longevity and the application of costly technology to

investigating and treating far-advanced and often incurable disease have given rise to growing concern about how resources are allocated, the way in which they ought to be allocated and on the implications of such decisions for medical practice and society...How are resources used efficiently and by what criteria do we measure success?

Wasserman (1988: 2) confirms the dilemma by stating that:

*Gesofistikeerde ekonomiese analises kan die keuses en toedelings realisties struktureer in verskeie scenarios. Die ekonomie kan egter **nie** eties of maatskaplike waardes toeken aan alternatiewe nie. Besluitnemers, beleidmakers, wetgewers en verbruikers kan makilik 'n goeie **ekonomiese** stelsel met 'n goeie **gesondheidsorgstelsel** verwar en meen dat die een ook die ander impliseer. Enige gesondheidsorgstelsel toon ernstige afwykings van erkende en die gesonde ekonomiese beginsels.*

Similarly, in calling for fairness in the allocation of resources to treat extremely-low-birth-weight infants, Smith, et al (1999: 1150) stated that, "Economics, more than ever before, is now the driving force behind health care. How do individuals prove their worth or value in order to justify their price? Do we in South Africa, regard individuals as inherently valuable and of equal social worth?"

In the case of treating or not treating severe head injuries, Benatar, et al (2000: 792) stated that:

Ethical challenges are intensified when economic factors become a major factor in deciding when to withhold or to withdraw life-sustaining treatment...troubling questions arise when scarce medical resources are allocated based on quality-of-life evaluations. For example, whose values will determine what quality of life is deemed satisfactory to make the patient a candidate for aggressive treatment, or unsatisfactory so that such treatment should be withheld or withdrawn?

While all the material here presented related to the health field, the ethical questions raised are equally important in the social service sector. For example, does one support a more-costly educare service that employs a host of professional staff that provide a comprehensive service as opposed to a cheaper service that does not?

Finally, an important consideration to any resource allocation decision making is the costs of gathering and not gathering data to inform the allocation decision making

process. Judge (1978: 75) refers to the costs associated with uncertainty caused by a lack of information to make effective allocation decisions – he cites Bartlett as follows:

There are costs in being informed and costs in not being informed. The rational agent will have to strike some balance between the two types of costs. This balance will lead to a limited amount of information that it is rational to acquire before reaching a decision, and the decision will be based upon this imperfect stock of information.

4.6 Related findings

In this section the paucity of relevant research findings will be evidenced. Despite numerous searches, including the use of the World Wide Web, very few relevant studies could be found, confirming Kraak's (2001) view presented earlier. Notwithstanding, such germane literature as could be found will be presented to provide some measure of comparative analysis in Chapter 6.

From a third sector point of view there has been a disquieting trend in the last decade or so. The corporate sector is increasingly providing social services in direct competition with the voluntary welfare sector. While this is more common place in the United States of America, it is steadily taking hold in South Africa. Given that the three funding policies reviewed previously all made provision to fund for-profit service deliverers, this trend is likely to grow.

According to Ryan (1999: 129), "Nonprofits are no longer considered automatically entitled – or even best qualified – to provide social services in the United States...more than half of all government spending already goes toward the purchase of goods and services in the private marketplace." Increasingly as the welfare sector, beset by either bad management or injudicious funding or both, will, like in the case of the United States, "...nonprofits are no longer given the benefit of the doubt...the capacity and effectiveness of nonprofits are increasingly doubted..." (ibid: 132).

This raises the concern that for-profits are unlikely, given their profit-motive, to espouse commonly-held societal values and voluntarily seek to serve the interests of common good that characterize third sector organisations. Thus if the non-profits are to remain competitive, the efficacy of their management will have to improve.

Kraak (2001: 130), in his six-year review of the sector stated that, "...the leadership of the sector...has not been able to provide direction to the sector on those issues with which it has struggled most. These are the longer term sustainability of the sector, and building new capacity and leadership." Further, he identified, "...poor leadership and lack of organisational capacity in many organisations..." and "...the difficult legislative and fiscal context in which the sector operates..." as enduring problems (ibid: 132).

This highlights this sector's need for improved management and leadership recruitment, selection, training and development. It also indicates a need to better equip this sector with financial management knowledge and skills.

But this is also true of the government sector. Cross, et al (1995: 81-82) in a study on development funding conducted through in-depth interviews with 60 respondents stated that:

Bureaucracy in South Africa has grown like weeds, often without clear structure, and the involvement of private sector firms and consultants has complicated matters. It is difficult to make this complex process either accountable or transparent. Interviewees in the state bureaucracy have reported that they themselves sometimes do not know who has final responsibility for a project, and have asked to be rescued.

Apart from this training, in certain organisations in this sector stock will have to be taken of governance issues, ethics, values and morals. Velcich (1998) in writing on his extensive experiences as an auditor for this sector during the so-called 'struggle years' and the period post-1994, confirmed the organisation typology (traditional versus progressive or informal). True to character, the cause then espoused was clear and robust which resulted in limited abuse of donor funds, unlike the current trend.

This was confirmed by Cross, et al (1995: 93) who stated that, “Results from interviews suggest that the real problem for development funding is ill advised spending, rather than outright theft or corrupt handling of money.”

Anecdotal evidence suggests that post-1994 the move from ‘solidarity’ funding (less financial and more moral accountability) to ‘development’ funding (less moral but more financial accountability) has led to far greater misuse (fraud or mismanagement) of donor funds.

In an attempt to reduce misuse of donor funds Velcich (op cit: 105) states:

The challenge to the voluntary sector and its auditors is to devise a set of controls over transactions and assets that make fraud and misappropriation more difficult, and for organizations to respond ruthlessly to dishonest practices as they are identified. For their part, donors need to demand financial reporting that enables them to interpret and evaluate the performance of each organization they fund, and to follow up rigorously all identified departures from plan and variances from budget.

In a study on foreign donor funding Fani (1998: 37) argued:

...that recent changes in donor practice favour larger, sophisticated and urban non-government organizations (NGOs) at the expense of smaller, grassroots organizations, which are no longer able to meet the more rigorous criteria and reporting requirements of Northern donors...[and that]...community-based organizations (CBOs), which most directly represent the poor and excluded, face the wall.

Further, Fani (ibid: 39) stated that, “Ignorance and illiteracy still hinder most CBOs from challenging the well-phrased barriers in the contracts of Western donors.” It would not be incorrect to assume that the same donor strictures and shifts apply to a sizable group of South African donors who find the allure of sophisticated funding applications replete with clichéd promises of ‘best practice’, ‘stakeholder buy-in’ and ‘outcome-based’ more appealing than the innumeracy and non-lucidity characteristic of those submitted by many small informal organisations often referred to before.

A study on development funding conducted through in-depth interviews with 60 respondents also found that “Funding processes are extremely complex and confusing, and many well meaning organisations struggle to provide accountability because of the communications task is difficult.” (Cross, et al, 1995: 108).

In the Swilling and Russell (2002: 87) study the most serious problems encountered by the non-profit sector were ranked as follows (only selected problems listed here):

- Lack of government financial support 55 %
- Lack of government support 53 %
- Lack of public contributions 45 %
- Lack of contact with potential funding sources 44 %
- Delays and red tape in releasing financial support 32 %
- Lack of experience in fundraising 28 %
- Limited public awareness of organisation 23 %
- Difficulty recruiting volunteers 23 %
- Competition from for-profit business 20 %

The first four problems listed above are also the first four of a number of problems ranked in the study. It is significant that three out of the four highest rated problems related to funding. Significantly, this sector appears not to enjoy a healthy relationship with government, despite government relying heavily on this sector to provide a wide range of services, social and other.

While there will always be tension between government and the non-profit sector, the disquiet with both government support and funding could possibly have been exacerbated by an attack on this sector in 1997 when, “...President Mandela rebuked the voluntary sector organizations for their critical stance on government and for carrying out the political agendas of foreign organizations inside the country.” (Meintjies, 1998: 80). A similar spat occurred this year when President Mbeki reportedly, “...accused an unnamed foreign donor of paying South African NGOs to

attack the African National Congress ahead of last year's election." (News24.com, 2005:1).

The first spat was probably caused by the large foreign donor funds that this sector received which rendered them unaccountable to government. This led government to seek such donor funds for distribution to the voluntary sector thus ensuring more control. It has had a measure of success with this endeavour, much to the chagrin of the voluntary sector.

Kraak (2001: 144) in citing others confirmed the hardening of relationships as result of among other, government's lack of delivery by stating that, "Lack of delivery places NPOs and government at odds as NPOs fight to defend their constituencies..." These spats are of concern. Given the large funding provided by government and the funding sources it controls, it could dictate, much like the former government, who gets funding based more on compliance than on rational financial resource allocation decision making.

Given that the government's clearly stated intentions are to target the poor through a developmental approach to social service delivery, the constant failure of funding policies to give heed to such intentions is very disquieting. In South Africa, most welfare organisations have not heeded the call to change. Many would argue that there is no need to change as they continue to receive state funds based on social service practices of yore. But perhaps a bigger question looms. To what extent can the sector rise to the occasion and provide the needed services? Is there a 'capacity' issue?

In an interesting experiment in social policy, the City of New York, in an effort to reduce overcrowding in pre-trial detention facilities substantially increased funding to district attorneys' offices that reduced the number of long term detainees. The assumption was that increased money would solve the problem. Not necessarily so. While more complex than here presented, Church and Heumann (1989: 654)

concluded that, "...monetary incentives are not a "magic bullet."...[and]...such basic notions as the distinction between motivation and capacity, the problem of goal displacement, and the efficacy of financial rewards need to be carefully considered."

There is thus a need for sensitivity to 'capacity' issues when monetary incentives are at play. This is particularly applicable to South Africa and more specifically in the social service sector.

The lack of experience in fundraising which 28 percent of organisations recorded in the Swilling and Russell (2002) study as problematic is relatively high. Kraak (2001: 137) states that very few nonprofits have dedicated fundraising professionals and that fundraising rests largely with directors while, "Very few NPOs have a coherent fund-raising strategy." Further, "It can safely be said that those NPOs who do have a strategy and do make resources and time available for fund-raising generally succeed in accessing funds." (ibid).

This view is confirmed by a recent study to determine whether larger welfare organizations in Cape Town would qualify for funding in terms of the latest funding policy. Lotvonen (2005) in a study of twenty organisations found that in the majority of cases organisations that had a funding strategy did not experience funding problems and were, in terms of their ratio analyses, financially sustainable.

Kraak (op cit: 139) in addressing the issue of financial sustainability, believes the leadership of the sector, "...needs to mobilize proficient training in hard fundraising skills based on a more accurate understanding of the local and international funding environments."

Janssens and Smith (2003: 8) in citing Bennett and Gabriel state that: "Many organisations in the not-for-profit sector are becoming more commercially oriented...[and]...report that charities in the UK increasingly are promoting and selling products that are not directly linked with their philanthropic goals or

traditionally associated with the sector”. There are very few signs that this tendency prevails significantly in South Africa.

While corporate donors (or through funds attached to them – many companies have trusts or foundations to channel their Social Responsibility Investment) have always contributed sizable amounts to the non-profit sector, increasingly they are creating either their own social service delivery arms or earmarking their contributions for specific projects or services. There is also a very discernable trend to fund capital rather than operational expenditure.

Eveleth (1999) reported that there had been a significant shift in corporate social investment funding in South Africa. These ranged from companies funding projects related to their own interests (e.g. oil companies funding environmental projects) to selecting projects requiring not only funding but also capacity building. Importantly, there were also the beginnings of a trend to move away from funding activities that were perceived to be the responsibility of government funding. These have major funding implications for particularly the established social service organisations.

In writing about the financial plight caused to the child welfare sector in South Africa, Van Niekerk and Desmond (2001: 24) reported a, “...chronic shortage of resources that limit our ability to provide meaningful services.” Apart from the lack of expected support from the National Lottery, they raise two major problems that this sector encountered from corporate donors, namely:

These funds tend to favour capital development projects. This results in the start-up of many new projects and the creation of physical resources such as buildings, but sadly service provision is neglected, as money may not be spent on running costs. This has resulted in some instances of buildings being seriously underutilised, or even standing empty or being vandalised by a community for whom the erection of a structure created the expectation of service provision...[and]...These funds tend to be allocated to projects that fit the corporate image and needs of the company, rather than the needs of the community. (ibid).

The non-profit sector in South Africa employed a sizable 645 316 full-time workers (calculated on the full-time equivalents basis) or nine percent of the non-agricultural formal workforce (Swilling and Russell, 2002: 16). This was larger than the average workforce of 28 countries for which comparable data was available in the Swilling and Russell study. This number included 328 325 (or 51 %) employees and 316 991 (or 49 %) volunteers (the equivalent of full-time workers that 1.5 million volunteers constituted) (ibid).

In this study, the social services sector consisted of 81 692 (57 %) full-time employees, 12 066 (8 %) part-time employees and 50 450 (35 %) volunteers – a total of 144 208 workers (ibid: 19). While lower than the average for the whole sector (49 % versus 35 %), the number of volunteers involved in the social services sector was substantial.

While there have been a number of studies on the concept of volunteerism, no studies relating to university accounting students volunteering to help fledgling community-based organisations develop financial management capacity were found. As such, only a few apposite studies were included that related more generally to the survey conducted on accounting students.

The motives for volunteering are many-fold. These may include pure altruism (unselfishness, philanthropy, charity), reciprocity (being grateful for past experiences and rewards and therefore the need to give back or reciprocate), personal benefit (rewards, experience, affiliation, achievement, power, responsibility) and obligation (expectation, coercion, pressure). While the purists would prefer altruism rather than accepting that there is some obligation or ulterior personal benefit related motive involved, in practice all forms of motivation are probably to be found.

In a study of 255 adolescent volunteers, Schondel and Boehm (2000: 2-5) using the Volunteer Needs Profile (assesses need for experience, feelings of social responsibility, need for social contact, responding to expectation of others, need for

social approval, expectation of future rewards, need to achieve) found that while they responded negatively to expectation or pressure to volunteer, they responded more positively to need for social contact, need for affirmation (social approval) and social responsibility. Significantly, the need for experience was not a significant motivator in this study.

In the United States of America, annually large numbers of accounting students volunteer time to help the needy complete their tax returns in a manner that maximizes tax benefits. The Volunteer Income Tax Assistance (VITA) programme was initiated in 1969 to provide free taxpayer assistance for those who could not afford it, used 70 000 volunteers working out of 14 000 sites to produce 1.9 million tax returns in the 2004 tax period (Doyle, et al, 2005: 1).

Many universities manage these volunteer programmes every year. For example at the Montana State University, the College of Business Volunteer Income Tax Assistance programme helped some 250 individuals (Montana State University, 2005: 1). The benefits of such volunteerism were well articulated by a participant; “It gives students a great lesson in what practice may be like. Plus, it forces us typically socially challenged accountants to engage with the public.” (ibid: 2).

There is also a national non-profit organisation, Accountants for the Public Interest, in the United States of America. This organisation’s mission, “...is to encourage accountants to volunteer their time and expertise to nonprofits, small business and individuals who need, but cannot afford, professional accounting services.” (Accountants for the Public Interest, 2005: 1).

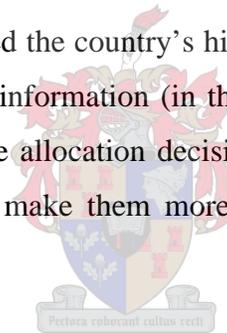
While there is a South African organisation, the Southern African Student Volunteers, a leading student volunteer development agency that manages a variety of student volunteer projects, there appears not to be any American equivalent for accounting students to volunteer their accounting knowledge and skills to needy individuals or voluntary organisations.

4.7 Conclusion

Third sector investment strategies are complex and somewhat all-embracing. It relates to the strategies adopted to fund an entity which in turn implies a funding source and a financial resource allocation mechanism that makes the allocation. This mechanism is however driven by among other, the need for the service and the financial management acumen of the beneficiary organization.

If the need for a service is great but the financial ability to access funds and manage them is insufficiently advanced, an investment dilemma arises. Attention thus has to first be directed at the inability before being directed at the allocation process.

As such, this chapter presented the country's history of funding policies as these are the first order (or source) of information (in the form of criteria among other) that informs the financial resource allocation decision making process. These policies, despite repeated attempts to make them more agreeable to existing social needs, remain wanting.



The state is a major source of funding and in the past decade it has attempted to centralize and control other funding sources. It created the National Lotteries Board and the National Development Agency, both having enormous funds to disburse annually. However, these too, are not operating optimally in meeting the expected and legitimate need of a large number of organizations addressing such social needs.

The resource allocation process ranges in complexity and application – from complex national budget allocations to simple intra-organizational programme allocations. It is guided by a number of tenets, formulae and policy directives. The perfect allocation mechanism that pleases giver and recipient is still to be developed. Therefore various approaches have and will continue to be applied in ever-attempting endeavours to deploy resources in an optimal manner.

Despite the shortage of research on the third sector, the studies that have been done reflect a sector that is under financial threat. The expected funding from state and other sources are not forthcoming and increasingly the corporate sector is funding projects that it rather than communities determine as being important. The standards of financial management in the third sector add to its vulnerability and so too its poorly-developed fundraising ability.

While there are no comparable studies available, a number of related studies report on the nature of volunteerism and what motivates volunteers. There are a few instances where accounting students are volunteers in a variety of social service projects.

The area of research is large and a significant array of inputs is required to even begin to understand the complexity and vagaries of third sector investment strategies.

In the next chapter the newly-designed financial resource allocation decision making model will be described and its endeavour to address some of the vexing issues facing the third sector outlined in this chapter, will be presented in this and Chapter 6.

Chapter 5

Financial resource allocation decision making model

Contents:

- 5.1 Introduction
- 5.2 Information systems
- 5.3 System analysis and design
- 5.4 Model structure and functionality
- 5.5 Related findings
- 5.6 Conclusion

...Give us something else, give us something new...and let us feel that we are still alive, instead of constantly going around in deedless admiration for the conventional.

[Earl Nelson. My Childhood]

5.1 Introduction

For decades now, the welfare sector has had nothing else or something new, just the same or a bungled rehash of the past. No innovative research or thinking has gone into funding and financial resource allocation decision making. It is hoped that the development of this financial resource allocation decision making model and the research data it generates will spurn others to more vigorously engage with this standing issue rather than, "...constantly going around in deedless admiration for the conventional."

The purpose of this, the first of two chapters that report on the outcomes of the study, is to detail the design and development of the financial resource allocation decision making model. As such it will briefly introduce the information systems environment in which the model operates by referring to history, concepts and applications.

The systems analysis and design considerations are reported on as are the processes followed in the development and implementation of the financial resource allocation decision making model. The significant difficulties encountered throughout the development and implementation phases are also briefly alluded to.

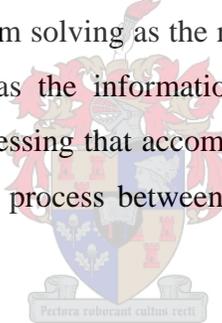
Most of the chapter is however devoted to an illustrative description of both the structure and the function of the model. As such, the reader will be taken through the process followed by any operator of the system. This will include examples of the various input templates (commonly referred to as screens), the on-line query templates and output formats for reports.

The model is also placed in context with resource allocation decision making literature discussed in Chapter 4.

The chapter concludes that while time-consuming and costly to develop, the financial resource allocation decision making model has been very well received by the Community Chest and that the burden of management of the allocation process and beneficiary organisation data has significantly eased. It also provided organized data far beyond that required for resource allocation purposes.

5.2 Information systems

Information systems as the name implies, is to provide information for management decision making. Schoech (1982: 113) in drawing on the works of Rubinstein, Skinner and Simon, states that, "...there are two approaches to research in human problem solving: behavioural and information processing." The behavioural approach (Skinner) has problem solving as the relationship between stimulus (input) and response (output) whereas the information processing approach (Simon) is, "...based on information processing that accompanies the development of computer programs and emphasizes the process between input and output that leads to goal achievement." (ibid).



It is the latter approach that informs this study and design of the financial resource allocation model developed as part of this study. As such, conceptually this model is mindful of the notion that decision making (or problem solving) is influenced variously by the context in which it is taken, the quantity and quality of information at hand and by the actor or actors that are responsible for taking the decision.

In recent years the world of information and technology has expanded exponentially and to such an extent that that which was thought impossible a mere few years ago is now considered passé. The social service sector however has not kept up with this information and technology revolution.

Philips and Berman (1995: 3) stated that while the early days of computerisation in the social services is not well documented, “The history of computerisation of the social services is one full of false dawns and drama.” In citing Caputo they stated that social work in 1988 was decades behind other professions and the business sector in the application of information technology.

This view is confirmed by Mutschler and Hoefler (1990: 87) who in reviewing a number of studies concluded that, “...the application of computers in day-to-day tasks of practitioners such as middle managers, line workers, and clinicians, lags behind the potential that information technology has to offer.”

In further citing Caputo, Philips and Berman (1995: 79) stated that one of the reasons for this lag could be, “...that the driving force of rationality which lies behind computerisation undermines what he categorizes as the indeterminate and ideological nature of social service organisations...[and]...that the rationalist *value system* of IT will challenge the legitimacy of social service values.”

While there is now a dedicated journal, the *Journal of Technology in Human Services* and a number of books published more recently on the subject, the lag, albeit narrower, remains stubbornly real.

However, writings on the use of database design (used by the model developed in this study) in human services date back to the early 1980’s – see for instance Sircar, et al (1983).

At about this time the first personal computers made their introduction. These had no hard drives and storage capacity was limited to what was known as a floppy disc (360 Kilobyte). Their processing capacity was about 96 Kilobytes. The first hard drives for the personal computer were an external peripheral and 5 Megabyte storage capacity (about one standard 4.7 Megabyte DVD by to-day’s standards) was the top end of the range.

So, unlike today, early use of database technology was restricted to expensive mainframes – very few organisations could afford these. Today personal computers (desktop) commonly have storage capacities of 200 Gigabyte and processing power in excess of a Gigabyte.

A database is much like a filing cabinet with data stored in a particular format to provide an administrative function. It is used to manage data, like for instance donor membership. In this form it is a data processing (DP) system.

The database can also serve as a source of information if it can organize selected data in a particular fashion – extracting relevant data in accordance with set parameters and manipulating such data according to given specifications. In this manner it becomes part of an information system (commonly known as Management Information Systems or MIS). Thus information systems can be based on a database design.

Information systems can also be based on a number of other data processing systems; “...they usually integrate many separate DP systems, process nonroutine information, serve many levels of organisation, and produce information in the form of reports.” (Schoech, 1990: 407). Interestingly, some definitions of information systems include among other, the person, the problem, the organisational context, the evidence needed to solve the problem and a mode of information presentation (ibid).

While there are a number of types of computing systems operative in the social service sector, the most commonly-found are those that better facilitate administrative functions such as accounting and word processing. However, while virtually all social service organisations have information systems, not all are computerized. In some cases these manual systems are capable of providing the information required by the organisation.

As stated, information systems are often based on databases – this could once again be either manual or automated (also known as electronic or computerized). Manual information systems are however not capable of analyzing huge data sets into organized data that could inform the management decision making process. In later years the substantial processing power of personal computers has tended to increase, albeit in a limited manner, the use of both database technology and computers to drive social service organisations' information systems.

The Community Chest was one such example where conversion from a manual information system to an automated one occurred. The former manual database was not capable of providing the administrative and information processing capacity needed to manage the beneficiary organisations and better inform the financial resource allocation decision making process. Its design, development and function are detailed below.



5.3 Systems analysis and design

Systems analysis and design, while applicable to a number of sectors, is particularly central to computerized applications.

In order to understand the task of systems analysis, an understanding of a system is required. Dock and Essick (1981: 46) state that, “A *system* is an assembly of methods, procedures, and techniques united by regulated interaction to form an organized whole.”

The analysis of a system is undertaken by a *systems analyst* and the study is commonly known as a *system study*. Once a system has been analyzed, the analysis forms the basis for the design of either an improvement to an existing system or to the design of a new system. Based on the systems analysis a *system designer*

designs the modification or new system by clearly specifying in great detail what the system (new or modified) structure and function should be. This is known as the *systems design*. Based on the system design, a *coder* will translate the design into *systems code* (computer language).

This process is akin to that followed in the building industry. The analysis of need and existing accommodation is undertaken by an architect who produces the sketch plans. A draughtsman produces the specific plans and the builder builds the structure.

Given the complexity of a system in the information technology field, its analysis and design would imply a number of clearly defined and interrelated steps. Dock and Essick (ibid) identify these as: “...(1) analysis of the present system; (2) analysis of the various data processing methods available; (3) design of new data processing system, including its forms, records, reports, files, and processing methods; and finally, (4) determination of implementation procedures for the system.”

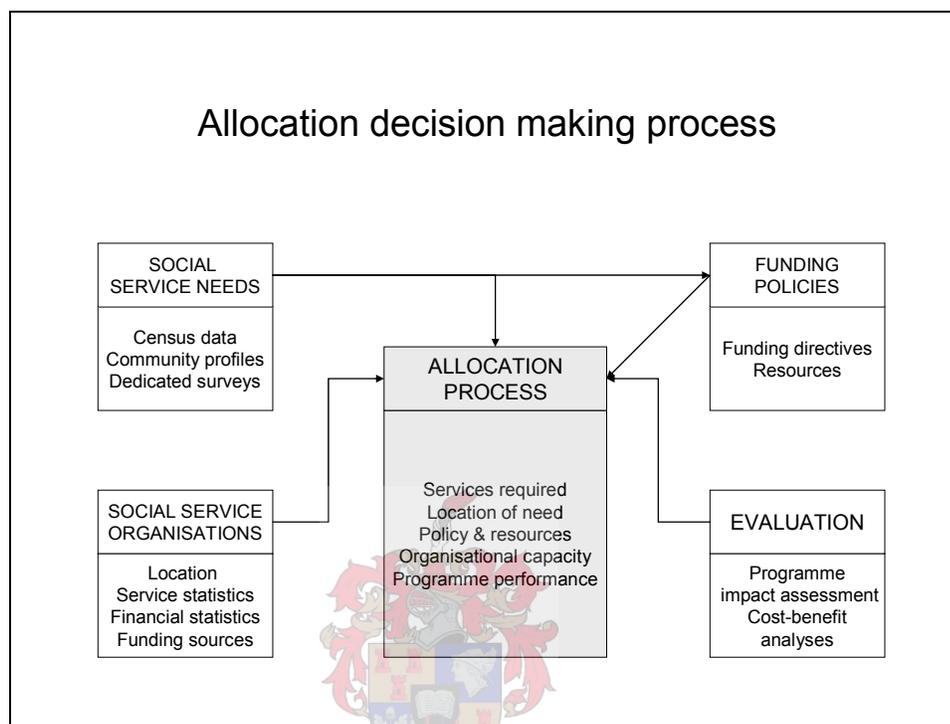
As stated previously, the Community Chest had by the commencement of this study developed a fairly rigorous system to disburse funds. Unfortunately, the system was with few exceptions, manually driven. As such it could not generate the optimal level of organized data needed to better inform the financial resource allocation decision making process. Thus a new automated model was designed in the first instance to meet the allocation decision making needs of the Community Chest with its approximately 500 beneficiary organizations.

Conceptually, the key components of the financial resource allocation process had to be identified. These are represented illustratively in Figure 5.1.

The purpose of giving or allocating resources has its origin in need – in this case the social needs of the population of the Western Cape Province (The Community Chest’s area of operation). This need is determined in various forms – census

figures, dedicated surveys, community profiles and as articulated by service providers – and provides an understanding of the social service needs required.

Figure 5.1 Components of the financial resource allocation process



Source: SMIT, A. 1999. Resource Allocation: An Innovative and more Informed Approach. *Journal of Public Administration*, Vol. 34, No. 4, p 406.

Allocations are determined or influenced by the prevailing funding policies, be it government or funding agency policies. They are also influenced by the various funding envelopes (government, lottery, NDA and funding agencies).

The social service providers that benefit from the resource allocation process constitute a formidable information source needed in the financial resource allocation decision making process. Such information consists among other of their geographic location, types of services rendered and capacity, financial management data and the various sources of revenues they have.

Given the organisational data, knowledge of the organisation's social service efficacy is required. This can among other, be provided in the form of impact assessments and cost benefit analyses.

Central to the allocation decision making process are a bouquet of organized data extracted from information on services required, locality of need and service provision, policy directives and funding resources and organisational performance.

The writer conducted an in-depth analysis of the then manual system. In addition, he consulted a number of financial resource allocation decision makers to determine what impediments the manual system had and what additional information was required from the new system. This included volunteer chartered accountants and social workers and particularly the full-time staff of the Community Chest tasked with financial resource allocation.

The writer's qualifications in social work, public administration and business data processing (information systems) also allowed for a further and unique expansion of this system analysis to include needs and requirements not previously identified by those involved in the systems analysis consultations. This was done not only to improve the allocation process but also to generate a wide range of on-going empirical data for use in this and future studies.

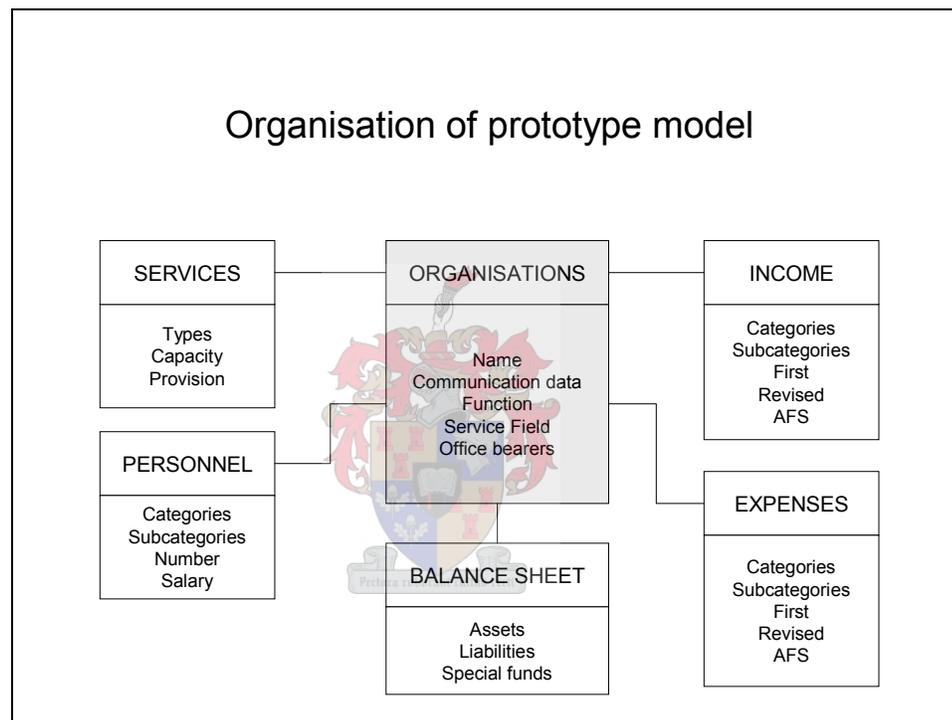
The existing manual system served as the basis for the design of the new automated system. To this was added a substantial number of additional data fields and in particular, a substantially increased ability to manipulate single and combined data fields to provide a significantly more meaningful analysis of funding needs, services provided, human resource management and financial management.

For example, among many other, information that could not be generated by the manual system but that could be specified as a requirement of the new financial resource allocation decision making model included providing norms of inter/intra-

organisation, geographic and sector (type of service rendered) expenditure, services and staffing.

The initial design was handed to an information technology specialist attached to the University of Cape Town – this design is conceptually represented in Figure 5.2.

Figure 5.2 Conceptual design of prototype model



Source: SMIT, A. 1999. Resource Allocation: An Innovative and more Informed Approach. *Journal of Public Administration*, Vol. 34, No. 4, p 407.

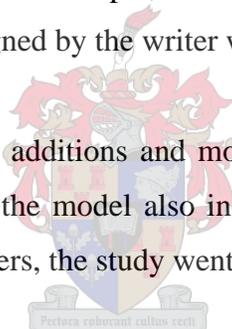
It required detailed information on organisations (name, communication data, function, service field, office bearers, et al), services (types, capacity, provision, et al), personnel (types of staff, positions, numbers, salaries, et al), income (sources for three budget periods of income, et al), expenses (line item expenditures for three budget periods of expenditure, et al) and balance sheet (assets, liabilities, special funds, et al).

The design specification included the software to be used, namely Microsoft Access – one of the most commonly used database programmes. Being part of the Microsoft Office suite of programmes it also allowed for the import and export of data from and to other Microsoft programmes such as Word, PowerPoint and Excel.

By using industry standard software, beneficiary organisations could submit their funding applications in electronic format.

The prototype model was tested in late 1999 and has over the last five years constantly been upgraded. These upgrades were specified by both the Community Chest and the writer. In the case of the former, such upgrades were mostly related to operational improvements whereas in the case of the latter, they were more related to improved analyses of data. For example, the “analyse” application (see following section for a description) designed by the writer was developed in 2005.

While indicating the need for additions and modifications to the model prototype, research results generated by the model also indicated a need for further research. As indicated in previous chapters, the study went beyond its original brief.



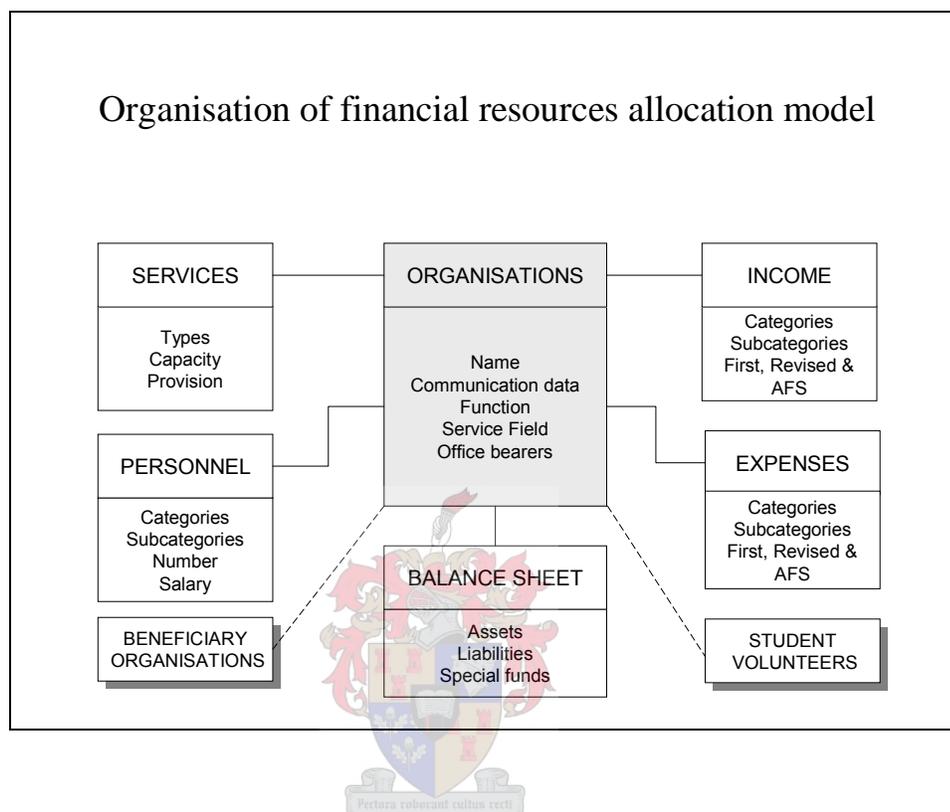
In addition to the development of the financial resource allocation decision making model, two additional databases were developed to manage data gleaned from the beneficiary organisations of the Community Chest survey and that of the accounting students survey.

The final conceptual design of the financial resource allocation decision making model, including the additional sources of information generated by the beneficiary organisations and accounting students surveys is reflected in Figure 5.3.

While these additional databases are not directly linked to the operational aspects of the model, they are relational to the main database on which the model is based.

This allows for data from all the databases to be used simultaneously – for example to conduct correlation studies.

Figure 5.3 Conceptual design of financial resource allocation model



5.4 Model structure and functionality

The model facilitates financial rationing rather than service rationing – the latter would however be a logical partner, but as an adjunct to, rather than part of this study. The model is very flexible and can be adopted by any funding agency and even state departments.

Its main purpose is to inform the decision makers – in the case of the Community Chest, volunteer accountants and social workers. As the model is very flexible, it could readily be adopted by many other allocation methodologies such as the ‘Promotion of Program Outcomes, Caseload, Needs-based, Workload, and Program

Performance Standards and Outcomes allocation approaches’ as discussed in Karski and Barth (2000) – see Chapter 4.

In order to generate comparative data, the beneficiary organizations of the Community Chest were divided into categories according to the type of service they rendered – see attachment 6. This is partly in keeping with South Africa's welfare service division into various fields of service. Another reason for this categorization was to facilitate the calculation of state subsidies – a number of different state subsidy schemes apply varying to the different categories.

The model is constituted by numerous tables, main tables that are further informed by subservient category and sub-category tables – see Table 5.1. Also reflected in Table 5.1 are the subservient relationships between tables – the smaller the font the more subservient the table.

Table 5.1 Data tables contained in financial resource allocation model

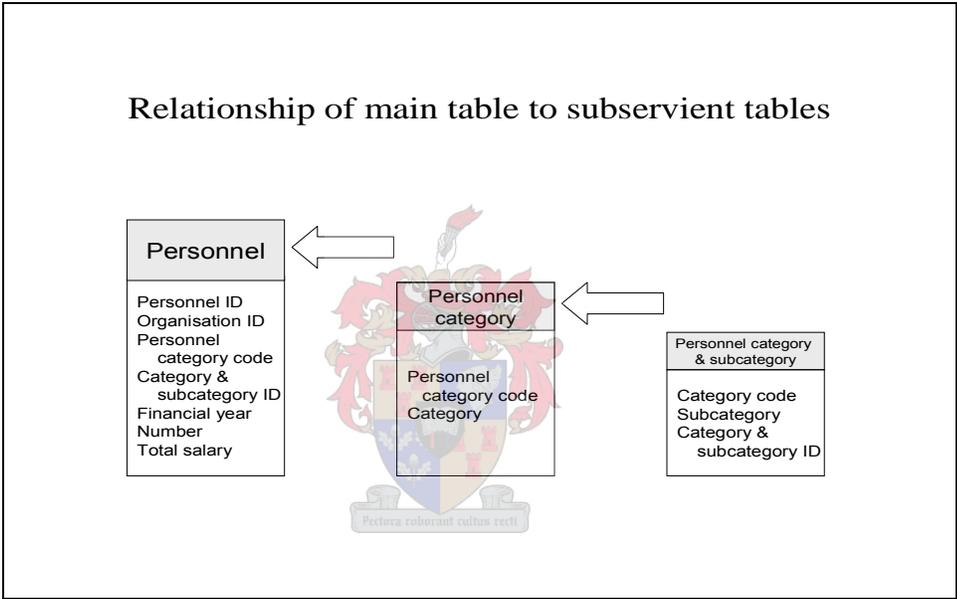
Main tables	Subserving Category tables	Subserving Subcategory tables
Organisation	← organisation	← organisation
Personnel	← personnel	← personnel
Income	← income	← income
Expenses	← expenses	← expenses
Services		
Balance sheet		
Estimated future financial position		

For example, the main table containing personnel data is linked to another table which identifies categories of personnel (direct service, administrative, financial staff, et al) which in turn is linked to a further table wherein a refinement of for

instance direct staff (in the previous table) would include job titles such as social worker, teacher, nurse, et al.

This relationship is schematically represented in Figure 5.4. The three tables represented in Figure 5.4 also reflect data fields – they are also examples of what tables contain.

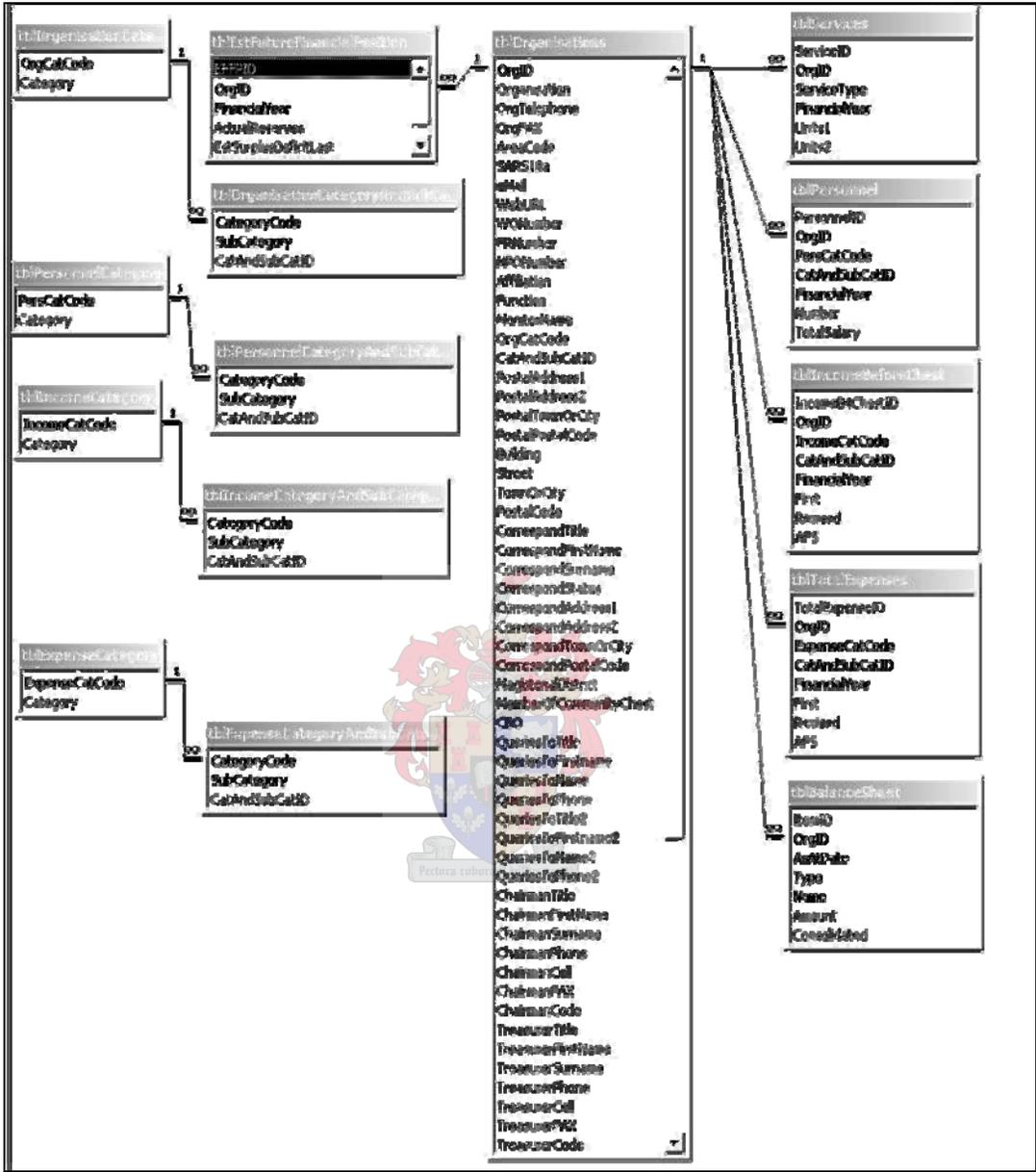
Figure 5.4 Relationship of main table to subservient tables



These tables each contain a variety of data related to its specific field and all tables are linked to each other by means of a unique key assigned to each organisation – the linkage of these tables one to another is schematically represented in Figure 5.5.

The model was designed to analyze past, present and projected service, staff and financial data for various periods and to generate a wide range of reports. As the Community Chest contributes to organizations' operational expenditure as well as to capital expenditure, considerably more financial information is required for allocation purposes.

Figure 5.5 Schematic representation of linkage of tables



The model manages various major sets of data as follows:

- The organizational details which include all pertinent information such as contact persons, addresses, registrations, bank details, et al;
- Geographic area of operation;

- The various types and extent of services provided (this includes capacity for service and numbers served);
- The types and numbers of staff employed (this includes a number of direct/non-direct staff categories and subcategories);
- Financial activities that include the major items of expenditure and sources of income. While there are standard items for all organizations (income, Chest grant, expenditure, surplus/deficit, subsidies, fundraising, fees, and staff expenditure) additional items are added as may be required by the organization or the category to which it belongs. In addition, balance sheet details are presented and if required, a variety of other information can also be presented.

The Community Chest's annual allocation of funds is based on data over a three-year period – an organization's forecast of service, staff and financial data for the following year (i.e. 2006); an earlier estimate and a later revision of the current year's activities (i.e. 2005); and an earlier, a revised and an audited financial statement for the previous year (i.e. 2004).

The accuracy of budgeting is easily determined by the percentage variances between first and revised, audited financial statement (AFS) and 1st, AFS and revised for past year (i.e. 2004); first and revised of current year (i.e. 2005) and AFS for previous year (i.e. 2004); and the first of the next year (i.e. 2006) and the revised of the current year (i.e. 2005). A further analysis of organizational forecast accuracy can be determined by including data for the three previous years.

It is also hoped to determine whether there is a correlation between the degree of forecast accuracy and other factors such as the budgeting process used, qualifications of treasurer, size of organization, et al. Where appropriate, the Community Chest will be able to intervene to bring about improved forecasting accuracy.

Budget forecast accuracy is crucial to effective allocation decision making – based on inaccurate forecasts (often so prepared by organizations to increase their allocation) the Community Chest could contribute to surpluses.

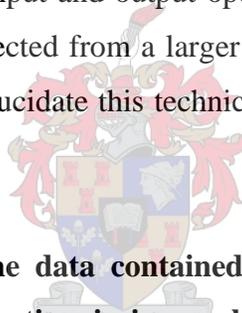
The value of state subsidies is often under-estimated, either by design to secure a greater Chest grant or because the various subsidy schemes befuddle applicants. In order to rectify the situation, the automated model will be able to provide an accurate assessment of subsidy value, recalculate the surplus/deficit and provide a more accurate picture of need – this will be dependent on the ruling funding formulae.

There are a number of important characteristics of the financial resource allocation decision making model that warrant a mentioning. These are as follows:

- It is based on a relational database – that is it is interlinked to various sources of data that relate one to another. It was also designed in a manner that would allow for further relationships with other databases at a later stage;
- Referential integrity is enforced – the relationships between data source tables and other databases is of such a nature that it will not allow for any activity that is not related to the constituent data sources. For example, no money can be paid to an organisation if it is not a legitimate recipient that is contained in the relevant data source table;
- All applicable data fields have input masks and validation rules to improve data integrity – for instance the input of the financial year will only be recorded if in the correct format. While the input masks set the standardized format of data entry, validation rules apply to values that are entered. For example, date of application cannot exceed the value of the current year or a person's salary or an application for funding cannot reflect negative amounts;
- Usage is intuitive – it is menu-driven, user-friendly and requires only minimal training before use;
- Data is protected – there are security checks at various levels that prevent unauthorized manipulation of data;

- Audit trails are generated – all activity is recorded per person using the system which includes reports on changes made, activity engaged in and productivity levels;
- Industry standard – the databases were created using Microsoft Access (2003) as it is the *de facto* industry standard software. It easily accommodates a multi-user network environment;
- Based on extensive application of Visual Basic (a computer language) coding in addition to Microsoft Access package software; and
- It is easily upgraded – because it uses standard software and is modular in design, it can easily be upgraded and/or extended.

Below follows a brief pictorial description (with a limited narrative) of the financial resource allocation model's input and output operations. The images presented for illustrative purposes were selected from a larger number generated by the model as they were thought to better elucidate this technical section than would an expansive written description.

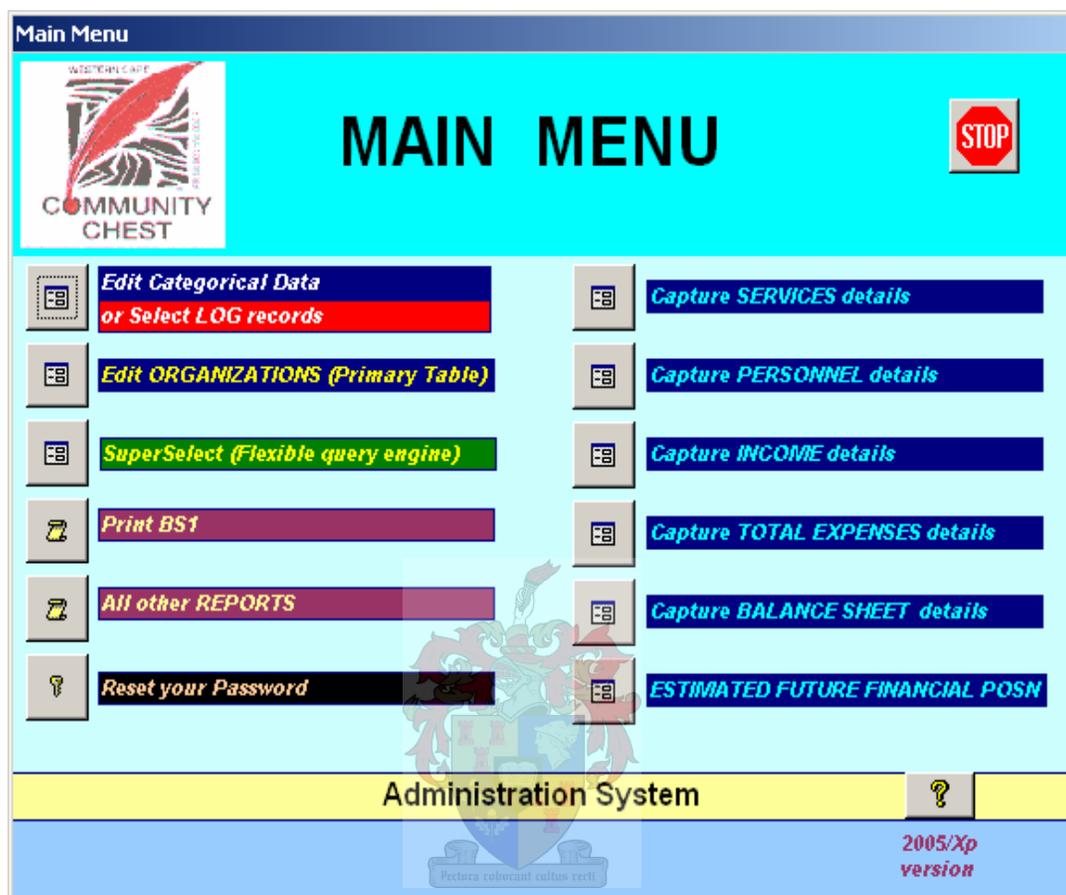


[It should be noted that the data contained in the images presented in the subsequent pages of this section is incomplete and included for illustrative purposes only]

As stated earlier, the financial resource allocation model is user-friendly and menu-driven. The first menu, the *main menu* screen is portrayed in Image 5.1. The *main menu* screen will remain central throughout this pictorial description as it refers to the other submenus that are portrayed in following images.

The menu options in the left column allow for a number of self-explanatory maintenance functions – some of these will be further illustrated.

Image 5.1 The main menu input screen

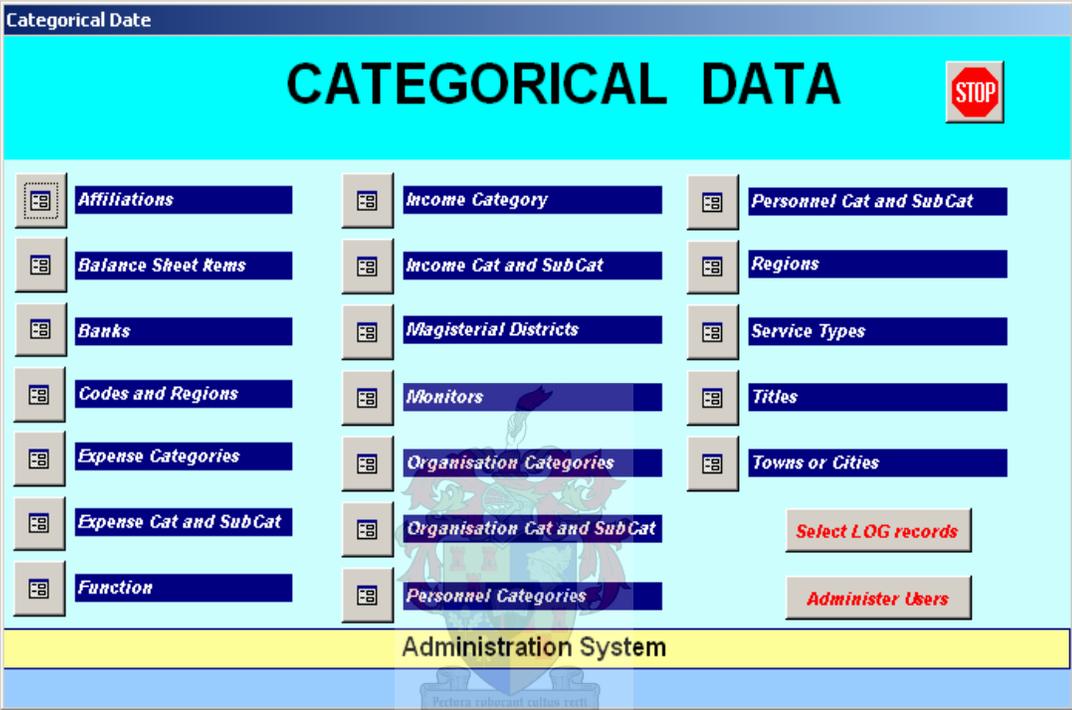


The “Edit categorical data” button allows access to the *categorical data* menu screen as portrayed in Image 5.2.

Categorical data refers to the categories of data as reflected in Table 5.1 and Figure 5.4 – for example Category = Direct service staff, subcategory = social worker (one of a number of positions that constitute direct service staff). These categorical data items do not change that often – for instance towns or city names change infrequently.

By pressing the relevant button in this menu takes the user to the respective categorical data input screen where new categorical and sub-categorical data can be added or where existing data can be deleted or amended.

Image 5.2 The categorical data screen



Returning to the left column of the *main menu* screen (Image 5.1) the “Edit organisations” option allows for the input and editing of organisational data – see Image 5.3 for the *organisation details menu* screen.

In this image, the wide array of details that the model captures is clearly evident. It should be noted that there are a number of “click down boxes” (for example affiliation, category, magisterial district) which allows the data capture clerk to merely select from a pre-determined list without having to input the data – this significantly improves data integrity.

In the top right hand corner is the unique organisation number that is generated by the model. Across the top of the screen are a number of input buttons (for example chairman, treasurer and bank) that allows for data input in those fields. The control panel (bottom right corner) allows for finding, deleting or creating new records.

Image 5.3 The organisation details menu

The screenshot displays the 'Organizations' application window. At the top, a cyan header bar reads 'FULL DETAILS OF ORGANIZATION APPLYING FOR GRANT:' followed by the organization number '294'. Below this is a navigation bar with tabs: Organization, Correspondence, Chairman, Treasurer, Secretary, CEO, Co-ord/Exec, and Bank. The 'Organization' tab is active, showing a form for 'Aanhouwen Club'. The form includes fields for NAME, WebURL, Telephone (8513798), eMail (lerouxpj@telkomsa.net), FAX (851 3798), AreaCode (023), W.O.# (823C 185), SARS18a (None), F.R.# (08 800302 0009), Affiliation (Parent) (NONE), Function (Protective Workshop for disabled), and Category (Mental Handicap Care and Promotion). There are also checkboxes for 'Tick if a Member of the Community Chest' (checked) and 'Tick if CBO' (unchecked). The 'POSTAL ADDRESS' section includes 'Private Bag X7', 'Observatory', and '7935'. The 'STREET ADDRESS' section includes 'New Horizon, Dummer Street', 'Somerset West', and '7130'. A 'Control Panel' in the bottom right corner contains buttons for DELETE, FIND, NEW, and EXIT. At the bottom of the window, a status bar shows 'Record: 1 of 1109'.

Another option in the left column of the *main menu* screen (Image 5.1) is that of “Super Select” or a query option – see Image 5.4.

In this menu, a wide variety of available fields can be selected in a number of permutations to create queries. In this example the query wanted to identify all organisations in the category “General Family Services” in the magisterial district of Worcester. The result of this simple query can be saved to a number of different formats – in the example a Microsoft Excel file was created – see Table 5.2.

Image 5.4 Super select query input screen

SuperSelect

SUPER SELECT

Select the Query: and optional Criteria.

Query to output: ORGANISATIONS

Available Fields:

- CatAndSubCatID
- TownOrCity
- MagisterialDistrict
- MemberOfCommunityChest
- CBO**

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Fields to Output:

ALL FIELDS SELECTED

If you do not select any criteria, ALL records will be extracted.

Criteria (Optional):

v	Field:	<=>	Value:	And/Or
1:	MagisterialDistrict	=	Worcester	And
2:	Category	=	General Family Services	
3:				

Save as: Microsoft Excel (*.xls)

Create Output...
Clear
CLOSE

Table 5.2 Results of query

Organisation
ACVV - Worcester
BADISA - Breedevallei
Worcester Ekumeniese Dienste
SANCCFW - Worcester
FAMSA - Boland Overberg Region
ACVV - Touwsrivier

Various print options are also catered for in the left column of the *main menu* screen (Image 5.1) including printing the “BS1 form” (provides key data for the allocation process) – see Image 5.5.

Image 5.5 The BS1 form

THE COMMUNITY CHEST OF THE WESTERN CAP

Member of Community Chest

ORGANISATION: Action West Cmb

FUNCTION: Protective Workshops for disabled

BS1

File Number:	294
Year:	2003/2004
Monitor:	Alan Schimbricke

Affiliation: NONE

SERVICES	2001/2002		2002/2003		2003/2004	
	(1)	(2)	(1)	(2)	(1)	(2)
1 Day Accommodation	54	54	57	57	54	60
2 TOTAL	64	64	67	67	64	60

PERSONNEL	2001/2002		2002/2003		2003/2004	
	(1)	(2)	(1)	(2)	(1)	(2)
3 Direct Service : Volunteer	10	0	12	0	14	
4 Direct Service : Workshop supervisor	0	0	2	37574		
5 Direct Service : Teacher	4	43006	0	0	3	54957
6 Direct Service : Manager	1	51103	1	55185	1	52660
7 General : Assistants	0	0	2	15600		
8 Domestic : Domestic	2	6740	2	5720	2	6222
9 TOTAL	17	100848	18	114078	20	118838

FINANCIAL HIGHLIGHTS	2001/2002				2002/2003				2003/2004		
	1st	REV	%	AFS	1st	REV	%	(R-A)/A	1st	%	Inc/Dec
10 OTHER INCOME	0	0	1%	2932	23000	20326	11%	596%	21600	11%	6%
11 TRADING SALES	0	0	37%	78887	0	61311	32%	-22%	68000	32%	8%
12 DONATIONS	60000	48515	25%	55947	50000	57942	30%	4%	60000	29%	4%
13 INVESTMENT	64000	60751	10%	21427	64000	12450	6%	-42%	16000	8%	29%
14 FEES	15000	22690	8%	17690	0	41340	21%	134%	42000	20%	2%
15 FUNDRAISING	0	0	17%	35790	0	0	0%	-100%	0	0%	
16 INCOME BEFORE CHEST	188000	181818		212823	187000	183388			206800		8%
17 OVER HEADS	10750	7385	11%	20109	7572	7452	4%	-63%	6126	3%	-18%
18 DOMESTIC EXPENSES	7900	8832	4%	6469	9742	12674	7%	96%	13620	6%	7%
19 LAND AND BUILDINGS	7200	7112	4%	7691	7721	5096	3%	-34%	6000	3%	18%
20 TRADING ACTIVITIES	12000	0	0%		0		0%		0	0%	
21 TRANSPORT AND OFFICE	29900	35249	20%	35649	35267	38324	22%	8%	36900	17%	-4%
22 STAFF EXPENSES	115375	104232	61%	109667	114440	113432	64%	3%	149905	71%	32%
23 TOTAL EXPENSES	188126	182810		178686	176742	178878			212661		20%
24 Net Profit/loss before grant	-44125	-30894		33038	-38742	16391			-6951		
25 CHEST GRANTS	28680	24000	-78%	24000	26400	24000	148%	0%	24000	-345%	11%
26 Net Profit/loss after grant	-15445	-6894	22%	57038	-12342	40391	246%	141%	17049	-245%	

BALANCE SHEET A 31-Mar-02			
27 Current Assets	81710	Accumulated funds	91894
28 Fixed assets	43604	Current Liabilities	1482
29 Investments	177467	Special funds	209405
30 TOTAL	302781	TOTAL	302781

	Details of Community Chest Grants									
	1999/2000	AFS	2000/2001	AFS	2001/2002	AFS	2002/2003	Rev	2003/2004	1st
Annual		22152		23916		24000		24000		24000
TOTAL		22152		23916		24000		24000		24000
RECOMMEND:										
GRANT:										

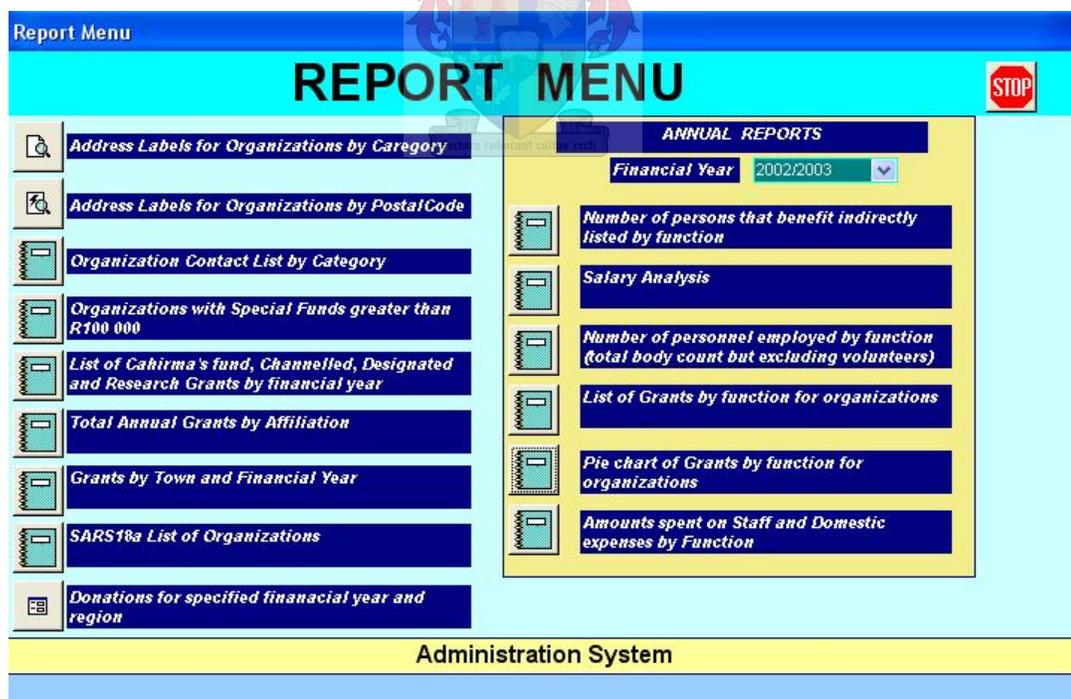
In this image an enormous amount of details are listed and is presented at the financial resource allocations meetings of the Community Chest by means of a data projector. The data includes among other that on services rendered, personnel employed, income sources, expenditure items, balance sheet and a record of grants.

In addition, a number of additional data items appear such as percentages which represent the various income and expenditure line items. Costs of the various staff categories are also listed.

The capacity for services (1) and actual number accommodated (2) is also reflected. Most of this data is presented over a three year period in which each year is divided into the first budget submission, the revised budget submission and the audited financial details for the year. This allows for substantial interrogation of not only financial management but also service and staffing patterns.

The last option to be mentioned in the left column of the *input menu* screen (Image 5.1) is that of “All other reports”. This option allows access to the *report menu* screen as portrayed in Image 5.6

Image 5.6 Report menu screen



In the left column of the *report menu* screen a number of pre-formatted reports that are used regularly in the day-to-day operations of the model are listed. These include for example address labels and organisations listed by categories.

In the right column a number of annual reports are listed and can be generated for whatever financial year is selected. For illustrative purposes the 2002/2003 pie chart of grants by function is reflected in Image 5.7.

The right column of the *main menu* screen (Image 5.1) allows for the capture of data for the fields listed.

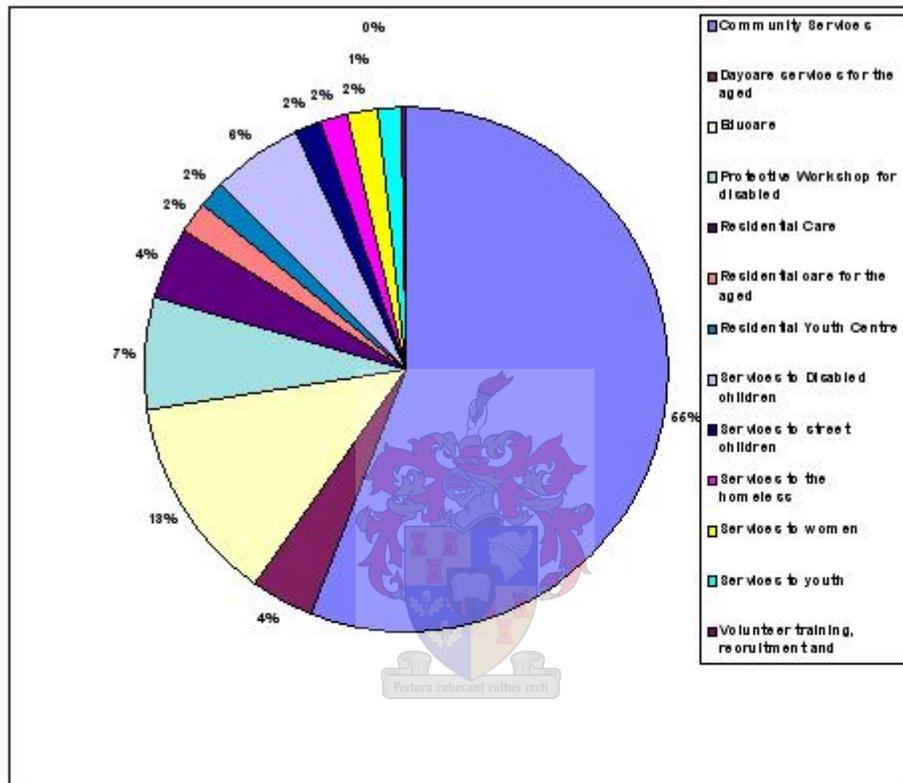
Links from this menu to the input screens for the various fields are reflected in Image 5.8 (*details of services* screen), Image 5.9 (*details of personnel* screen), Image 5.10 (*details of income* screen), Image 5.11 (*details of expenditure* screen), Image 5.12 (*Balance sheet* screen) and Image 5.13 (*Estimated future financial position* screen).

In all these images it should be noted that the “click down box” allows for selection of the organisation, the applicable year and the main and sub-categories for the three periods (first, revised and audited budgets) used by the Community Chest.

While slightly different, the *Balance sheet* (Image 5.12) and the *Estimated future financial position* (Image 5.13) screens include details of assets and liabilities (and subcategories of these) and projections of surpluses or shortfalls and actual reserves in the case of the *Balance sheet* and the *Estimated future financial position* screens, respectively.

Image 5.7 Select example of annual report type

Total Annual Chest Grants by Function 2002/2003



Community Services	R 5,688,164
Educare	R 1,299,297
Protective Workshop for disabled	R 696,312
Services to Disabled children	R 584,256
Residential Care	R 456,496
Daycare services for the aged	R 399,972
Services to women	R 194,880
Residential care for the aged	R 190,092
Services to the homeless	R 179,720
Residential Youth Centre	R 168,876
Services to street children	R 162,197
Services to youth	R 129,960
Volunteer training, recruitment and placement	R 34,500

Image 5.8 The details of services screen

The screenshot shows a window titled "Service Details" with a cyan header containing "Details of SERVICES" and the ID "18651". The main area contains several fields: "Organization" (CWS - Yizani Drop in Centre / Streetwork), "Service:" (Community development), "for Financial Year:" (2003/2004), "Units(1):" (1), and "Units(2):" (723). A "Control Panel" is located on the right, featuring buttons for DELETE, FIND, NEW, and EXIT, each with a corresponding icon. At the bottom, a record navigation bar shows "Record: 1 of 12994".

Image 5.9 The details of personnel screen

The screenshot shows a window titled "Personnel Details" with a cyan header containing "Details of PERSONNEL" and the ID "18801". The main area contains several fields: "Organization" (CWS - Yizani Drop in Centre / Streetwork), "Personnel Category:" (Direct Service), "Sub-Category:" (Social worker assistant), "for Financial Year:" (2001/2002), "Number:" (2), and "TotalSalary:" (R 70 434). A "Control Panel" is located on the right, featuring buttons for DELETE, FIND, NEW, and EXIT, each with a corresponding icon. At the bottom, a record navigation bar shows "Record: 1 of 19791".

Image 5.10 The details of income screen

Income Details

Details of INCOME

31992

Organization: Christine Revell Children's Home

Income Category: CHEST GRANTS

Sub-Category: Annual

for Financial Year: 2005/2006

First: R 45 000

Revised: R 0

AFS: R 0

Control Panel: DELETED FIND NEW EXIT

Record: 118 of 28196

Image 5.11 The details of expenditure screen

Total Expenses

Details of EXPENSES

20724

Organization: CWS - Yizani Drop in Centre / Streetwork

Expense Category: LAND AND BUILDINGS

Sub-Category:

for Financial Year: 2003/2004

First: R 7 626

Revised: R 9 896

AFS: R 9 008

Control Panel: DELETED FIND NEW EXIT

Record: 6 of 25324

Image 5.12 The balance sheet screen

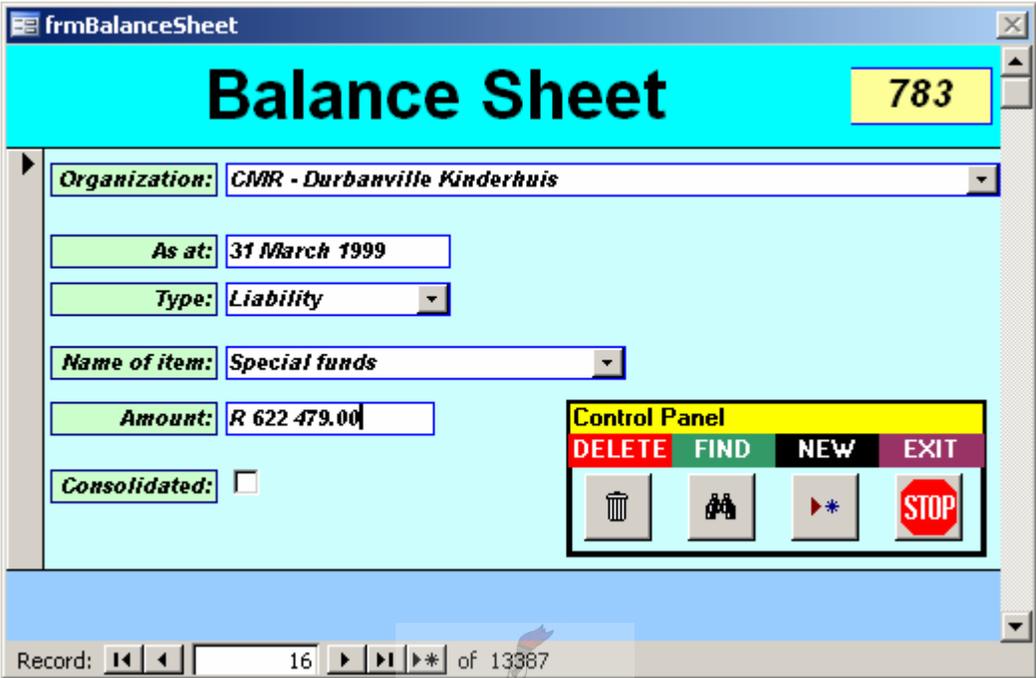
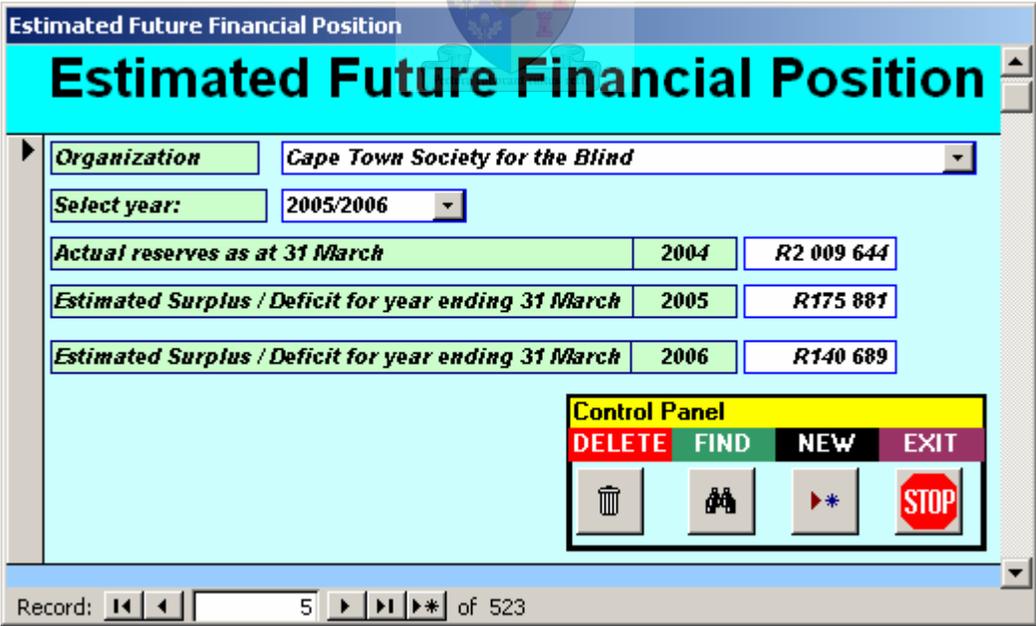


Image 5.13 The estimated future financial position screen



As indicated earlier, one of the important aspects of the financial resource allocation decision making model was the ability to generate a vast array of organized data that could otherwise not be generated. In terms of the numerous data fields (data tables referred to earlier) that it contains, it is arguably the biggest such collection of data.

As such it is also probably the single biggest source of empirical data available on this sector. Pleasingly, as this is an operational model, fresh data is collected each year. This thus provides a rich and on-going source of material for research that can be used to better inform policy and resource allocation decision makers.

In order to harness this enormous wealth of data, a special programme was developed to generate empirical data for analysis in this study. The input menu screen of the study-specific *analyse* is portrayed in Image 5.14.

Image 5.14 The analyse menu screen

Main Menu
ANALYSE NOTE: ANY selection field left BLANK, implies ALL records will be selected. Choose FINANCIAL YEAR: 2003/2004 **STOP**

ORGANISATION: Category: **Community Services** Sub-Category:

Area: M' District: **Atlantis** Organisation:

TEST 3 Organisations found WHERE((tblOrganisations.OrgCatCode=0), AND (tblMagisterialDistrict.Name="Atlantis"))

STAFFING: Category: Sub-Category:

9 WHERE((tblOrganisations.OrgCatCode=0) AND (tblMagisterialDistrict.Name="Atlantis")) AND tblPersonnel.FinancialYear = "2003/2004"

	TOTAL:	Maximum:	Minimum:	Average:
STAFF	18	6	1	2
SALARY	103194	20049	0	11466

Calculate Record this?

SERVICES: Type:

2 WHERE((tblOrganisations.OrgCatCode=0) AND (tblMagisterialDistrict.Name="Atlantis")) AND tblServices.FinancialYear = "2003/2004"

	TOTAL:	Maximum:	Minimum:	Average:
UNIT1	40	40	0	20
UNIT2	99	61	38	49.5

Calculate Record this?

INCOME: Category: Sub-Category:

9 WHERE((tblOrganisations.OrgCatCode=0) AND (tblMagisterialDistrict.Name="Atlantis")) AND tblIncomeBeforeChest.FinancialYear = "2003/2004"

	TOTAL:	Maximum:	Minimum:	Average:
FIRST	0	0	0	0
REVISED	0	0	0	0
AFS	263063	95940	-674	29229.222

Calculate Record this?

EXPENDITURE: Category: Sub-Category:

10 WHERE((tblOrganisations.OrgCatCode=0) AND (tblMagisterialDistrict.Name="Atlantis")) AND tblTotalExpenses.FinancialYear = "2003/2004"

	TOTAL:	Maximum:	Minimum:	Average:
FIRST	0	0	0	0
REVISED	0	0	0	0
AFS	249625	63641	5085	24962.5

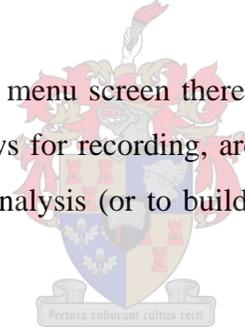
Calculate Record this?

Analyse Community Chest Data Contact Information Archive Results? Preview Archive Data to Excel Preview Report

The *analyse* menu screen allows for a selection of financial years, organisation category and subcategories, the area (urban or rural), magisterial district and organisation for which a data analysis is required – see Attachment 7 for a list of magisterial districts that for purposes of this study constituted rural and urban areas. Once these fields have been selected, either “Staffing”, “Services”, “Income” and/or “Expenditure” (or a combination of these or all of them) can be selected to analyze data contained in the various data tables.

The analyzed data is presented in categories common to the model; capacity and usage in terms of services, staff numbers and salaries in terms of staffing, and first, second and AFS in terms of the financial data. In addition, totals together with maxima, minima and the average are calculated. In each such analysis the number of records accessed appears in the top left corner of the section being analyzed.

At the bottom of the *analyse* menu screen there are options of how data generated should be treated. This allows for recording, archiving, exporting analyzed data to Microsoft Excel for further analysis (or to build up larger data sets) or it could be previewed prior to printing.



5.5 Related findings

As stated in Chapter 4, the model described in this chapter is a numerically-based rational model for which literature specific to this type of model could not be found.

However it is apposite to briefly posit this model in the context of other findings related to the broader resource allocation issues and resource allocation approaches presented in Chapter 4.

The model attempted to ensure that the notion of ‘optimality’ (see Hurwicz, 1977 in Chapter 4) was central to its disbursement of funds by providing a far greater amount

of organized data that could better inform the financial resource allocation decision making process than did the manual one it replaced. As stated in Chapter 4, decision making is pivotal to resource allocations. Stauth (1989) also indicated that in the case of resource allocation decision making, judgments should be based on sound and explicit analyses of data that enabled all to clearly see how decisions were arrived at. The model provides these explicit analyses.

The model's design was based on economic rather than political rationality as discussed in Chapter 4. Economic rationality is numerically driven and much more exact than the less optimal compromise approach adopted by political rationality (Simon and Bjorkman in Stauth, 1989).

This does however not guarantee that the operators of the model will not override the more exact economic rationality approach by opting for the more subjective political rationality approach as was the case cited by Morar (1998) in Chapter 4. Benatar (2000) also indicated that resource allocation decision making did not always reflect rationality by stating that other influences such as emotional, psychological and political pressures often override decisions based on rationality.



Given the model's advanced financial analytic capability, the input of financial data should not only be accurate but also more detailed. The model can accommodate the more accurate budget formats recommended by Cutt (1974) and Stretch (1980), namely programme, functional and zero-based budget formats.

The model does not operate on the purely incremental basis commonly used throughout the world (Doherty and Van den Heever, 1997). Rather, incremental increases without much data analyses are inimical to the model – it was designed specifically to avoid this poor resource allocation decision making practice.

Nor does the model opt for the other easy approach identified by Doherty and Van den Heever (ibid), namely per capita allocation. Beneficiary numbers form but a part of the model's analyses.

While the model relies heavily on geographic data, it is not the central source of data on which allocations are based. It was thus unlike those adopted in England and other countries where geographic needs-based approaches were operational and the similar approach mooted for the South African health sector (Klopper, et al, 1989, Bourne, et al, 1990, McIntyre, et al, 1990 and McIntyre, et al, 1991).

While capable of processing such information, but unlike the commonly-used caseload-based formula for resource allocation, the model does not rely heavily on this data to inform the decision making process. Apart from this approach being contrary to programme-based funding, it was also problematic – see Albert and King (1996) and Karski and Barth (2000) in Chapter 4.

Unlike the Israeli model which identified indicators and variables and weighted these to provide a numerical formula for allocation (see Berman, 1991 and Table 4.5 in Chapter 4), the model, while capable of such activity, relies on a much wider range of data.

While rational and capable of producing compelling analysed data, the human side of resource allocation could not be catered for – nor can any resource allocation decision making model. This relates to the issues of distributive themes (Braybrooke and Lindblom, 1970), distributive justice (Brown and Korten, 1989), redistributive justice (Benatar, 1987) and ethical considerations (Benatar, 2000, Wasserman, 1988 and Smith, et al, 1999) as discussed in Chapter 4. Agreeing on whether the distribution is equitable, the redistribution sufficient and the ethics of funding or not funding, is a human rather than a model prerogative.

5.6 Conclusion

While other sectors have more readily embraced the fast developing information technology, the social service sector has not. This has had a deleterious effect on the growth and complexity of data management systems in this sector. This in turn has stunted empirical research that could have better informed the policies that provide the foundation of this sector's services and particularly that of its funding.

Financial resource allocation decision making is not an easy task. It can however be far better informed if the empirical data and its analysis is readily available to the decision making process.

To this end, this study attempted to prove that by harnessing commonly-found yet advanced information technology, to develop an automated financial resource allocation decision making model, the quality of such decision making could be enhanced.

While it is capable of providing decision makers with a wealth of information, it is ultimately the human decision that will determine the pattern of resource allocation.

The variety in both scope and depth of data analysis generated by the model is considerably more than would ever have been possible without the computing strength characteristic of current information technology.

Chapter 6

Findings, inferences and implications

Contents:

- 
- 6.1 Introduction
 - 6.2 Services and staffing
 - 6.3 Investment and financial management
 - 6.4 Beneficiary organisation positional analyses
 - 6.5 Accounting students participation analyses
 - 6.6 Summary of inferences and implications
 - 6.7 Conclusion

Multitudes, multitudes in the valley of decision...

[Joel 3: 14]

6.1 Introduction

Effective resource allocation decision making is inherent to the valley of decision – multitudes of data to better inform the choices, can only be provided by dedicated automated decision making models.

In the previous chapter the outcome of the first component of the study, the development of a financial resource allocation decision making model, was reported on. In this the penultimate chapter, the outcomes of the remaining three components of the study are reported on.

The second component of the study consisted of analyzing the empirical data provided by the model developed as part of this study. As the model can generate endless organized data, only select examples are presented to demonstrate the vast range of information it can provide policy makers and financial resource allocation decision makers with. The results of this select analysis are presented in two sections, namely services and staffing, and investment (funding) and financial management.

It should be noted that the data analysis presented only reflects data of beneficiary organisations of the Community Chest – while they represent a large percentage of social services in the Western Cape, importantly, they do not constitute the whole.

As stated in Chapter 3, one of the limitations of the study was that the data integrity has not yet reached the desired level. This is however an on-going exercise and as such, data here presented must be viewed in this light. With this in mind, the purpose here is to present analyses that demonstrate the important usage of the model.

In many of the tables a distinction is made between rural and urban services to highlight the need for more resources and services to be directed to the poorer rural areas. For the purposes of this study thus, certain magisterial districts were divided into urban and rural areas – see Attachment 7 for this categorization.

Unless otherwise stated, all data refers to the audited financial statements for the financial year 2003/4 – the latest such data available in 2005. Although the figures reflect what transpired in 2003, audited financial statements are a more accurate source of data and were therefore preferred.

In the following section (6.2) performance data of service delivery of beneficiary organisations of the Community Chest are presented. Among other, the results that emerged from an analysis of various services indicated that there were no standard norms for services and that costs varied significantly. Of particular interest were the varying unit costs of certain services.

Further, staff cost and ratio norms are also briefly presented in this section. Among other, the results indicated anomalies in staffing complements and in remuneration patterns. It also provided a benchmark for salaries for various staff categories.

Section 6.3 contains analyses of investment and financial management data. Among other, findings revealed that sources of income were inconsistent and that financial forecasting was not very accurate. An analysis of financial reserves reflected that many organisations were financially insecure.

The outcome of the third component of the study, the survey of beneficiary organisations of the Community Chest, is presented in 6.4. Among other, the results indicated concern at the low levels of funding that organisations received and the threat that it posed to their survival. An array of results ranging from funding to corporate governance is reported on.

The survey of accounting students constituted the last of the four study components. The results from this survey are reported in 6.5. Among other, a profile of the student volunteer and the reasons for volunteering are outlined.

Based on the reported results, a few major inferences will be made and the resultant implications for both practice and future research will be briefly discussed in 6.6.

This chapter concludes that while much has been learned from the results of the study that could better inform third sector investment strategies, it also highlighted the need for further study and improved financial management of this sector.

6.2 Services and staffing

Given the design of the financial resource allocation decision making model, a wide variety of data can be requested to better inform the allocation decision making process and also serve to inform social policy analysts and social service planners.

In for example Table 6.1, the analysis of educare centres in both rural and urban settings provided information on the capacity of service providers compared to the actual number that they accommodated in the given financial year.

Table 6.1 Analysis of educare usage and unit costs

Area	Number orgs	Capacity	Actual	Total cost	Unit cost	Over/under capacity
Urban	81	4,343	5,878	4,446,221	756	1535
Rural	9	744	1,695	938,632	554	951
W Cape	90	5,087	7,573	5,384,853	711	2486
M Plain	42	2,098	2,973	2,330,959	784	875

From the figures contained in this table, the urban educare centres were operating over-capacity by some 35 percent whereas in rural areas they were operating at a staggering 128 percent above capacity. In the case of Mitchell's Plain (urban), the

over-capacity operation was a higher than the urban average – they were operating at 42 percent over-capacity.

An anomaly that needs further investigation is the high unit costs recorded in Mitchell’s Plain (R784) compared to the Western Cape average of R711. The low unit cost of R554 in the rural area and its substantial over-capacity operation is indicative of an urgent need to increase services in the rural areas.

These norms of educare unit costs not only make an important contribution to the financial resource allocation decision making process, but they are also essential in social policy formulation and in the planning of social services.

In an analysis of staff/child ratios and salaries in educare centres contained in Table 6.2, further variances and anomalies are reflected. The urban/rural child staff ratios are very telling. In the rural areas one member of staff per thirty-three children was more than twice that of the urban areas – one member of staff to fifteen children.

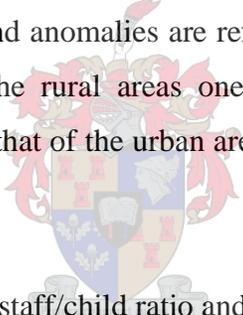


Table 6.2 Analysis of staff/child ratio and salaries in educare centres

Area	Number orgs	Number staff	Number children	Total salary	Average salary	Child/staff ratio
Urban	81	386	5,878	3,919,066	10,153	15
Rural	9	52	1,695	770,148	14,811	33
W Cape	90	438	7,573	4,689,214	10,706	17

This is an interesting anomaly given that the average annual salary per worker in the rural areas (R14 811) was some 46 percent higher than that of the urban worker at R10 153. By extrapolation, if rural workers were paid urban average salaries they could employ an extra 24 members of staff and reduce the worker/child ratio to a slightly more manageable 1 worker to 22 children.

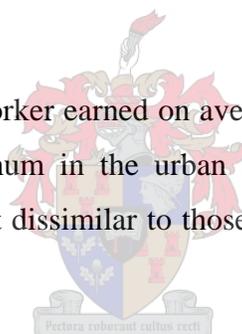
The high child ratio to staff is also found in children's homes in the rural areas compared to the urban areas. By extrapolation of figures contained in Table 6.3, the child/staff ratio for rural areas is 7:1 compared to 3:1 in the urban areas.

Table 6.3 Children's home staff costs and unit child costs

Area	Total staff	Capacity	Total staff salary	Expenditure AFS	Staff % expense	Unit cost
Urban	292	877	7,272,217	9,383,532	77.50	10,700
Rural	35	253	965,191	2,280,457	42.32	9,014
W Cape	327	1,130	8,237,408	11,663,989	70.62	10,322

Interestingly in Table 6.3, staff costs as a percentage of total expenditure was much higher in the case of urban children homes (77 %) compared to that of rural children homes (42 %).

By extrapolation, the rural worker earned on average R27 577 per annum compared to a lower R24 905 per annum in the urban areas. Unit child costs for urban areas (R10 700) were not that dissimilar to those recorded for the rural areas which amounted to R9 014 per child.



Similarly, anomalies existed in the case of homes for the aged. Unit costs varied – rural area unit costs per aged person were 24.8 percent less than that of the urban areas. However, as a percentage of total expenditure, rural staff costs were substantially higher at 79 percent as compared to 56 percent in the case of the urban counterpart.

Interestingly, in an analysis of urban workshops for the mentally and physically handicapped, norms of expenditure were very similar. While the staff/worker ratio were pretty similar, the physically handicapped unit costs were slightly less – some eight percent cheaper.

In an analysis of social workers in the Western Cape, the urban/rural trend emerged again – see Table 6.4. For illustrative purposes, two urban (Bellville and Wynberg) and two rural (Beaufort West and Worcester) magisterial districts were chosen to serve as an example of the depth of interrogation the financial resource allocation decision making model allows.

While Mitchell’s Plain is in an urban area, it was included to demonstrate further anomalies within the urban divide. Data on Mitchell’s Plain was fairly consistently more in character with the rural data. Given the high levels of social need in Mitchell’s Plain, this was a worrying trend.

Table 6.4 Analysis of social work deployment and salaries

Area	Number	Max	Total salary	Average salary
Urban	417	45	23,078,301	55,344
Rural	96	6	4,770,912	49,697
Western Cape	513		27,849,213	54,287
Beaufort West	7	6	341,000	48,714
Worcester	22	6	901,207	40,964
Bellville	49	6	2,908,059	59,348
Mitchell's Plain	12	10	578,745	48,229
Wynberg	129	45	7,101,638	55,051

Of the 513 social workers (excluding supervisors) in the Western Cape, 96 (18.7 %) worked in the rural area. The largest single rural organisation employed 6 social workers compared to 45 in the case of the urban area. The rural social worker earned on average some 10 percent less than did the urban social worker (R49 697 versus R55 344).

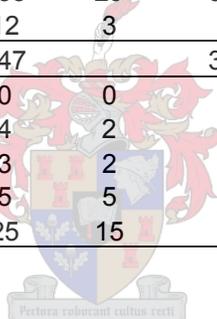
In a further interrogation of the data, some interesting anomalies appeared. The 22 social workers employed in Worcester (rural) earned some 17 percent below the average salary for the rural area. On the other hand, the 49 social workers employed in the Bellville magisterial district earned on average some 7 percent more than the average salary for the urban social worker.

The large concentration of social workers in the Wynberg magisterial district earned a tad less (R55 051) on average than the average for urban social workers (R55 344). It was interesting to note that the social workers employed in the Mitchell's Plain magisterial district earned less (R48 229) than their rural counterparts in Beaufort West (R48 714).

In a similar analysis of social work assistants, the same basic trends, bar a few, emerged – see Table 6.5.

Table 6.5 Analysis of social work assistant deployment and salaries

Area	Number	Max	Total salary	Average salary
Urban	135	29	3,600,259	26,669
Rural	12	3	253,739	21,145
Western Cape	147		3,853,998	26,218
Beaufort West	0	0	0	0
Worcester	4	2	44,449	11,112
Bellville	3	2	77,569	25,856
Mitchell's Plain	5	5	56,800	11,360
Wynberg	25	15	751,229	30,049



In 2003, there were 147 social work assistants employed by beneficiary organisations of the Community Chest. In drawing data from Tables 6.4 and 6.5, it was noted that the ratio of social worker to social work assistant in the urban area was 4.3:1 compared to 11.3:1 in the rural area.

This was surprising given the great need in the rural areas and the lower costs of the social work assistant. In Beaufort West no social work assistants were employed. Significantly, one urban organisation employed 29 social work assistants in the urban area – see Table 6.5.

The urban/rural divide continued with rural social work assistants earning on average 21 per cent less (R21 145) than their urban counterparts at R26 669. This

discrimination was higher than that recorded between urban and rural social worker which was some 10 percent.

As in the case of social workers, social work assistants employed in the Bellville magisterial district earned on average R25 856 which was close to the urban norm of R26 669. Breaking this pattern, social work assistants employed in the Wynberg magisterial district earned on average R30 049 which was some 14.6 percent higher than the norm for the Western Cape.

Of concern again was the situation in Mitchell's Plain where social work assistants earned (R11 360) on average 57.4 percent less than the average for the urban area (R26 669). The Mitchell's Plain workers earned more or less the same as did the rural workers in Worcester who earned on average R11 112 – it should be noted in Table 6.4 that the social workers in Worcester also earned on average much lower salaries than the norm for either urban or rural social work salaries.

It is clear from Tables 6.4 and 6.5 that the discrimination between social work assistant salaries was far greater than that of social workers – it could be that this category of worker could, in the absence of clear practice and payment norms, have been exploited.

Table 6.6 reflects data gleaned from a further interrogation of data on social worker deployment and remuneration – in this case social workers employed in the category of general family welfare services.

This category of service was a large employer of social workers – it employed some 29 percent of all social workers (see Tables 6.4 and 6.6). The largest number employed by one organisation in an urban setting was 15 with one organisation employing 15 and 10 in Wynberg and Mitchell's Plain, respectively.

Table 6.6 Analysis of general family services social workers

Area	Number	Max	Total salary	Average salary
Urban	90	15	4,531,576	50,351
Rural	59	6	3,032,592	51,400
Western Cape	149		7,564,168	50,766
Beaufort West	6	6	271,257	45,210
Worcester	13	6	615,039	47,311
Bellville	0	0	0	0
Mitchell's Plain	11	10	512,865	46,624
Wynberg	20	15	1,047,418	52,371

The general family welfare category had a firm foothold in the rural area by employing some 61 percent of all rural social workers. Given the rural need for services, this finding was pleasing. So too, was the finding on rural salaries.

In this analysis the tables were turned – social workers employed in the rural area earned on average R51 400 compared to their urban counterparts who earned R50 351 or R1 049 less. They also earned on average higher salaries than the rural average for all social workers (R49 697 – see Table 6.4).

However, the average urban salary earned in this category (R50 532) was less than the urban average salary for all social workers (R55 344 – see Table 6.4) and the Western Cape average for this category (R50 776) was also less than the average salary earned by Western Cape social workers, R54 287 – see Table 6.4.

Once again the Mitchell's Plain anomaly arose – these social workers earned R3 727 (or 7 %) less than did the average urban social worker in this category. If compared to the average salaries earned by social workers in Mitchell's Plain for all categories (R48 229 – see Table 6.4), the general family welfare social workers earned R1 605 less or R46 624.

Given the number employed by this category (11) out of a total of 12 employed in Mitchell's Plain, this category influenced the low salaries. This was intriguing given

that this sector paid higher rural salaries than the overall average. It was similarly the case with Beaufort West. In order to raise the general family welfare service category average above that of the average for all, this category must have paid higher salaries elsewhere in the rural area than they were paying in Beaufort West.

If average salaries were compared for Worcester however (Tables 6.4 and 6.6) it could be noted that this category paid higher salaries on average in Worcester (R47 311) than did the combined categories which paid R40 964.

6.3 Investment and financial management

The theme of this study was third sector investment strategies. As such, much emphasis was placed not only on developing an adequate means of allocating resources, but also looking at the sources of funding and how funds were managed once they had been distributed. These aspects are crucial to the effective operation of any financial resource allocation decision making model.

As such, data selected for presentation in this section include those that relate to sources of income and examples that reflect varying degrees of financial management activity in diverse settings.

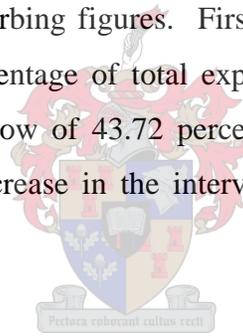
As previously mentioned, the major source of funding for this sector is the government that pays subsidies in terms of prevailing welfare funding policies. While there is clear evidence in all the social policies that a shift must occur in the patterns of allocation in order to favour the poor (particularly the rural poor), the patterns of funding analyzed in this study did not indicate that this had happened – see Table 6.7.

Table 6.7 Decline in subsidy income as percentage of expenditure

Year	Rural			Urban			Rural/ Urban %
	Subsidy	Expense	%	Subsidy	Expense	%	
1999	11,610,658	21,830,641	48.71	54,793,393	155,703,433	33.84	37.40
2000	12,263,907	23,838,455	31.79	52,152,144	161,908,612	29.79	34.68
2001	16,951,419	38,578,130	41.92	66,673,232	175,047,245	36.05	39.15
2002	19,124,915	40,435,259	43.90	73,746,070	184,930,878	33.78	41.21
2003	20,455,302	43,563,769	42.91	78,046,079	218,288,034	32.41	37.62
2004	20,840,182	47,667,243	43.72	86,043,182	240,827,230	35.73	37.05
	Average		42.16			33.60	37.85
	Increase/decrease		-4.99			1.89	-0.35

Source: SMIT, A. 2005. Funding strategies: Surviving imperial intentions, protean policies and ruthless reality. *Social Work/Maatskaplike Werk*, Vol. 41, No.4, p 354.

Table 6.7 reflects some disturbing figures. Firstly, the average subsidy granted to rural organisations as a percentage of total expenditure decreased from a high of 48.17 percent in 1999 to a low of 43.72 percent in 2004. While the percentage subsidy did increase and decrease in the intervening years, the overall trend was downwards.



The anomalous figures for both urban and rural subsidy awards (year 2000 when both dropped and year 2001 when both increased) were probably due to arrear payments made during 2001 for 2000 shortfalls. However, the average for these two years (36.85 % rural, 32.92 % urban and 36.91 % combined), confirmed the trend.

In juxtaposition to the rural figures, subsidies awarded to urban organisations increased from 33.84 percent in 1999 to 35.73 percent in 2004 – an average increase of some 1.89 percent.

For both groups combined, the trend remained fairly static – from 37.40 percent in the year 1999 to 37.05 percent in the year 2005. This reflected little change, only an average decrease of 0.35 percent.

Of further note were the low levels of expenditure that were covered by subsidies – in the case of rural organisations this amounted to on average 42.16 percent and somewhat lower in the case of urban organisations – 33.6 percent. Overall the figure was 37.8 percent.

In a further interrogation of subsidies as a percentage of overall expenditure, categories of services that were represented by organisations in both rural and urban areas revealed significant variances between categories and interestingly between rural and urban-based organisations within categories of service. This analysis is reflected in Table 6.8.

Table 6.8 Government subsidy as percentage of expenditure per category

Category	Area	Expenses	Subsidies	% subsidy
Aged Care	Rural	9,577,367	4,567,384	47.69
Aged Care	Urban	27,072,474	8,958,845	33.09
Children/Youth	Rural	5,484,362	3,843,394	70.08
Children/Youth	Urban	19,325,598	7,503,234	38.83
Community Services	Rural	4,057,780	1,348,934	33.24
Community Services	Urban	68,470,397	30,269,667	44.21
Drug/Alcohol	Rural	3,299,457	1,555,621	47.15
Drug/Alcohol	Urban	10,626,540	5,014,822	47.19
Early Childhood	Rural	2,422,777	1,289,565	53.23
Early Childhood	Urban	16,384,012	4,261,931	26.01
General Family Services	Rural	8,230,639	5,144,988	62.51
General Family Services	Urban	14,739,290	8,275,677	56.15
Health Care	Rural	3,206,963	821,257	25.61
Health Care	Urban	27,767,829	5,701,281	20.53
Physical Handicap	Rural	6,201,953	2,343,858	37.79
Physical Handicap	Urban	15,774,913	6,825,981	43.27
Total	Both	242,642,351	97,726,439	40.28

From the data contained in Table 6.8, rural organisations in all categories except for community services, drug and alcohol and physical handicap, received a higher subsidy as a percentage of expenditure than did their urban counterparts in the same category of service.

In some cases the difference was quite large – 47.69 and 33.09, 70.08 and 38.83, and 53.23 and 26.01 percent for rural and urban organisations in the service categories aged care, children/youth and early childhood, respectively.

A further analysis of subsidy patterns for these three categories of rural services contained in Table 6.9 reflected that while the percentage of subsidy decreased marginally by 5 percent in the case of aged care and 3.2 percent in the case of children/youth, the subsidy percentage for the early childhood category rose by 11.82 percent. Given the sums involved, the overall trend remained a decrease for these rural services. This fits the pattern reflected in Table 6.7.

Table 6.9 Changes in subsidy for three rural categories 1999 to 2004

Category	1999 subsidy	1999 expense	1999 % subsidy	2004 % subsidy	Variance % subsidy
Aged care	2,896,102	5,496,645	52.69	47.69	-5.00
Child/youth	2,690,380	3,671,608	73.28	70.08	-3.20
Early childhood	723,790	1,747,855	41.41	53.23	11.82

In Table 6.8 the general family services category received 62.51 and 56.15 percent of expenditure in subsidy for rural and urban organisations, respectively. The rural subsidy was thus 6.36 percent higher than that of its urban counterpart. This was in keeping with this category having bucked the salary trend by paying its rural social workers 2.08 percent more than its urban workers – see Table 6.6.

Apart from the substantial variations in subsidy within service categories, Table 6.8 also reflects significant variations between the service categories. In for instance urban health care the subsidy percentage was the lowest at 20.53 percent compared to the highest, rural children and youth which received a staggering 70.08 percent subsidy (though this high was down from 74.38 % in the previous financial year).

An analysis of subsidies for homes for the aged for three financial years (2001/2 to 2003/4) is contained in Table 6.10.

Table 6.10 Subsidy as percentage of expenditure for homes for the aged

Year	Category	Urban	Rural	Western Cape
2003/04	subsidy	3,025,224	1,596,090	4,621,314
	expense	7,789,652	3,087,978	10,877,630
	percentage	38.84	51.69	42.48
2002/03	subsidy	3,020,960	1,340,900	4,361,860
	expense	8,476,993	1,996,210	10,473,203
	percentage	35.64	67.17	41.65
2001/02	subsidy	2,323,691	927,598	3,251,289
	expense	6,609,628	1,177,023	7,786,651
	percentage	35.16	78.81	41.75

In Table 6.10 it could be noted that the trends identified in Table 6.7 were repeated in the case of subsidies for homes for the aged. While the average percentage subsidy for the Western Cape for homes for the aged increased from 41.75 in 2001/02 to 42.48 percent in 2003/04, the average percentage subsidy for rural aged services decreased from 78.81 percent in 2001/02 to 51.69 percent in 2003/4.

Once again, despite policies favouring greater investment in rural services, the urban aged subsidy benefits increased from 35.16 percent of expenditure in 2001/02 to 38.84 percent of expenditure in 2003/04.

An analysis of subsidies for workshops for the handicapped is contained in Table 6.11 – there being no rural mental handicap services, none are reflected.

Table 6.11 Subsidies for workshops for the handicapped

	Mental handicap urban	Physical handicap urban	Physical handicap rural
Subsidy	2,215,878	450,377	54,203
Expenses AFS	5,844,006	1,522,061	82,733
Subsidy % expend	38	30	66

From Table 6.11 it can be noted that in the case of rural workshop facilities for the physically handicapped, the percentage of expenditure awarded in the form of subsidies was substantially higher than was the case for the same urban-based handicap and that received by urban services for the mentally handicapped.

A further number of points could be gleaned from the data contained in Table 6.11. Firstly, in the case of services for the physically handicapped, only R82 733 (5.15 %) of the total R1 604 794 spent on this category went to rural services. Furthermore, out of the total spent on the handicapped (R7 448 800) substantially more (R5 844 006 or 78.45 %) was spent on services for the mentally handicapped. Of the total subsidies paid (R2 720 458) the portion awarded to mentally handicapped workshop facilities was R2 215 878 or 81.4 percent.

Accurate forecasting (budgeting) is essential not only for good management practice but also for optimal allocation of financial resources. In the analyses of income, expenditure and fundraising forecasts for selected categories of services a number of alarming variations and anomalies occurred.

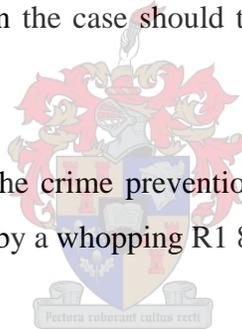
Forecasting credibility is determined by the financial resource allocation decision making model by analytically comparing figures submitted in the “first” budget with that of the actual amount reflected in the audited financial statements. By analyzing these figures over a number of years clear trends of organisations’ forecasting abilities can be determined. In some cases, it is not an inability to accurately forecast, rather it is “creativity” in artificially manipulating figures to represent greater financial need in the hope of securing larger funding.

To illustrate this, Table 6.12 contains examples of financial forecasting of income for selected categories of services.

Table 6.12 Income forecast variance for urban organisations

Category	Income first	Income AFS	Income variance	Variance %
Aged care	17,356,376	25,927,138	8,570,762	49.38
Crime prevention	2,890,862	4,719,841	1,828,979	63.27
Education/training	7,231,778	3,086,511	-4,145,267	-57.32
General family	13,902,451	14,737,889	835,438	6.01
Health promotion	17,194,162	26,250,330	9,056,168	52.67
Physical handicap	20,018,007	16,493,839	-3,524,168	-17.60
Total	78,593,636	91,215,548	12,621,912	16.06

In Table 6.12 it could be noted that in the case of the aged care category they underestimated their income by some R8 570 762 or 49.38 percent. When they submitted their applications for funding based on a predicted income of R17.3 million it could be argued that it would have improved their chances of being awarded a greater amount than would have been the case should the actual amount of R25.9 million have been reflected.



The situation in the case of the crime prevention category was even worse – they underestimated their income by a whopping R1 828 979 or 63.27 percent.

Equally worrying was the over-estimation of income as reflected by the education and training category of services. In this case they over-estimated their income by R4 145 267 or 57.32 percent.

Of the categories contained in Table 6.12, the general family services category was the most accurate forecasting group by only under-estimating income by 6.01 percent.

Similar forecasting inaccuracies are reflected for estimates of expenditure for selected categories of services – see Table 6.13.

Table 6.13 Expenditure forecast variance for urban organisations

Category	Expenditure first	Expenditure AFS	Expenditure variance	% variance	Surplus/ deficit
Aged care	19,255,773	27,072,474	7,816,701	40.59	-1,145,336
Crime prevention	3,126,675	3,417,723	291,048	9.31	1,302,118
Education/training	8,177,978	2,979,954	-5,198,024	-63.56	106,557
General family	16,100,605	14,739,290	-1,361,315	-8.46	-1,401
Health promotion	18,452,491	27,767,829	9,315,338	50.48	-1,517,499
Physical handicap	20,164,916	15,774,913	-4,390,003	-21.77	718,926
Total	85,278,438	91,752,183	6,473,745	7.59	-536,635

In Table 6.13 it can be noted that aged care also under-estimated expenditure by R7 816 701 or 40.59 percent. This poor income and expenditure forecasting left this category with a deficit of R1 145 336 or 4.23 percent of expenditure.

The education and training category also substantially over-estimated their expenditure by R5 198 024 or 63.56 percent. Despite this category's over-estimation of income by 57.32 percent (see Table 6.12) and its over-estimation of expenditure, it managed to end the financial year with a surplus of R106 557.

In both income and expenditure forecasts the health promotion category figures were out by 52.67 and 50.48 percent for income and expenditure forecasting respectively.

In comparing forecasting of income (Table 6.12) and expenditure (Table 6.13) for the crime prevention category it can be noted that while their income forecasting was poor (63.27 % variance) it was substantially better for expenditure (9.31 % variance).

Once again, the general family services category was the most consistent with only 6.01 and 8.46 percent variance for income and expenditure, respectively. This resulted in a miniscule deficit of R1 401. Given this level of forecasting accuracy, it is much easier to make optimal resource allocation decisions. This would not be

possible for the other categories given their high levels of inaccurate financial forecasting.

It should be noted that income estimation is more difficult in the non-profit sector. Very often a large donation or bequest skews the figures. However, the same is not true in the cases of forecasting expenditure – in most cases it was as a result of poor financial management.

In Chapter 4 a number of issues were raised with regards to the funding provided by the Lotteries Board. Further, in Table 6.19 in the next section, 75 respondents (56 %) indicated that one of the major difficulties encountered in accessing lottery funds (for ease of presentation here referred to Lotto income) was the uncertainty of funding. This uncertainty also influenced forecasting of income from this source.

Table 6.14 reflects an analysis of Lotto income as a reflection of total income for the 2003/04 financial year and the estimates for the 2004/05 financial year (AFS not yet available). It reflects figures for urban and rural areas and the aged care sector was selected to highlight the effect that uncertainty of funding had on the forecasting accuracy of this category.

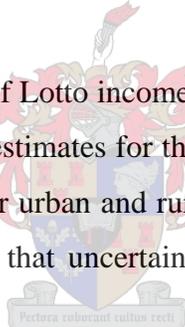


Table 6.14 Analysis of Lottery income and total income

Lotto & total income		Urban	Rural	Western Cape	Aged care
2003/04	first	2,298,105	298,874	2,596,979	396,040
Lotto	AFS	14,326,087	3,775,294	18,101,381	2,435,977
Income	Increase	12,027,982	3,476,420	15,504,402	2,039,937
2003/04	first	216,779,882	44,869,756	261,649,638	24,640,426
Total	AFS	240,397,334	54,607,034	295,004,368	35,829,353
income	Increase	23,617,452	9,737,278	33,354,730	11,188,927
2004/05	first	2,491,172	204,524	2,695,696	276,925
Lotto	revised	25,316,060	7,069,668	32,385,728	1,266,526
Income	Increase	22,824,888	6,865,144	29,690,032	989,601

In Table 6.14 it could be noted that the first estimation of Lotto income for urban areas was R2 298 105 or a mere 16 percent of the some R12 million ultimately

awarded. The difference in the case of the rural area was even greater – first estimates were only 7.9 percent of the ultimately awarded R3.8 million.

These steep increases in Lotto income contributed considerably to the higher income recorded in the 2003/04 AFS compared to the first forecast of income – 50.9, 35.7 and 46.5 percent of increased income for urban, rural and Western Cape areas, respectively.

While this trend continued into the next financial year (2004/05) as evidenced by the first and revised forecast figures for Lotto income, it was much more dramatic – jumping some R29.7 million from R2.7 million to R32.4 million.

In the case of the aged care category, the Lotto income contributed some 18.2 percent of the total income increase of some R11.2 million – consistent with this category’s inaccurate forecasting reflected in Table 6.12.

In Chapter 4 mention was made of this sector’s poor fundraising ability – in the next section, the results of the beneficiary organisations of the Community Chest survey also indicated that fundraising was not a well developed form of income generation.

This too, was confirmed by an analysis of fundraising income contained in Table 6.15. Here too, the inaccuracy of income forecasting is reflected with consistent shortfalls in all three groupings – 21.1, 35.3 and 23.5 percent for urban, rural and Western Cape areas, respectively.

Table 6.15 Fundraising forecasting and percentage of total expenditure

Area	Fundraising income first	Fundraising income AFS	Shortfall	Total expenditure	Fundraising % expend
Urban	21,176,485	16,714,192	4,462,293	244,294,648	6.84
Rural	4,438,535	2,872,282	1,566,253	49,304,990	5.83
W Cape	25,615,020	19,586,474	6,028,546	293,599,638	6.67

While this again highlights the inability to accurately forecast, it also reflects the difficulties faced by this sector in more consistently managing income from fundraising.

The last column in Table 6.15 shows the alarmingly low percentages that fundraising contributes to total expenditure – 6.84, 5.83 and 6.67 percent for urban, rural and Western Cape areas, respectively.

Similar to the limited fundraising activity reflected in Table 6.15 (and also as reported in Chapter 4 and as reflected in the results of the survey of beneficiary organisations of the Community Chest), trading or operating a business as a source of income was very restricted.

In Table 6.16 the percentage of expenditure covered by trading sales was very limited. In the case of the urban area it amounted to 2.83 percent of expenditure, 1.58 percent in the rural area and a mere 2.62 percent for the Western Cape as a whole.

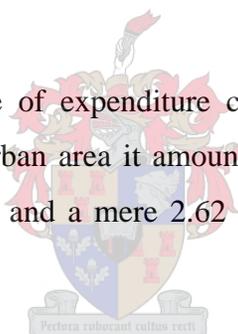


Table 6.16 Trading sales as percentage of expenditure

Area	Expenditure	Sales	Sales % expend
Urban	244,294,648	6,914,019	2.83
Rural	49,304,990	778,477	1.58
W Cape	293,599,638	7,692,496	2.62

The inability to generate income by fundraising and sales reflected in Tables 6.15 and 6.16 render this sector very vulnerable to the vagaries of funding. It also contributed significantly to their financial insecurity.

An analysis of financial sustainability is contained in Table 6.17. This table contains data on a selection of service categories for the 2002/03 financial year. It reflects an

analysis of total expenditure and current assets and liabilities as recorded from the balance sheets of beneficiary organisations of the Community Chest.

Table 6.17 Financial sustainability per category of service for 2002/03

Category	Area	Expenses	Assets	Liabilities	Net worth	Months
Aged Care	Rural	9,577,367	586,128	350,939	235,189	0.29
Aged Care	Urban	27,072,474	5,147,422	3,228,850	1,918,572	0.85
Children/Youth	Rural	5,484,362	362,284	78,093	284,191	0.62
Children/Youth	Urban	19,325,598	9,120,277	1,679,745	7,440,532	4.62
Community Services	Rural	4,057,780	548,111	250,536	297,575	0.88
Community Services	Urban	68,470,397	17,097,311	8,146,966	8,950,345	1.57
Drug/Alcohol	Rural	3,299,457	649,437	1,016,353	-366,916	-1.33
Drug/Alcohol	Urban	10,626,540	1,858,817	358,420	1,500,397	1.69
Early Childhood	Rural	2,422,777	305,124	26,629	278,495	1.38
Early Childhood	Urban	16,384,012	8,124,763	2,112,846	6,011,917	4.40
General Family	Rural	8,230,639	1,532,851	1,126,260	406,591	0.59
General Family	Urban	14,739,290	7,440,270	2,089,071	5,351,199	4.36
Health Care	Rural	3,206,963	295,709	110,899	184,810	0.69
Health Care	Urban	27,767,829	3,777,960	1,219,671	2,558,289	1.11
Physical Handicap	Rural	6,201,953	542,186	1,186,327	-644,141	-1.25
Physical Handicap	Urban	15,774,913	3,256,678	1,513,232	1,743,446	1.33
Total	Both	242,642,351	60,645,328	24,494,837	36,150,491	1.79

The analysis revealed that very few sectors were financially secure. A commonly-adopted measure is that an organisation should have net assets or reserves to cover at least three months expenditure in the event that regular income during that period is halted. This has often happened, particularly in the case of government subsidies not being paid for a couple of months.

From data contained in Table 6.17 it was clear that most categories of service were at risk. The only categories that had reserves to cover them for more than a three-month period were urban children and youth (4.6 months), urban early childhood (4.4 months) and urban general family welfare services (4.4 months). These were all urban-based.

Two categories of service, rural drug and alcohol and rural physical handicap were technically insolvent as their current liabilities exceeded their current assets.

It should however be noted that welfare organisations reflect items on their balance sheets in differing ways. Until a standard format is adopted, it is difficult to make too definitive a claim. In some instances, assets of smaller organisations are reflected on the parent body's balance sheet. This is an area where clear accounting guidelines will have to be formulated.

Thus far the writer has attempted to demonstrate the considerable extent to which organized data can be generated by the financial resource allocation decision making model developed as part of this study. While informative, this organized data could have been substantially more influential if the model managed all financial resource allocations to welfare organisations in the Western Cape. A far more comprehensive picture of service and staffing patterns would emerge and the analysis of income and expenditure would be much more complete. It is only on this basis that social policy formulation and social service planning can be effective.

Given the financial resource allocation decision making model's capacity, it was a pity that it was used to allocate only a small amount of funds. Table 6.18 reflects the percentage of expenditure that the Community Chest contributed to total expenditure.

Table 6.18 Community Chest grant as a percentage of expenditure

Area	Income	Expenditure	Shortfall	Chest	Chest % expend
Urban	240,397,334	244,294,648	-3,897,314	6,820,374	2.79
Rural	54,607,034	49,304,990	5,302,044	1,271,412	2.58
W Cape	295,004,368	293,599,638	1,404,730	8,091,786	2.76

Although fairly similar, the Community Chest's contributions as a percentage of expenditure were 2.79, 2.58 and 2.76 percent for urban, rural and Western Cape areas, respectively. It was however pleasing to note that there was not a big discrepancy between that awarded percentage-wise to urban and rural areas.

6.4 Beneficiary organisation positional analyses

In Chapter 4 the lack of empirical studies on the non-profit sector and the deleterious impact that this had on policy formulation and management of this sector was highlighted by Kraak (2001). A major exception to this contention was the seminal study on this sector that was conducted by Swilling and Russell (2002).

The writer has no knowledge of a local study that surveyed financial management issues in a large number of social service sector non-profits. As such the empirical data here presented will in only few instances be juxtaposed with related findings.

As indicated in Chapter 3, the survey questionnaire was sent to 376 beneficiary organisations of the Community Chest. Of these organisation 232 or 62 percent responded by the due date given for returns – thus $n=232$.

The responses of $n=232$ to items contained in the questionnaire (see Attachment 4) were analyzed using Statistica. It should be noted that throughout the presentation of the results, $n=232$ will be used, notwithstanding that in some responses to an item did not total 232. The exception to this caveat was tables where the actual number of respondents for that item is given.

Further, the percentages of responses to any given item are based on the total responses to that item and not to the total respondents. Thus in some instances the number of responses given will not equal either 232 but the percentages will add up to one hundred. It should also be noted that in some questions/items respondents could indicate more than one option. In such instances, the percentage will thus not total one hundred.

A somewhat disturbing upshot of this survey was the difficulty that a number of smaller community-based organisations had in accurately completing the survey questionnaire. In a few cases, the data collected was not sufficiently credible for

analysis. A good example of this was the large number of respondents who could not rank in order of importance sources of income – see Attachment 4, item F15. In a few cases respondents did not discriminate between item choices and thus total responses numbered more than 232.

Further, given the nature of the survey, a few items were included for the benefit of the management of the Community Chest and will not necessarily be presented here. There were also a few items included for validation purposes – these too are not presented here.

Unless otherwise stated, all responses pertained to conditions that prevailed during the 2004/5 financial year. The results of the survey are presented according to the ten themes (and their attendant intentions) that constituted the survey questionnaire – they were as follows:

6.4.1 *Organizational information*

Of the 232 organisations a very significant number, 122 or 55 percent were affiliated to a parent body – this supported the widely-held notion that there were a significant number of smaller organisations. There were 36 (16 %) parent body organisations and 65 (29 %) neither affiliated, nor parent body organisations.

The application for a grant was completed mostly by people employed by the organisations – 185 or 79 percent. The balance, a sizable 21 percent were not employed by the organisation.

Of these, 81 were university graduates with 46 indicating that their highest qualification was a bachelor's degree. Fifty-five indicated that they were registered with the South African Council for Social Service Professions as social workers.

Of concern were the low levels of accounting/financial qualifications recorded for those that submitted the application for funding. There were only 28 persons who had post-matriculation qualifications in accounting. The balance consisted of 39 who had matriculation bookkeeping/accounting and 37 who had qualifications lower than matriculation level.

Only seven people were registered with professional accounting institutes – four with the South African Institute of Chartered Accountants (SAICA), one with the South African Chartered Institute of Secretaries (CIS) and two with the Institute for Commercial and Financial Accountants (ICFA).

The qualifications of the persons in charge of the organisation included 110 diplomas or degrees. Sixty were registered with the South African Council for Social Service Professions as social workers – this was the overwhelming majority of professional registrations.

Of concern was the low level of accounting/financial qualifications held by the persons in charge of the organisation – only 9 had post-matriculation qualifications. Thirty-one had matriculation bookkeeping/accounting and 29 had qualifications lower than matriculation level.

These low levels of accounting qualifications were alarming given the financial crises that were alluded to in Chapter 4 and that are yet to be reported on in this section.

6.4.2 *Community Chest fund application process*

This theme attempted to determine how organizations experienced the Community Chest fund application process in order to improve this process, particularly for the smaller, less sophisticated organisations. It would be

pointless having a sophisticated financial resource allocation decision making model that precluded inclusion because of the application process. It was also linked to the notion of making future funding applications electronically (dealt with later in the survey results).

The overwhelming majority indicated that the application package was clear (210 or 91 %), that it was not too complicated (180 or 78 %) and that the process did not require too much information (174 or 75 %). One hundred and fifty (65 %) indicated that the application was not that complex to warrant its completion only by a financially-qualified person.

However, the balances of these figures still number a sizable number of organisations that were struggling with the application process, mostly the smaller less sophisticated community-based organisations. Another concern in this regard was that 92 (40 %) indicated that they had to regularly seek advice from others when completing the application package – worryingly only 38 sought such help from the Community Chest.

On average the application took 14 hours to complete with 8 hours being the most-commonly cited time for completion.

While 135 (58 %) indicated that they had computer access to submit their budgets in Microsoft Excel electronically, a sizable number (96 or 41 %) did not have access. Of those who did not have access, the overwhelming majority (84 or 88 %) indicated that if they had access, they would prefer to submit their application electronically.

Ninety-four (41 %) indicated that they did not have the expertise to submit their applications electronically and of these 89 (95 %) indicated that they would like to develop such skills. The overwhelming majority of these

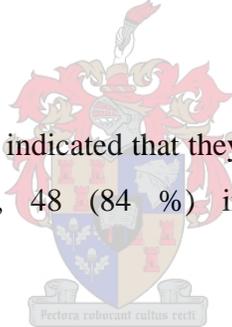
indicated that they would welcome a volunteer provided by the Community Chest to do this on their behalf.

6.4.3 *Accounting practices*

The purpose of this theme was to determine accounting practices and budget formats applicable to organizations. Of concern was that 37 (17 %) organisations did not know what budget format they used and that only 59 (27 %) and 45 (20 %) used programme and functional budgets, respectively.

Further, 131 (59 %) indicated that they were not familiar with zero-based budgeting while only 68 (30 %) had developed a zero-based budget in the last five years.

Of the 57 (25 %) who indicated that they did not use the same budget for all funding applications, 48 (84 %) indicated that this was funders' requirements.



Only 31 organisations affiliated to a parent body indicated that they had a formal agreement with the parent body to cover shortfalls and only 48 indicated that the parent body assumed full responsibility for their financial decision making – this despite 65 organisations that indicated that the parent body charged them an administrative fee.

A significant majority (151 or 68 %) did not have a policy on financial reserves and of those that did, this amounted to an average of 9 percent of annual expenditure. Only 145 (65 %) had a policy on depreciation; full depreciation in year of acquisition (20 or 14 %), standard depreciation (113 or 81 %) and other (7 or 5 %).

The organisations' annual budgets were prepared by a finance person (76 or 33 %), a committee (63 or 27 %), the director (10 or 4 %), a group of people (59 or 25 %) and by others (25 or 11 %), respectively. The fact that only 4 percent of organisations' budgets were prepared by the director, was telling.

6.4.4 *Development and sustainability:*

The purpose of this theme was to determine organizations' future development and sustainability.

Frighteningly, 157 (68 %) indicated that their organisation's future was not very secure mainly because of a lack of funds (123 or 75 %) and national/provincial funding policies (24 or 15 %). An even higher number (205 or 89 %) indicated that their further growth was constrained by a lack of funds.

Only 45 organisations indicated that their ability to raise funds was excellent or very good – the majority (143) indicated that it was average while 37 and 8 indicated their ability to be poor or very poor, respectively. The major causes for their average or below average ability was no fundraising staff (86), too much competition for funds and lack of funding sources (71).

When asked whether their organisation had a formalized marketing plan, 167 (72 %) answered in the negative – of these 108 indicated that an organisation like the Community Chest should provide this service.

Despite 118 (51 %) indicating that they had received training in fundraising, the substantial majority (199 or 85 %) had not received training from the Southern African Institute of Fund-Raising – the organisation dedicated to developing fundraising capacity.

While about half of the respondents had received training from the Community Chest and most having found it very helpful, a significant number (196 or 86 %) indicated that the Community Chest should provide more training. Not surprisingly, the two biggest needs for training were fundraising (169 or 86 %) and marketing (141 or 72 %).

When asked whether the Community Chest should stick to its core business and only raise funds for distribution and not provide training, the minority (78 or 34 %) answered in the affirmative. Further, 166 (73 %) indicated that the Community Chest should support organisations indefinitely. This was surprising given the urgent need for funds, particularly for operational expenditure.

A large number (162 or 70 %) indicated that increasingly corporate donors were selecting their own projects to fund and of those 162, 109 (67 %) indicated that this threatened their organisation's existence. Only 10 (4 %) considered that for-profit (business) organisations posed a threat to their organisations.

While 144 (63 %) were part of a network of service providers, only 81 indicated that it was crucial to their organisation's survival. Being a beneficiary organisation of the Community Chest added to their credibility according to 193 (84 %) organisations.

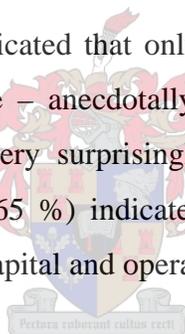
Overwhelming support (186 or 81 %) was given to the notion that the Community Chest facilitates annual needs analyses to better target needs for the region and that the Community Chest provides regular information sessions on priorities identified for funding.

6.4.5 *Project and operational funding*

This theme attempted to determine the degree of difficulty in getting operational funding as opposed to project or capital funding.

As expected, a large 191 (84 %) respondents indicated that funding for projects or capital expenditure was more readily available than was that for operational expenditure. Not surprisingly thus 212 (94 %) respondents indicated that fundraising for operational expenditure was their most difficult form of fundraising.

Most organisations indicated that only two funders were prepared to fund operational expenditure – anecdotally this would be government and the Community Chest. Very surprisingly given the above, the majority of organisations (149 or 65 %) indicated that the Community Chest should continue to fund both capital and operational expenditure.



Only 87 (39 %) indicated that they levied an administration fee on project funds – the average such fee amounted to 11.5 percent whereas most indicated that it amounted to 10 percent. In virtually all cases the funders were aware of this arrangement and very few expressed reservations about this practice.

As part of a world trend, the Community Chest increasingly faced donors who wanted to fund specific projects, known as designated funds. The majority of organisations, 126 (or 59 %) indicated that they were accepting of this trend.

While becoming more popular with funders, 111 (49 %) organisations indicated that cross-cutting themes be funded as a project and not as parts of other services provided – many (96 or 42 %) did not know whether this should be so or not.

6.4.6 *Funding sources*

Crucial to the study, this theme attempted to determine the various funding sources and the difficulties encountered in seeking funds from a wide variety of sources.

Astonishingly only 39 (17 %) organisations employed a fundraiser whereas 104 (45 %) still relied on a committee to raise funds. Among other, 36 (16 %) relied on individual staff members while 22 (10 %) relied on the director to raise funds, respectively. Alarming, direct service staff such as social workers, were sometimes expected to spend time on fundraising in 158 (68 %) organisations.

While the average number of funding sources (national and international) that organisations accessed came to 5.5, most accessed only three. One hundred and forty-seven (64 %) organisations did not have a database that contained details of funding sources.

While a sizable 157 (68 %) respondents indicated that they had received funds from the Lotteries Board (commonly referred to as the Lotto), 33 (61 %) were not happy with the way in which the funds were distributed. The most significant reasons for this sentiment were the uncertainty of funding, too lengthy a process, welfare sector allocated too little, delays in making payments, allocated less than needed and unclear funding criteria – see Table 6.19.

Far fewer organisations received funds from the National Development Agency – only 23 or 10 percent. Given the response to questions related to the NDA it was clear that very few organisations were aware of its existence and the funding opportunities it offered.

Of the 101 that responded when questioned whether they were happy with the manner in which the NDA distributed funds, 92 (91 %) indicated that they were not.

The most significant reasons for this sentiment were unclear funding criteria, uncertainty of funding, NDA governance issues, too lengthy a process, and process too cumbersome – see Table 6.19.

Table 6.19 Reasons for unhappiness with Lotto and NDA distributions

	LOTTO <i>n</i> =133	NDA <i>n</i> =92
Allocated less than requested	46 (36%)	2 (0%)
Funding criteria unclear	39 (28%)	54 (59%)
Process too lengthy	63 (47%)	33 (36%)
Disagree with funding criteria	19 (14%)	22 (23%)
Process too cumbersome	17 (13%)	29 (32%)
Uncertainty of funding	75 (56%)	37 (40%)
Political/other interference	4 (0%)	8 (1%)
Other	21 (16%)	24 (26%)
Delayed payment	46 (36%)	
Infrequency of award	19 (14%)	
Welfare sector allocated too little	60 (45%)	
Centralization of process		9 (1%)
NDA Governance issues		37 (40%)

Source: SMIT, A. 2005. Funding strategies: Surviving imperial intentions, protean policies and ruthless reality. *Social Work/Maatskaplike Werk*, Vol. 41, No.4, p 357.

Organisations rated their difficulty in accessing funds from the following sources: Corporates = 120 (55 %), government = 52 (24 %) and the Lottery = 37 (17 %). Only 3 (1 %) indicated that they had difficulty accessing funds from the Community Chest.

However, 199 (91 %) indicated that their organisations were concerned that the annual amount that the Community Chest raised for distribution did not meet existing needs – 172 (76 %) indicated that the annual grant received from the Community Chest in relation to escalating costs got smaller every year.

Only 17 (8 %) organisations operated a for-profit business to generate profits as a source of revenue. Surprisingly, when those who did not operate such an enterprise were offered assistance in creating such an enterprise, 91 (47 %) declined such an offer.

6.4.7 *One-stop funding*

The aim of this theme was to assess the feasibility of the Community Chest serving as a broker and packaging funding on behalf of beneficiaries.

While 93 (41 %) organisations indicated that they spent too much time in developing various funding applications annually, 124 (54 %) indicated that they would prefer to submit one funding application to one organisation for all sources of funding.

While a minority (83 or 37 %) indicated that they would be prepared for another organisation to raise funds on their behalf, 73 indicated that they would be prepared to pay an average brokerage fee of 14 percent – 10 percent was the most common brokerage indicated.

A significant number, 169 (74 %), indicated that the Lotteries Board should annually award a sum to the Community Chest to distribute to its beneficiary organisations. Similarly, 151 (66 %) wanted the Community Chest to act as a broker to acquire funds from international funding agencies of their behalf.

Confidence in the Community Chest's leadership role was reflected by 180 (81 %) organisations who wanted the Community Chest to provide leadership in determining the funding needs of the region and to influence funding policies based on such determined needs.

6.4.8 *Corporate governance*

The theme of corporate governance looked at structures and procedures adopted to ensure that adequate management controls were in place.

The majority of organisations were unfamiliar with section 38(j) of the Public Finance Management Act, 1999 (Act 1 of 1999) and the King Commission on good governance – 130 (58 %) and 149 (65 %) respectively.

While the majority of organisations (190 or 84 %) had developed structures internal to the organisation to audit their financial activities, a surprising number (169 or 79 %) indicated that the fiduciary responsibilities of their organisation's management board were not clearly understood by members of the board.

The high number (108 or 48 %) of organisations that indicated that they did not know whether their organisation was committed to the codes of conduct formulated by the South African Grant Makers Association and/or the Charities Aid Foundation, were probably as a result of these organisations' lack of knowledge of these important codes of conduct.

The majority (190 or 84 %) indicated that their organisations' service programmes were designed with adequate controls (measurable outcomes) and 154 (81 %) of these organisations stated that they were satisfied that their social service programmes were achieving the desired outcomes.

6.4.9 *Provincial funding policies*

The purpose of this theme was to determine the impact that current and proposed government funding policies had on organisations.

While 161 (70 %) organisations were aware of current government funding policies, a not too insignificant 70 (30 %) were not – substantially influencing these organisations' ability to access this critical source of funding. More the concern then, with 204 (88 %) organisations indicating that they received government funding in terms of the current funding.

Not surprisingly, 188 (90 %) organisations indicated that they did not receive sufficient funds from government. Of those who did not get funding from government, the most important reasons given were a bad funding policy followed by the organisation not understanding the funding policy.

The majority (158 or 73 %) indicated that the existing government funding policies were inappropriate while 108 (52 %) intimated that existing government funding policies were too complex.

One hundred and eighteen organisations (52 %) indicated that they were aware of the newly-adopted Financial Award Policy for social service providers but 152 (67 %) indicated that they were never consulted in the drafting of the policy. Of those that read it (102 or 70 %), 80 (78 %) indicated that their organisations would meet the transformation criteria laid down in the said policy.

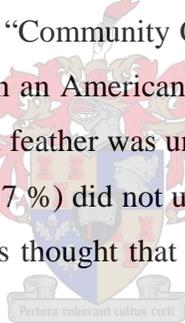
Like in the case of funds received from the Community Chest, 135 (60 %) organisations indicated that the income that they received in terms of

government funding policies had declined as a percentage of income over the past few years.

6.4.10 *Perceptions of the Community Chest*

Given the enormous amount of time and funding that went into the development of the financial resource allocation decision making model, it was important to establish whether the Community Chest's credibility amongst its beneficiary organisations was supportive of the new financial resource allocation decision making process.

Linked also to the results of the survey of accounting students, the Community Chest's branding remains strong – 168 (73 %) organisations indicated that the name “Community Chest” was in keeping with a changed South Africa. Although an American Indian symbol, the symbolism of the Community Chest's red feather was understood by 147 (63 %). However, a sizable number (85 or 37 %) did not understand this symbolism and another 70 (34 %) organisations thought that this symbolism was lost in the South African context.



Similar to the finding where accounting students overwhelmingly indicated that the Community Chest was a welfare organisation rather than a funding agency, 105 (49 %) respondents thought that the Community Chest was involved in direct service practice. Further, 91 (41 %) respondents indicated that the community perceived the Community Chest as being just another welfare organisation such as NICRO or Child Welfare.

A long-held myth that donors often refused to fund beneficiary organisations of the Community Chest because they funded the Community Chest, was debunked by 174 (77 %) organisations which indicted that this was not so.

Similarly, 215 (96 %) organisations indicated that they did not experience the Community Chest as a hindrance in their organisations' fundraising efforts. Further, virtually all organisations (225 or 98 %) indicated that the Community Chest should not cease operating in order to reduce their fundraising competition.

As the Community Chest was one of very few funding agencies that were prepared to fund operational expenditure, there was the belief that beneficiary organisations of the Community Chest would want it to concentrate all its energies on raising and allocating funds. In once again asking organisations whether the Community Chest should fund only operational expenditure and not provide any other service, 144 (64 %) responded negatively. This was indicative of the high regard that beneficiary organisations had for the social development function of the Community Chest.

A significant majority, 189 (84 %) organisations indicated that the Community Chest should only fund relevant and needed organisations. A similar number (180 or 79 %) of organisations wanted the Community Chest to continue funding all sectors that it currently funded. When asked if the Community Chest should revert back to its position of some years ago when it only funded welfare organisations and not health-related organisations, 159 (70 %) responded negatively.

While 203 (90 %) organisations indicated that they would, given the amount they received from the Community Chest annually, not stop seeking funds from the Community Chest, 159 (71 %) organisations indicated that should the Community Chest not significantly increase its annual income for redistribution, it would become irrelevant in a few years time.

Very pleasingly, the vast majority were complimentary of the current financial resource allocation decision making process. One hundred and seventy-one (86 %) organisations were of the opinion that the Community Chest had a very sophisticated allocation procedure. Further, 211 (98 %) organisations trusted the Community Chest to make the right financial resource allocation decisions.

6.5 Accounting students participation analyses

As stated in Chapter 4, there was not much literature available on studies of accounting students' involvement in volunteering their services to the non-profit sector. The writer could find no studies on the feasibility of pairing accounting students with financially illiterate community-based organisations that would allow for an osmosis in which organisations improved their financial management ability and where students could sharpen their professional practice and social skills.

As such, the analysis of data is presented with limited comparable findings – the bane of pioneering research.

As stated in Chapter 3, the survey involved 234 students doing a 200-level course in management accounting at the University of Cape Town. Of the 234 students, 207 completed the survey questionnaire – an 88 percent response rate.

Of these 207 respondents ($N=207$), 133 ($n_I=133$) or 66 percent indicated that they were interested to form part of the project to mentor needy organisations next year. The responses of both groups ($N=207$ and $n_I=133$) to items 1 to 36 of the questionnaire (see Attachment 5) were analyzed using Statistica. In the case of $n_I=133$, the additional items 37 to 39 were similarly analyzed.

It should be noted that throughout the presentation of the results, the groups' sizes, 207 and 133, will be used to distinguish between the groups – this notwithstanding that in a few cases where the responses to an item did not total 207 or 133. The exceptions to this caveat are tables where the actual number of respondents for that item is given.

Further, the percentages of responses to any given item were based on the total responses to that item and not to the total respondents in the two groups. Thus in some instances the number of responses given will not equal either 207 or 133 but the sum of percentages will equal one hundred. It should also be noted that in some questions/items respondents could indicate more than one option. In such instances, the percentage will thus not total one hundred.

The purpose of analyzing both groups for responses 1 to 36 was to determine if there was any significant correlation between the two groups to these items. Overall, there was significant correlation – variances to responses were very small. In a few of the responses however, some variations did occur.

The results of these analyses are presented according to the four themes (and their attendant intentions) in concert with the survey questionnaire – they are as follows:

6.5.1 *Biographical information*

With few exceptions the biographical profile of the two groups was not dissimilar. In the case of N=207, ages ranged from 18 to 25, with three 18-year olds and one 25-year old. The average age was 20 years old and the median age was 20 years old.

There was a slight difference in the gender of the two groups. The percentages of male and female respondents were inverted in the two groups. In the case of N=207 there were 106 (52 %) males and 98 (48 %)

females whereas in $n_I=133$ there were 64 (48 %) males and 69 (52 %) females.

As accounting is still a male-dominated profession the gender ratio for the whole is fairly healthy. Given the societal perception that social service is more a female-dominated activity, it was surprising that despite there being more females than males in the smaller group, the number of males was not that much fewer. This probably related to career and other benefits that males perceived to be associated with them volunteering.

In the case of $n_I=133$ the ages ranged from 18 (one) to 25 (one) years old with the average and median ages being similar to $N=207$, namely 20 and 20 years old, respectively.

Similar to the age profile there were no discernable differences in marital status. The significant majority were never married – 201 (98 %) and 132 (99 %) of $N=207$ and $n_I=133$ respondents, respectively.

The domicile of students when not at the University of Cape Town proved interesting. The responses for the two groups are displayed in Table 6.20.

Table 6.20 Domicile of students when not at university

Province	N=205	N=205 %	$n_I=133$	$n_I=133$ %	Provincial %
Western Cape	99	48	57	43	58
Gauteng	26	13	18	14	69
Eastern Cape	18	9	16	12	89
Northern Cape	1	0	0	0	0
Limpopo	3	1	3	2	100
Northwest	2	1	2	2	100
Mpumalanga	0	0	0	0	0
Free State	4	2	3	2	75
Kwazulu-Natal	27	13	18	14	67
Not in South Africa	25	12	16	12	64
	205	100	133	100	

From Table 6.20 it is evident that in the case of students who came from Limpopo and Northwest provinces all volunteered, albeit that the numbers were small. Significantly too, students from the Eastern Cape, Free State and Kwazulu-Natal volunteered in significantly higher percentages – 89, 75 and 67 percent of students from those provinces, respectively. These are the provinces that have the highest levels of poverty; it would be interesting to follow-up on the possibility of this being a significant motivation to volunteer.

The relatively high percentages of students from the wealthiest province, Gauteng (69 %) and those not domiciled in South Africa (64 %) compared to the lowest percentage recorded for a province, the Western Cape (58 %), was quite anomalous.

Given that the University of Cape Town is based in the Western Cape Province, it was understandable that this province's students would constitute the largest group, 99 (48 %) respondents. What was however not expected was that it would contain the lowest percentage of volunteers (58 %) for a province. This was based on two assumptions. The first was that Western Cape students would want to contribute to the social development of their fellow citizens in greater measure than would outsiders to the province and secondly, the proximity of domicile to service sites. This result is rather telling of these students philanthropic approach to life.

Another significant difference between the groups was the much higher percentage of $n_1=133$ indicating that they would be graduating in 2007. Of this group, 96 (85 %) as opposed to 134 (66 %) of $N=207$, indicated this date. It will have to be interrogated further to determine whether $n_1=133$ consisted of students who were academically more successful.

With one minor exception, the respondents of both groups responded similarly when asked to indicate their career aspirations – N=207 recorded 51 (25 %) students wanting to pursue a career in the corporate sector as opposed to 26 (20 %) for $n_I=133$. Most students wanted to pursue a career as a professional accountant in private practice – 57 (28 %) and 40 (30 %) respectively for N=207 and $n_I=133$.

While 120 (58 %) of N=207 and 73 (55 %) of $n_I=133$ had their own transport, 183 (89 %) and 115 (86 %) of these groups respectively had either their own personal computer or had access to one other than that provided by the University of Cape Town. These high percentages of ownership and/or access reflect a wealthy student population.

This was also borne out by the low percentages of student financial aid and student employment. While $n_I=133$ recorded higher student loan usage (14 or 11 %) compared to N=207 (15 or 7 %), N=207 recorded only seven (3 %) and $n_I=133$ only 5 (4 %) students that were funding their studies through employment. By a very large margin both groups relied on parents to fund their studies – 154 (74 %) and 95 (71 %) of N=207 and $n_I=133$, respectively.

Notwithstanding the high number that relied on parents to fund their studies a sizable number did perform regular work for income – 71 (34 %) and 51 (38 %) respectively for N=207 and $n_I=133$.

Of pivotal importance to the future of this project was the students' ability to generate and submit budgets using Microsoft Excel. As expected, given the quantitative nature of accounting, the vast majority of both groups were able to use Excel with ease – 198 (97 %) and 128 (97 %) for N=207 and $n_I=133$, respectively.

6.5.2 *Social service activity*

While results for both groups were in most cases similar, a few dissimilarities did occur. The $n_I=133$ respondents thought that accountants were slightly more involved than did the other group. Of concern to the accounting profession is the perception that its students have of relatively low levels of accountant involvement in social issues. Sixty-eight (33 %) and 37 (28 %), 122 (59 %) and 85 (64 %), and 16 (8 %) and 11 (8 %) of $N=207$ and $n_I=133$ perceived accountants to be uninvolved, partly involved and very involved in social issues.

The majority of students had not mentored anyone previously – 113 (55 %) and 70 (53 %) for $N=207$ and $n_I=133$, respectively. The balance, not an insignificant number, did however do so. While it was expected that a greater number in $n_I=133$ would have mentored, this did not materialize.

When questioned on extra-curricular activity whilst at university, the majority indicated that they were active in sport – see Table 6.21.

Table 6.21 Involvement in extra-curricular activity at university

Extra curricular activity	N=207	N=207 %	$n_I=133$	$n_I=133$ %	Activity %
Sport	91	44	72	54	79
Cultural activity	34	17	22	17	65
Faith based activity	30	15	23	17	77
Student politics	11	5	10	8	91
SHAWCO	29	14	20	15	69
Other	48	23	38	29	79

More respondents were active in sport in $n_I=133$ than in $N=207$ – 72 (54 %) and 91 (44 %), respectively. This activity together with student politics and ‘other’ constituted the highest percentages of curricular activity, namely 79,

91 and 79 percent, respectively. While sport cannot be explained, the high percentages for student politics can – such students are usually far more aware of social issues.

The majority of $n_1=133$ indicated that their extra-curricular activities were related to philanthropy or social upliftment whereas the majority of $N=207$ indicated that they were not – 56 (52 %) and 89 (54 %), respectively. There was thus a greater social involvement in the group who volunteered.

Of those that indicated that their extra-curricular activities were related to philanthropy or social upliftment, most indicated that their motivation was as a result of having been involved in such activities at school followed by their faith – 42 (20 %) and 31 (23 %), and 30 (14 %) and 24 (18 %) for $N=207$ and $n_1=133$, respectively. Given the faith-related figures, faith played a slightly bigger role in motivating $n_1=133$ than it did in $N=207$.

Being involved in social projects at school played a more significant role in $n_1=133$ than it did in $N=207$ – 56 (42 %) as opposed to 60 (30 %) indicated that they were regularly involved, respectively. This was the second such finding that indicated the importance of pupil involvement in school social projects which shape their future attitudes to philanthropy.

The perceived benefits that ensued from being involved in social projects at school were consistently higher for $n_1=133$ – see Table 6.22.

Table 6.22 Benefits perceived to ensue from school social projects

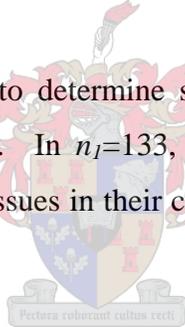
Benefit from social projects	N=207	N=207 %	$n_1=133$	$n_1=133$ %	Benefits %
Service/Merit awards	76	37	56	42	74
Leadership development	106	52	75	56	71
CV building	84	41	65	49	77
Social or religious	67	33	48	36	72
Wanted to do	96	47	69	52	72
Other	4	2	2	2	50

In Table 6.22 the last column “benefits” indicated that the respondents from $n_I=133$ consistently constituted the majority of responses recorded under the $N=207$ column. This indicated the remarkable degree of goal-directedness of $n_I=133$ compared to $N=207$.

Leadership development was the highest rated perceived benefit which added to an emerging trend – that of the volunteer group being more aware of the benefits of such involvement. This emerging trend warrants further research.

6.5.3 *Social development issues in South Africa*

This theme attempted to determine students’ social awareness of current issues in South Africa. In $n_I=133$, 71 (53 %) indicated that they were informed about social issues in their community as opposed to 97 (47 %) in the case of $N=207$.



This relatively low count is explained by the low levels of accessing the following sources of information on current social issues (as both groups are very similar, only results for $N=207$ are given):

- Television news: Never = 54 (26 %), daily = 28 (13 %);
- Actuality programmes: Never = 28 (14 %), regularly = 31 (15 %);
- Read newspaper: Never = 50 (24 %), daily = 20 (10 %);
- News magazines: Never = 91 (44 %), regularly = 12 (6 %);
and
- Local news on internet: Never = 83 (40 %), regularly = 32 (15 %).

These low levels of access to sources of information were remarkable given that these were university students. It was therefore not surprising that out

of 207 students, only three (1.5 % of those that responded) correctly identified the current Minister of Social Development. Fortunately, they did better in correctly identifying the Minister of Finance – 185 or 96 percent of those that responded.

The lack of wider reading and viewing had a further sequel – the limited knowledge of the social service sector. Once again as results were very similar, only that of N=207 are presented. Government was rated as the most responsible entity for society's social well-being followed by municipalities – 92 (46 %) and 63 (31 %), respectively.

The NGO and private sectors were not regarded as being important in meeting needs – 15 (7 %) and 6 (3 %), respectively. It was thus surprising to find that the majority (114 or 56 %) had heard of the Community Chest. This attested to the branding of this organization. However a sizable 193 (44 %) had not heard of the Community Chest. If these and other students are to be successfully recruited as future donors and volunteers, the Community Chest will have to improve its marketing drive in this sector.



While they have heard of the Community Chest, only 37 (18 %) correctly identified its main purpose, to provide funding. The majority thought it was a welfare organisation – 103 or 50 percent.

Surprisingly, a significant number (148 or 78 %) indicated that there were career opportunities in the non-profit sector – surprisingly few chose this as a career path as indicated earlier.

Interestingly, the government was once again considered the prime source of funding for welfare services as it was ranked first by both groups – see Table 6.23. Both groups ranked provincial and local authorities as second and third sources of funding, respectively. While both groups ranked

income sources in similar patterns, there were a few minor differences as reflected in Table 6.23.

Table 6.23 Ranking of sources of funding for social services

N=207 ranking:	1	2	3	4	5	6	7	8	9	10
National government	106	12	4	7	4	3	4	1	4	4
Provincial government	7	71	27	8	5	14	4	6	5	1
Local government	9	18	70	10	12	6	14	3	7	0
National lottery fund	3	20	7	24	17	19	17	17	13	7
Community Chest	4	11	5	22	33	28	24	7	7	0
Faith-based organisations	1	2	5	13	22	28	17	29	21	4
Foreign governments	5	1	9	11	9	11	37	20	21	16
International funding agencies	3	7	11	24	18	14	11	28	21	4
Welfare organisations	12	9	9	23	23	15	4	19	24	3
Other	2	0	0	2	1	1	4	4	9	77
n _r =133 ranking:	1	2	3	4	5	6	7	8	9	10
National government	73	7	1	5	2	2	2	0	4	2
Provincial government	4	45	18	5	3	10	3	6	2	0
Local government	6	12	45	6	7	3	12	1	7	0
National lottery fund	2	15	5	16	8	14	12	12	6	0
Community Chest	1	8	4	13	24	19	14	4	6	0
Faith-based organisations	0	2	4	11	15	14	15	17	14	2
Foreign governments	4	0	5	7	7	8	21	14	15	11
International funding agencies	1	6	8	18	13	10	7	16	12	0
Welfare organisations	8	6	7	17	13	13	2	13	13	0
Other	1	0	0	1	0	0	3	3	5	50

A respectable 90 (44 %) indicated that they had assisted a non-profit organisation with financial management tasks. However, a significant majority, 180 (89 %) indicated that they were never requested to assist a non-profit with their financial management.

6.5.4 Participation in social service project

This section attempted to determine willingness to participate in the proposed social service project and respondents' preferences. As stated previously, 133 out of the 207 indicated a willingness to participate.

The majority of this group indicated that they would prefer offering their services at the University of Cape Town or at some other convenient place – 90 or 67 percent. Given this group's lack of knowledge about their community's social conditions, many, despite them having their own transport, opted for safer or neutral territory. This is a pity as it would benefit them substantially more if they offered their service *in situ*.

Only two indicated that they would not be prepared to undergo a minimum of two mornings training during a vacation or on a weekend.

Not unlike a previous response, the most important benefit that these students thought that they would derive from participating in the project was that of leadership development (92 responses or 69 percent). Second in importance was curriculum vitae building with 91 (68 %) responses. Career development also ranked highly with 89 (67 %) responses.

Pleasingly, 72 (54 %) of $n_I=133$ indicated that contributing to building a better South Africa and learning from the project as much as they expected to teach, served as their motivation to participate in the proposed project.

Given these sentiments, it should auger well for the first-ever inclusion of accounting students in assisting community-based organisations in the proposed programme to augment the financial resource allocation decision making model developed as part of this study.

6.6 Summary of inferences and implications

Chapter 4 contained descriptive analyses of the issues germane to investment strategies in the third sector. Chief among these were the clear patterns of social

need and that of improving not only the degree of funding to social service organisations, but also the manner in which it was done.

In this section, the material presented in Chapter 4 will, where appropriate, be woven in with the empirical data that was garnered in the second, third and fourth components of the study. Given the vast array of data that was generated by this study, it could not, given the brief of this summary, all be woven into a meaningful summary. Thus only the major threads (or themes) constituted this weave as follows:

- Services and staffing;
- State financial investment;
- Lottery and NDA investment;
- Other investment;
- Financial management;
- Development and sustainability;
- Future resource allocation possibilities; and
- Accounting student volunteerism.

For purposes of presentation, these will be dealt with separately. Ideally though, these components should be viewed as a logical whole.

6.6.1 Services and staffing

As reported in Chapter 4, South Africa does not rank well on the UNDP Human Development Index (UNDP, 2005:1). Furthermore, in this chapter it was also revealed that in 1999, the poverty rate for South Africa was 47.3 percent of population (RSA, 2003: Annexure H, Table H1). As such, it was concluded in the said chapter that the country's high levels of poverty (and the myriad social ills commonly associated with poverty) required a substantial expansion and improvement of the country's social services.

Also discussed in Chapter 4 was the White Paper for Social Welfare (RSA, 1997) which was central to South African social welfare service delivery. It particularly called for the “...equitable allocation of funds...to address disparities...[and for]...the allocation of resources to address rural development needs...” (RSA, 1997: 10).

From the service and staffing data analyzed, it was abundantly clear that there was a need for the expansion of services, particularly so in the rural areas. From Tables 6.1 and 6.2 it was clear that in the case of educare services, more services were required in both urban and rural areas – staggeringly in the case of rural areas they were operating at 128 percent above their capacity.

Furthermore, from these tables it was clear that most services (90 %) were urban-based and that the worker child ratio in the urban areas was more than twice as favourable of that in the rural areas. Similarly, in the case of children’s homes, the worker child ratio was twice as bad in the rural areas compared to the urban areas – see Table 6.3. This too reflects the need for an expansion of services in the rural areas.

Of additional concern was that a poor urban area like Mitchell’s Plain faced the same dilemmas as those of the poorer rural areas – over-capacity operation was higher than the average for the urban areas – see Table 6.1. This also highlighted the need for services within certain magisterial districts within the urban areas.

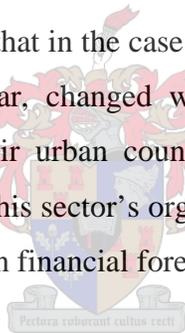
Table 6.4 indicated that only 18.7 percent of all social workers in the Western Cape worked in the rural areas and that the rural social workers earned on average some 10 percent less than did their urban counterparts. Further, some rural social workers (Worcester) earned substantially less than some of their urban (Bellville) counterparts – the equitable distribution of

funds to favour rural development needs called for by the White Paper for Social Welfare (RSA, 1997) had thus not yet materialized.

Of note yet again, was that social workers employed in the poorer Mitchell's Plain magisterial district earned less on average than the urban and rural averages – this again confirmed that more resources should be directed at this urban area.

The analysis of social work assistants revealed similar patterns to that of social workers. Of concern was that the poorer rural areas had substantially fewer social work assistants than did the wealthier urban areas and that they earned on average substantially less – see Table 6.5.

It was pleasing to note that in the case of general family welfare services the trend discussed thus far, changed with rural social workers earning on average more than their urban counterparts – see Table 6.6. This was probably indicative of this sector's organisational ability – this category was also the most accurate in financial forecasting (see 6.6.3 below).



However, once again social workers employed in this service category also earned on average less than urban, rural and Western Cape areas. The data for Mitchell's Plain was very consistent in indicating an urgent need for not only more services but also more financial resources.

6.6.2 State financial investment

It was previously asserted that the major sources of funding for this sector came from government in the form of subsidies and from two other state-controlled funding agencies, namely, the National Lotteries Board and the National Development Agency.

As discussed in Chapter 4, among other, the White Paper on Social Welfare called for, "...the phasing in of the financing of social welfare programmes which will be sustainable and based on approved business plans and performance audits..." (RSA, 1997: 10).

In Chapter 4 the analyses of the various welfare funding policies that were formulated over the last decade revealed that they had failed to give heed to this injunction. On the contrary, funding was still based on the dated, non-programme subsidy formula that was inimical to the social development tenets espoused by the White Paper – this nearly a decade after the adoption of the said paper.

Not surprising then that the majority (158 or 73 %) of the beneficiary organisations of the Community Chest survey respondents indicated that the existing government funding policies were inappropriate while 108 (52 %) intimated that the existing government funding policies were too complex.

In keeping with previous policy formulation practice discussed in Chapter 4, one hundred and eighteen organisations (52 %) indicated that they were aware of the newly-adopted Financial Award Policy for social service providers but a large number (152 or 67 %) indicated that they were never consulted in the drafting of the policy.

The biggest reasons given by those who did not receive government funding were that it was a bad funding policy and that it was not understood by the respondents.

In Chapter 4 the need to bring the smaller community-based organisations into the funding loop was made clear. The funding policy as it applied, did not foster this cause nor did it give heed to the White Paper's call for the, "...equitable allocation of funds...to address disparities...[and for]...the

allocation of resources to address rural development needs...” (RSA, 1997: 10).

On the contrary, Table 6.7 reflected a decline in subsidies as a percentage of expenditure in the rural areas of some 5 percent from 1999 to 2004. In the case of urban services it increased marginally by some 2 percent over the same period. Should this urban increase rather have been awarded to the rural areas, they would have recorded an average increase of some 4.85 percent – more in keeping with stated policy.

Similarly, despite policies favouring greater investment in rural services, data reflected in Table 6.10 indicated an increase in urban homes for the aged subsidy benefits from 35.16 percent of expenditure in 2001/02 to 38.84 percent of expenditure in 2003/04 whereas they decreased from 78.81 percent to 51.69 percent during this period in the case of rural homes for the aged.

Also of concern was the low average portion of expenditures that subsidies represented in Table 6.7 – all were well below half that of expenditure.

The decrease in subsidy funding and the low percentage of expenditure that subsidies constituted in Table 6.7 were also confirmed by the majority of respondents in the beneficiary organisations of the Community Chest survey. One hundred and thirty-five (60 %) organisations indicated that the income that they received in terms of government funding policies had declined as a percentage of income over the past few years.

Further, 188 (90 %) respondents indicated that they did not receive sufficient funds from government. In Chapter 4, the Swilling and Russell (2002: 87) study also confirmed this view with 55 percent of their respondents having indicated a lack of government financial support.

While 204 (88 %) organisations indicated that they received government funding, 70 (34 %) of these were not aware of current government funding policies. This severely compromised their ability to access state funding and anecdotally this constituted the smaller community-based organisations that should be brought into the funding loop.

While Table 6.8 reflected that the subsidies as percentages of expenditure for urban and rural alcohol and drug services were nearly identical (47.19 % and 47.15 %, respectively), that of others were significantly different – in the case of children/youth this ranged from 70.08 percent to 38.33 percent. However, more importantly are those categories that should be providing similar services in both urban and rural areas, namely aged care and early childhood. Their subsidy percentages of expenditure also varied significantly.

This is indicative of a number of issues. Firstly, this must result in inequitable standards of service. It is also reflective of poor financial planning – in many cases there was a correlation between such subsidy variance and poor financial forecasting – see for instance aged care category in Tables 6.8, 6.12 and 6.13. This inability to maximize subsidy income contributed significantly to the financial insecurity that was reported on in this chapter.

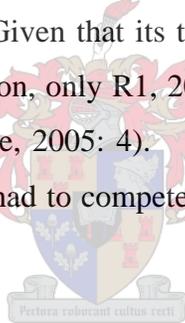
There is an obvious link between handicap and poverty. Of concern thus was that there were no rural services for mentally handicapped persons – see Table 6.11. Further, only 5.15 % of the total expenditure on services for the physically handicapped was spent on rural services. Given that the physical handicap category only received 18.6 percent of the total subsidies paid to both handicap categories (R2 720 458) the portion spent on the rural

handicapped was a mere two percent of total subsidy as a percentage of expenditure awarded.

This was astounding and was reflective of an inability on the part of social policy makers and social service providers to correctly identify need and to ensure that resources more optimally target such identified need.

6.6.3 Lottery and NDA investment

Despite the undertakings then given to compensate organisations for the fundraising losses that they stood to incur as a result of the introduction of the national lotteries, in the case of the Community Chest and others, this did not materialize. The investment by the Lotto in this sector has remained controversial at best. Given that its turnover in the 2004/05 financial year was some R4, 248 billion, only R1, 205 billion (28.36 %) of turnover went to beneficiaries (Ndenze, 2005: 4). So-called “charities” (which included welfare organisations) had to compete with three other categories for a part of this beneficiary pie.



Not surprisingly then that 133 (61 %) organisations surveyed indicated that they were not happy with the way in which the funds were distributed. The most significant reasons for this sentiment were the uncertainty of funding, too lengthy a process, welfare sector allocated too little, delays in making payments, allocated less than needed and unclear funding criteria – see Table 6.19.

Given that this funding source robbed the welfare sector of its chance-based income and that these negative perceptions exist some years after its inception, is serious cause for concern.

The National Development Agency was less controversial purely because of its low profile. It too, was not without blemish. Of the 101 organisations that responded when questioned whether they were happy with the manner in which the NDA distributed funds, 92 (91 %) indicated that they were not. The most significant reasons for this sentiment were unclear funding criteria, uncertainty of funding, NDA governance issues, too lengthy a process, and process too cumbersome – see Table 6.19.

As discussed in Chapter 4, it was surprising to note the NDA's funding patterns (Tables 4.3 and 4.4) given its *raison d'être*. Unlike the National Lotteries Board, the NDA admitted to some serious shortcomings related to its ability to optimally allocate funds (RSA, 2005a: 5).

Given that both the Lotteries Board and the NDA are *de facto* controlled by government, their funds together with that of state subsidies, makes the state the biggest funder of this sector by far. This is exactly what Brown and Korten (1989) warned against – the tendency in Third World societies was to centralize resource allocation decision making. It is also worrying that this study revealed that these three funding sources are not adequately responding to the needs of those organisations surveyed.

6.6.4 Other investment

Consistent with the views of Eveleth (1999) that there had been a significant shift in corporate social investment in which companies increasingly funded only that which suited their needs, 162 (or 70 %) organisations surveyed confirmed this. The majority indicated that this threatened their organisation's existence.

Further, Van Niekerk and Desmond's (2001) views that corporates were increasingly only prepared to fund capital development projects were

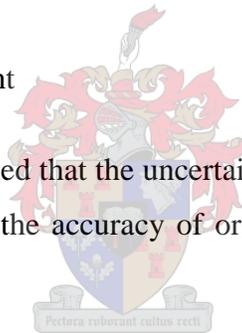
confirmed by 191 (84 %) respondents who indicated that funding for projects or capital expenditure was more readily available than was that for operational expenditure. Most organisations indicated that only two funders were prepared to fund operational expenditure, the corporate sector not being one.

Not surprisingly thus that 212 (94 %) respondents indicated that fundraising for operational expenditure was their most difficult form of fundraising – the majority indicated this to be the most difficult source to access.

The Community Chest, despite its sophisticated financial resource allocation decision making model contributed only modestly (less than 3 % on average) to this sector.

6.6.5 Financial management

This study also revealed that the uncertainty of funding from the Lotto had a deleterious effect on the accuracy of organisations' financial forecasting – see Table 6.14.



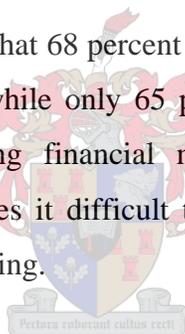
However, notwithstanding Lotto income, forecasting accuracy was not this sector's best suite. On the contrary, figures contained in Tables 6.12, 6.13 and 6.14 attested to this sentiment. These high levels of forecasting inaccuracy make a mockery of financial planning and as a result optimal financial resource allocation decision making.

In the survey of beneficiary organisations of the Community Chest, alarmingly few people responsible for the funding applications or those that were in charge of the organisations had financial qualifications. In Chapter 4, Kraak (2001) also alluded to this sector's leadership's inability and the negative impact that this had on the sector's sustainability. Fani (1998) also indicated the sector's inability to access funding due to a lack of

fundraising skills. The fact that only 4 percent of the organisations surveyed had their budgets prepared by their director, strongly supported these authors sentiments.

Of concern in the survey of beneficiary organisations of the Community Chest, was the lack of budgeting knowledge and limited use of either programme or functional budget formats. In Chapter 4, Cutt (1974) indicated that the use of the programme budget format was crucial to optimal financial resource allocation decision making. Similarly, Stretch (1980) advocated the use of programme or functional budgets in conjunction with zero-based budgeting – only 30 percent of organisations surveyed had developed a zero-based budget in the last five years.

A further concern was that 68 percent of organisations did not have a policy on financial reserves while only 65 percent had a policy on depreciation. Apart from constituting financial management nonsense, this lack of accounting policy makes it difficult to achieve optimal financial resource allocation decision making.



This sector's finances could not be well-managed given that 130 (58 %) organisations were unfamiliar with section 38(j) of the Public Finance Management Act, 1999 (Act 1 of 1999) and 169 (79 %) indicated that the fiduciary responsibilities of their organisation's management board were not clearly understood by members of the board.

6.6.6 Development and financial sustainability

As mentioned previously, the substantial majority (68 %) of organisations surveyed indicated that their organisation's future was not very secure, mainly because of a lack of funds. An even larger majority (89 %) indicated that their further growth was constrained by a lack of funds.

In the analysis of data gleaned from the financial resource allocation decision making model, these sentiments were confirmed. Given the data in Table 6.17 it was clear that the majority of organisations were severely at risk.

Given this financial vulnerability, it was thus surprising that the various forms of income generation were poorly developed. The low percentages of expenditure that fundraising constituted as reflected in Table 6.15, confirmed the Swilling and Russell (2002) and Kraak (2001) findings that fundraising in this sector was not well developed.

Further, only 45 organisations indicated in the survey that their fundraising ability was either excellent or very good – only 17 percent of organisations surveyed, employed a fundraiser. The majority did not have a database that contained details of potential donors. Not surprisingly therefore that 86 percent of respondents wanted training in fundraising.

While Janssens and Smith (2003) indicated that many non-profits in the United Kingdom were becoming more commercial, this trend was not identified locally. On the contrary, only 8 percent of organisations surveyed were operating a business as a source of income. Table 6.16 also confirms that income from trading sales only accounted for some 2.62 percent of expenditure.

Of concern was the lack of awareness of for-profits moving into this sector's territory (Ryan, 1999) – only 4 percent of respondents indicated in the affirmative. This inability to think more strategically to deal with this very real threat added immeasurably to the risk profile of the majority of organisations.

Ironically, the survey of beneficiary organisations of the Community Chest also pointed to dual sustainability (that of the organisations and the Community Chest); 91 percent of respondents indicated that the annual amount that the Community Chest raised for distribution did not meet their existing needs while 71 percent indicated that unless the Community Chest significantly increased its income, it would become irrelevant in a few years time.

6.6.7 Future resource allocation possibilities

The results from the survey of beneficiary organisations of the Community Chest and the accounting students survey created an opportunity to consider a number of innovative options for investment in the third sector.

Given that 86 and 98 percent of surveyed organisations had a high regard for the Community Chest's resource allocation process and trusted it to make the right allocation decision, respectively, placed the Community Chest in a unique position to significantly influence financial resource allocation decision making in the Western Cape.

Further, overwhelming support (81 %) was encountered for the notion that the Community Chest should facilitate annual needs analyses to better target needs for the region and to influence funding policies based on such determined needs.

Also, 74 percent of respondents indicated that the Lotteries Board should annually award the Community Chest funds to distribute to its beneficiary organisations while 66 percent wanted the Community Chest to act as a broker to acquire funds from international funding agencies on their behalf – 54 percent indicated that they would prefer to submit one funding application to one organisation for all sources of funding.

While 58 percent of respondents could submit their funding applications electronically, 88 percent of those who could not, indicated that they would prefer to submit their applications electronically. Of those that did not have the expertise to do so, 95 percent indicated that they would welcome a volunteer provided by the Community Chest to do this on their behalf.

Potentially, the accounting student volunteers could prove to be the ideal solution.

6.6.8 Accounting student volunteerism

The summary of the accounting students survey will be limited mostly to the responses of those that indicated that they were prepared to be part of the project to improve the financial knowledge and skills of smaller, financially-illiterate community-based organisations. After all, it is they that will form the continuation phase of this study as detailed in the next chapter.

Of the 207 students surveyed, 133 (66 %) indicated a willingness to participate. This was a surprisingly high percentage given the students' poor understanding of social issues. While 53 percent indicated that they were aware of current social issues in South Africa only 3 could correctly identify the Minister of Social Development. Responses affirming exposure to news (or actuality) media were all surprisingly low given that these were students in their second year of study.

This had a sequel – the limited knowledge of the social service sector. The vast majority indicated that the government, followed by local authorities, were responsible for the social well-being of citizens with scant knowledge reflected of the significant role played by the non-profit sector in service provision.

It was thus a great pity that such a large number of students (67 %) opted to offer their services at the University of Cape Town or a place other than that of the potential organisation to be aided. This project could serve as a superb social laboratory otherwise denied accounting students should they have opted to offer their services *in situ*.

The government was also considered the prime source of funding for welfare services. While 56 percent had heard of the Community Chest, only 18 percent correctly identified its main purpose, that of funding social services.

This lack of knowledge of the very extensive private social service sector is telling of this sector's marketing (it was noted previously that in the beneficiary organisations of the Community Chest this was not a strong suite) and the students' lack of engagement with this sector.

Understandable therefore that students' perception of the involvement of accountants in social issues was remarkably low – perhaps this accounted for the majority of students (89 %) that indicated that they had never been requested to assist a non-profit organisation with their financial management.

Similarly, just over half the students had not mentored anyone previously. It would be interesting to survey the third sector to determine why it had not prevailed upon the accounting profession in far greater measure.

Significantly more students that were willing to participate in the project indicated that their extra-curricular activities were related to philanthropy or social upliftment than did those who did not volunteer. This group also was more aware of the benefits of this type of participation, particularly that of leadership development.

Not too unlike that reported by Schondel and Boehm (2000), the benefits that students associated with volunteering also included social responsibility. However, unlike their study, these accounting students did value experience (career development).

What did surprise was the low levels of local students that agreed to participate compared to those from outside the Western Cape Province. Here again, to what extent was this local student body committed to investing in the social upliftment of those in need on their doorstep?

This was a wealthy student group – few had student loans and the majority relied on their parents to fund their studies. Further, the majority had their own transport and 86 percent had access to a computer other than that provided by the University of Cape Town. Importantly, 97 percent of those that volunteered were able to use Microsoft Excel making them ideal for the proposed project.

The trends, albeit tentative, that emerged from this survey were a relatively low degree of social involvement and a lack of knowledge of the social service sector.

If this trend were to be confirmed in a follow-up longitudinal study (as recommended in 7.4.2 in the next chapter), it is sincerely hoped that the students who were sufficiently adventurous in volunteering would at the end of the exercise also be able to articulate that which their American counterpart did, namely, “It gives students a great lesson in what practice may be like. Plus, it forces us typically socially challenged accountants to engage with the public.” (Montana State University, 2005: 2).

6.7 Conclusion

This chapter reported on findings that were based on the analyses of data sourced from the financial resource allocation decision making model and the beneficiary organisations of the Community Chest and accounting students surveys.

The evidence presented indicated certain trends. Despite stated government policy, social services in rural areas were not receiving the intended increase in funding from government or other sources.

Salaries were almost always lower in the rural areas and the number of staff as a percentage of the provincial whole were very low – this despite rural poverty levels being high.

There were a number of anomalies – certain urban areas were more characteristic of the norm for rural areas than for that of urban areas. Anecdotally, this once again pointed to greater social service needs in such areas.

The financial management of this sector is not good. This was confirmed by data from both the model and the survey of organisations. Furthermore, these sources of data also provided ample evidence that many organisations in this sector were financially insecure and thus at risk. Poorly developed fundraising skills and the lack of entrepreneurship contributed substantially to this financial need.

The model was dependent on credible data from beneficiary organisations but many organisations lacked the financial or information technology skills to submit their applications electronically.

Fortunately, a substantial number of University of Cape Town accounting students did have the requisite financial and information technology skills and were prepared to mentor such organisations to develop the requisite skills.

Chapter 7

Conclusions and recommendations

Contents:

- 
- A faint watermark of a university crest is visible in the background, featuring a shield with a cross, a crown on top, and a banner at the bottom with the motto "laborant omnes in vobis".
- 7.1 Introduction
 - 7.2 Summary of trends
 - 7.3 Study outcomes measurement
 - 7.4 Recommendations
 - 7.5 Conclusion

*The test will be less the effectiveness of our material investment
than the effectiveness of our investment in men.*

[J. K. Galbraith: The Affluent Society]

7.1 Introduction

This study looked at third sector investment strategies – investment in the social development of those in need. Sadly, the test of effectiveness of this investment in man proved wanting. If nothing else, this study revealed that it would be timely to heed Gailbraith's injunction.

As each chapter had concluding remarks, this chapter provides a brief summation of some such conclusions. Of importance in this chapter are the recommendations that were based on the fairly extensive data analyses that informed this study. These recommendations were mindful of the need for South Africa to be more attentive to the effectiveness of its investment in its people.

This chapter attempts to briefly recapitulate the main premises that constituted this study in the summary of trends in 7.2. In so doing, it will summarise the status of state funding policies and review service and staffing norms. Further, it will address the major funding issues raised by the study and provide an abridged assessment of the sector's fundraising and financial management abilities. The feasibility of using accounting students to volunteer their services in an effort to improve organisational ability and hence that of the financial resource allocation decision making model, is summarised.

In Chapter 2, a number of study outcomes were identified. Chapter 3 contains the research questions that were posed as well as the formulation of the various research hypotheses. Based on the study results, the outcomes of the study were measured to determine the degree to which the study's research questions had been answered and whether the research hypotheses had been affirmed or negated.

This chapter contains a number of significant recommendations. While they are very different, they are interwoven and if the dire financial conditions facing this sector are to be resolved, all should be heeded. Such recommendations are related to the

further development of the model, the development of a programme for the volunteer students, wider use of the model, a survey of the sector's social service and financial needs, an audit of the sector's funding and financial management ability, an audit of the major funding sources and the formulation of a new funding policy.

7.2 Summary of trends

Chapter 4 contained a descriptive analyses of the context in which investment strategies were formulated, the milieu of welfare funding policy formulation and implementation and operational issues that pertained to social service sector's major funding sources. Chapter 6 provided an array of organized data that was garnered from the financial resource allocation decision making model and the two surveys that were conducted as part of this study. Summarized data from these two source chapters are succinctly woven into the various themes that follow.

7.2.1 State funding policies

From this study it appeared that the government's clumsy and irresolute funding policies have had a deleterious effect on the financial wellbeing of the social service sector.

The basis on which the country's social welfare services are premised, the White Paper for Social Welfare which was adopted in 1997, called for more equity in the allocation of funds and the phasing-in of programme-based subsidies (RSA, 1997).

Not only have they unsuccessfully attempted for twenty years to introduce a programme-based subsidy formula, but successive funding policies formulated over the last decade also became progressively more inept. Nor have they successfully addressed the need to more equitably allocate resources.

Apart from the befuddlement that resulted from these successive policies and their attendant road shows, anecdotally their development and failed implementation costs were astronomical.

The latest policy is the most obtuse of those developed thus far and it is difficult to conceive of this poorly-articulated policy being effectively implemented.

Given the substantial percentage of expenditure that state subsidies constitute, it logically follows that inexact and ever-changing policies will make a mockery of sound financial planning. The dire circumstances of this sector were clearly revealed in this study.

7.2.2 Service and staffing norms

Clear patterns of social need emerged from the material presented in Chapter 4. A further need that was highlighted was that of empowering smaller community-based organisations by bringing them into the funding loop.



From the presentation of analyzed data in Chapter 6 it was clear that the need for services throughout the Western Cape was significant, but particularly so in the case of the rural areas.

Not only were rural social services operating above capacity, they also received on average less subsidy income than did their urban counterparts. The worker-client ratio was also less favourable in the rural areas. These poorer indicators were also found in poor urban areas.

With few exceptions, the salaries earned by rural staff were less (in some cases significantly so) than that earned by their urban counterparts. Yet again, the intentions of the White Paper for Social Welfare (RSA, 1997) were not realized.

7.2.3 Funding sources

Apart from the state welfare subsidies mentioned, the state also *de facto* controlled two gargantuan funding agencies, namely the National Lottery Board and the National Development Agency. This rendered the state the single biggest (and unrivalled) financial contributor to the social service sector.

Various forms of evidence ranging from news reports to empirical data supported the disgruntlement with the allocation of funds by the National Lotteries Board and its distribution agencies. This government-controlled funding source was purported to invest heavily in social service projects – this has not fully materialised despite its establishment having disestablished a large number of chance-based fundraising initiatives.



Of particular concern were the volatility, inconsistency and unpredictability of funding from this source. This made accurate financial forecasting resemble a blindfolded game of darts.

At its inception, the National Development Agency was destined to grant funds to the non-profit sector in order to among other, meet the development needs of the poor (NDA, 2005: 7).

However, evidence presented indicated that not only had an infinitesimal number of beneficiary organisations of the Community Chest received funds from this source, many were clearly not aware of the existence of this source

of funding. Furthermore, funding patterns reflected in Chapter 4 were seemingly anomalous to the NDA's stated mission.

Given the significant levels of social need alluded to in Chapter 4, it was disheartening to note that the huge funds disbursed by the National Lotteries Board and the National Development Agency were either not accessed or accessed in too small a measure to be gainfully employed in combating social need by the sector surveyed.

7.2.4 Fundraising and financial management

In concert with studies cited in Chapter 4, the empirical data analysed in this study revealed this to be an area of substantial concern. The analyses revealed very low percentages of expenditure that were covered by fundraising activities.

Fundraising skills were not well developed even to the degree that large numbers requested training in this area. The surveyed organisations employed few professional fundraisers and many even used other professional staff to fundraise.

Very few organisations were either cognisant or dismissive of the threat posed their sector by the for-profits. Their low levels of revenue from trading sales were particularly noteworthy.

This lack of fundraising ability and the absence of strategic thinking around threats and business opportunities, rendered this sector particularly vulnerable.

The study also confirmed that the future of this sector is not secure, partly as a funding consequence but also as a result of poor financial management.

There is no sound reason to argue that once an organisation had been granted funds, the responsibility of the donor ended. Quite the contrary, it is the donor's responsibility, particularly in the case of public funds, to ensure that it is correctly applied and managed.

It would also be amiss to laud the development of the financial resource allocation decision making model without ensuring the financial management abilities of beneficiary organisations are up to standard.

In this study a large number of organisations' financial management skills were found to be wanting. Apart from the absence of strategic financial planning, the substantial reliance on state sources of funding was troubling. The average levels of knowledge of budgeting conventions and accounting procedures were fairly pedestrian.

There was a discernable trend of a sizable number of organisations (in particular the smaller financially-illiterate community-based organisations) that needed some form of financial management support – in the form of either training or mentoring or both.

This group did also not have the requisite information technology skills or equipment to submit their funding applications electronically. It was on this basis that a rich source of financial management knowledge and skills (and the requisite equipment) in the form of university accounting students, was surveyed.

7.2.5 Accounting students volunteerism

A very pleasing number of University of Cape Town accounting students indicated that they were prepared to volunteer their services to help needy organisations.

Not only did the vast majority of these students have the requisite information technology skills but they also had access to the needed computers. Most also had transport and virtually all were prepared to undergo training.

Given the students' motivation to participate in the project and their lack of knowledge of the social service sector, it is strongly felt that they too would benefit substantially from this exercise.

7.3 Study outcomes measurement

In Chapter 2 the study intent was presented in scaffold-form, aims, goals and objectives. This study intent formed the basis of the research questions posed and research hypotheses postulated in Chapter 3.

Based on the afore-going chapters, effect was successfully given to these study intentions. More specifically, these achievements, the development of the financial resource allocation decision making model, answering the research questions and affirmation of the research hypotheses, are briefly assessed.

7.3.1 Financial resource allocation decision making

In Chapter 3 the research question, "How can the effectiveness and efficiency of the Community Chest's financial resource allocation decision making procedure be improved through automation?" was posed.

In Chapter 5 the successful design and implementation of the financial resource allocation decision making model was confirmed and in Chapter 6, the data generation capability of the model was demonstrated.

The material presented in the said chapters indicated the degree to which the financial resource allocation decision making model improved the efficacy of the Community Chest's resource allocation decision making process.

7.3.2 Research questions and hypotheses

Read in conjunction with Chapter 4, the outcomes of the second, third and fourth components of the study presented in Chapter 6 addressed the research questions (bar one which was addressed in Chapter 5), posed in Chapter 3.

From the accounting student survey it was abundantly clear that it would be feasible to utilize accounting students to assist in improving the financial resource allocation procedure of the Community Chest – at this stage, feasibility was measured in terms of them merely volunteering. The feasibility of the project and its success will be the subject of a further study – see 7.4.2.

Analyzed data generated by the financial resource allocation decision making model and the survey of beneficiary organisations of the Community Chest, provided detailed information that addressed the descriptive questions posed in Chapter 3.

Analyzed data generated by the financial resource allocation decision making model revealed that service and staffing patterns were variable and that cost norms for services varied considerably, particularly between geographic regions and certain service sectors. The model also produced an array of staffing norms that were also varied, given geographic and other considerations.

Examples of funding patterns including those sourced from the state, the Lotto, the NDA, fundraising, trading sales and the Community Chest

attested of this sector's financial insecurity. Data drawn from the model and the survey of beneficiary organisations of the Community Chest, clearly indicated that sound financial management practice was found to be wanting in this sector.

Further, this sector's financial insecurity and vulnerability were clearly demonstrated by the beneficiary organisations of the Community Chest survey responses and data extracted from the model.

The analysis in Chapter 4 together with the responses to the survey and model-generated data indicated overwhelmingly that the funding policies had not had their intended effect.

Results presented in this chapter also confirmed the research hypotheses postulated in Chapter 3, namely that:

- Incongruity did exist in unit service costs at intra- and inter-organizational, sectoral and geographical echelons;
- Incongruity did exist in human resource costs at intra- and inter-organizational, sectoral and geographical echelons;
- The majority of the beneficiary organizations of the Community Chest experienced financial hardship because of dwindling income and/or poor fundraising abilities;
- The financial management acumen of many of the beneficiary organizations of the Community Chest was not up to standard; and
- It would be feasible to utilize surveyed University of Cape Town accounting students' financial knowledge and skills to improve financial resource allocation decision making.

7.4 Recommendations

In Chapter 2, the intended study outcomes were presented. Distinct from the study intent, the outcomes articulated a hope that this study's findings would reach and influence a wider audience than only an academic one. While the model was adopted and currently informs the financial resource allocation decision making process of the Community Chest, it could potentially have a wider benefit. It is chiefly to this end that a series of different but related recommendations are made in this chapter.

In this study an automated financial resource allocation decision making model was developed and implemented. It also generated the specified organised data required for improved financial resource allocation decision making.

However successful the implementation was, a number of concerns arose. The model relied on accurate data and this was either not forthcoming to specified standards from beneficiary organisations of the Community Chest or it was incorrectly captured by staff of the Community Chest.



Once the benefit of analysed data was realised, the request for more become inevitable. Thus, like all models, its capacity can be significantly enhanced through further refinement and development. Its usefulness could also be increased through wider usage.

While this study addressed a multifaceted resource allocation decision making problem for one funding agency, a myriad issues external to the agency remain that need to be addressed afore the efficacy of the model can be unquestioned.

As such, recommendations are not only made to improve on the operational efficiency of the model but recommendations are also made that relate more widely to the sector as a whole. These recommendations are as follows:

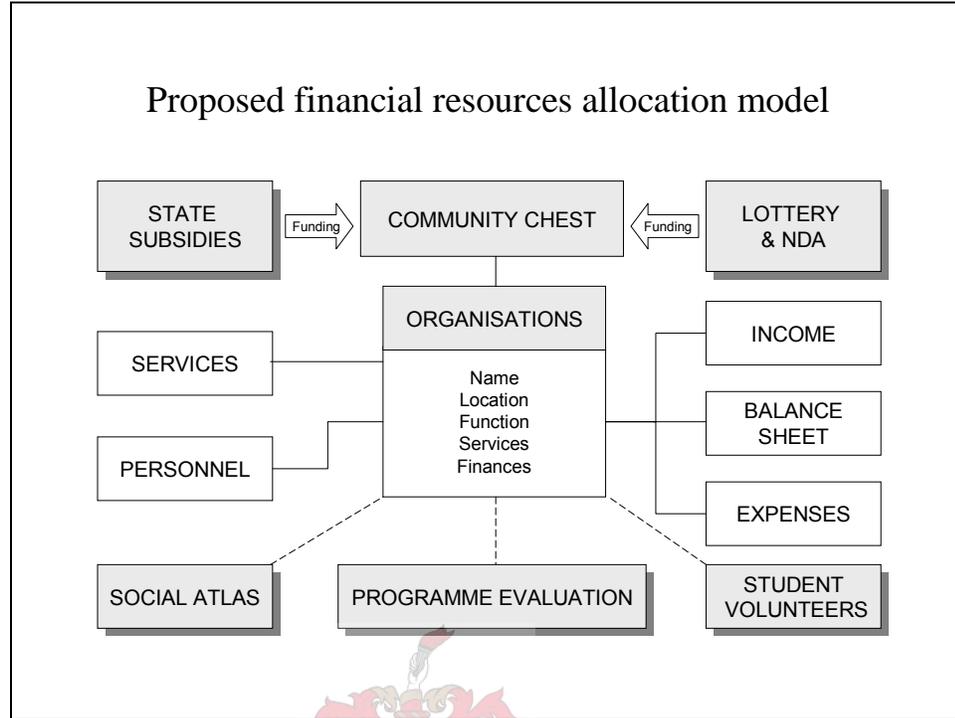
7.4.1 Model augmentation

Given the enormous benefit that the financial resources allocation decision making process has derived from the vast amounts of organized data, the urge to improve the decision making process is substantial. As the model was designed specifically with expansion in mind, further additions are relatively easy to accomplish.

As such, it is recommended that three more databases be added to the model as reflected in shade and connected to the existing model by broken lines in Figure 7.1. They are as follows:

- The addition of an operational database to manage accounting student volunteers in their mentoring of needy beneficiary organisations – this is dealt with in more detail in 7.4.2 below;
- The accommodation of a social atlas of the region served by the Community Chest. This atlas will provide extensive information on the social needs of geographic areas. Its data could be sourced from the national census and other relevant household surveys. It could also be informed by data gathered from the survey of social service sector needs recommended in 7.4.4 below. In effect this would constitute a Geographic Information System (GIS) that would allow for mapping of need and resource allocation; and
- The current model does not have advanced programme evaluation data analysis capacity. As such, it is recommended that a third database be added to the model. This database should contain data on the effectiveness and efficiencies of services that are funded by the Community Chest.

Figure 7.1 Proposed further development of allocation model



However, there are a number of steps that should be taken in the short-term to improve the efficacy of the existing model. They are as follows:

- To better inform the model, the Community Chest should develop a mandatory self-validating electronic functional budget format and require organisations to submit their funding applications electronically. This will substantially improve data integrity as not only will it rule out human data capture errors, it will also reduce budgeting errors (see also 7.4.2 below);
- There was too wide an interpretation and use of terms related to data fields. For instance, there were too many subcategories for many of the major categories – these were added contrary to specification. It is consequently recommended that the categories and sub-categories of data be revised and that beneficiary organisations of the Community Chest be compelled to use these only;

- It is recommended that standard accounting procedures be adopted by all beneficiary organisations of the Community Chest; and
- It is recommended to discipline organisations to submit annual five-year forecasts of expenditure, income and the Community Chest grants required to better facilitate the Community Chest's financial planning.

7.4.2 Accounting students volunteer programme

Perhaps one of the more exciting and hopefully beneficial long-term outcomes of this study is the introduction of the future accounting profession to the social services sector. Based on the findings of this study it is abundantly clear that both the students and the social service sector will benefit greatly by this enterprise.

Thus, given the parlous state of financial management and the lack of access to computerised budgeting the following recommendations are made:

- It is recommended that a follow-up longitudinal study be designed to fully evaluate the impact that the introduction of students' financial knowledge and skill will have on beneficiary organisations and what benefit students would derive from the exercise;
- It is recommended that a programme be developed to manage the accounting students' participation;
- It is recommended that student volunteers be trained in the use of the electronic budget template (see 7.4.1 above);
- It is recommended that students be paired with organisations of their choice (sector and area); and
- It is recommended that a support network be established for the accounting student volunteers (this could include staff of the Community Chest, the University of Cape Town and/or articled clerks attached to local accounting firms).

7.4.3 Wider and more integrated use of model

The study indicated the benefits that could be derived from model. It also revealed that the social service sector was struggling to access funds and that there seemed to be no consistency in policies and funding criteria. Anecdotally, the evidence is overwhelming that the financial resource allocation decision making processes adopted by the state and its two funding entities are either flawed or poorly managed.

More the pity then, that the Community Chest with its far more sophisticated approach to allocation, annually disburses so small an amount compared to that disbursed by the state and its funding entities.

Further the majority of beneficiary organisations of the Community Chest indicated that they would prefer to receive their funding from one agency and that the Lotto should award funds to the Community Chest for redistribution to them. Similar sentiments were echoed with regards to foreign sources of funding. As such, the following recommendations are made:

- It is recommended that the Lotteries Board and the National Development Agency make annual funds available to the Community Chest for distribution to its beneficiary organisations – see Figure 7.1 for a schematic representation of this recommendation;
- It is recommended that consideration be given to channeling the Western Cape welfare subsidies through the Community Chest;
- It is recommended that other funding agencies (like for instance trusts and foreign donors) also channel their funds through the Community Chest;

- It is recommended that beneficiary organisations of the Community Chest increasingly allow the Community Chest to serve as a broker in securing funds on their behalf; and
- It is recommended that the model be more-widely adopted by funding fraternity.

7.4.4 Survey of social service sector needs

For any financial resource allocation decision making model to be effective and efficient, a clear understanding of beneficiary organisations' financial needs are requisite. However, these needs are in turn predicated on social service needs.

To the writer's knowledge, no national survey of social service need has been conducted since the Carnegie Commission referred to in Chapter 4. Apart from demographic data, data clearly detailing social service needs per geographic area, did not exist. It thus becomes a yarn when all and sundry make pronouncements on social service needs to suit their agendas, be it political or financial. The following recommendations are thus made:

- It is recommended that a national survey be conducted to accurately determine social service needs per category of service and by geographic area; and
- Based on this information it is recommended that a national social service plan can be formulated that could inform both policy formulation (see 7.4.7 below) and social services planning. In this fashion it could more accurately be determined where resources should be directed. Further, this information will allow social service organisations to better determine their role and more accurately determine their financial needs.

7.4.5 Audit of social service sector financial management

A recurrent refrain throughout this study was the worrisome financial management practices encountered in the sector. Apart from employing few financially qualified people, the accounting policies followed varied and the fiduciary responsibilities were not well understood.

The extensive use of the pedestrian line item budget format and the sector's non-use of more effective budget formats were contrary to that required by the model to operate effectively.

This study also demonstrated the sector's dependence on state sources of income and its inability to generate income from fundraising and trading sales. This contributed significantly to this sector's financial woes. Accordingly the following recommendations are made:

- It is recommended that an in-depth audit be conducted in this sector to accurately determine its lack of fundraising, entrepreneurship and financial knowledge and skills;
- Based on this audit, it is recommended that a comprehensive human resource plan be formulated to meet the determined need;
- Based on this plan it is recommended that appropriately qualified persons be recruited or that existing staff be trained; and
- It is recommended that a clearly articulated financial management policy together with a common code of financial conduct for this sector be formulated and that adherence should be mandatory.

7.4.6 National investigation of funding sources

Given the significant disquiet at the funding patterns of the National Lotteries Board and the National Development Agency that emanated from

various sources reported on in this study, attention here too is required. As such the following recommendations are made:

- It is recommended that the National Lottery Board and the National Development Agency's allocation decision making procedures be investigated to determine whether their funds are being targeted according to their stated intentions;
- It is further recommended that a review of their funding criteria be undertaken in concert with the findings of the survey of social service sector needs (see 7.4.4) and that of the funding policy review recommended in 7.4.7; and
- Lastly, as these funds are *de facto* controlled by central government, it is recommended that their allocations should be in concert with the funding that is based on the country's funding policies.

7.4.7 Formulation of state funding policies

The chronicle of failed funding policies presented in this study was evidence sufficient to make bold recommendations. These are as follows:

- It is recommended that in the interim, the former funding policy should prevail;
- It is recommended that the latest policy, the Policy on Financial Awards to Service Providers, be put on hold;
- It is recommended that a task team be appointed to conduct an in-depth investigation into the failures of funding policies; and
- Finally, it is recommended that the task team adopt a zero-based approach in formulating a new comprehensive funding policy that is not only widely-accepted but that is feasible and can successfully apply to all beneficiary organisations.

7.5 Conclusion

The quantitative data analysis that the financial resource allocation decision making model was capable of was clearly demonstrated. Had a larger constituency been included in the model, the information it provided to financial resource allocation decision makers would have been that more telling.

Notwithstanding, it has proved its worth not only in the day-to-day management of the beneficiary organisations of the Community Chest but it has also demonstrated its prowess in generating meaningful information.

However, juxtaposed with this success was the failure of the sector studied to better fund itself and to better manage the resources that it garnered. While leadership of the third sector must take responsibility for the financial abyss it stares into, the government and its failed funding policies and the vagaries of the National Lottery Board and the National Development Agency funding, in no small measure helped excavate this abyss.

While not empirically proved, the meta-message throughout this study constantly pointed to both government and third sector lacklustre leadership, a disorganised and confused funding milieu and policies that are going nowhere – there was a distinct lack of vision. Perhaps it is not too late to heed the Biblical injunction, “Where there is no vision, the people perish.” [Proverbs 29:18].

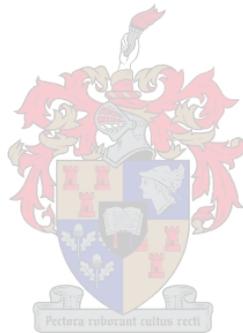
Finally, investment in people is not a rash process; rather it is a reasoned process that needs sense. It is therefore apt to heed the following maxim:

*Bis dat qui cito dat.**

[Subtilius Syrus]

* He gives twice that gives quickly

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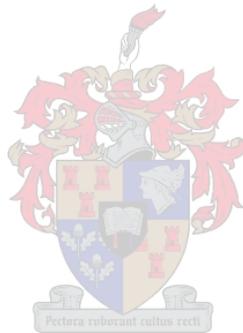
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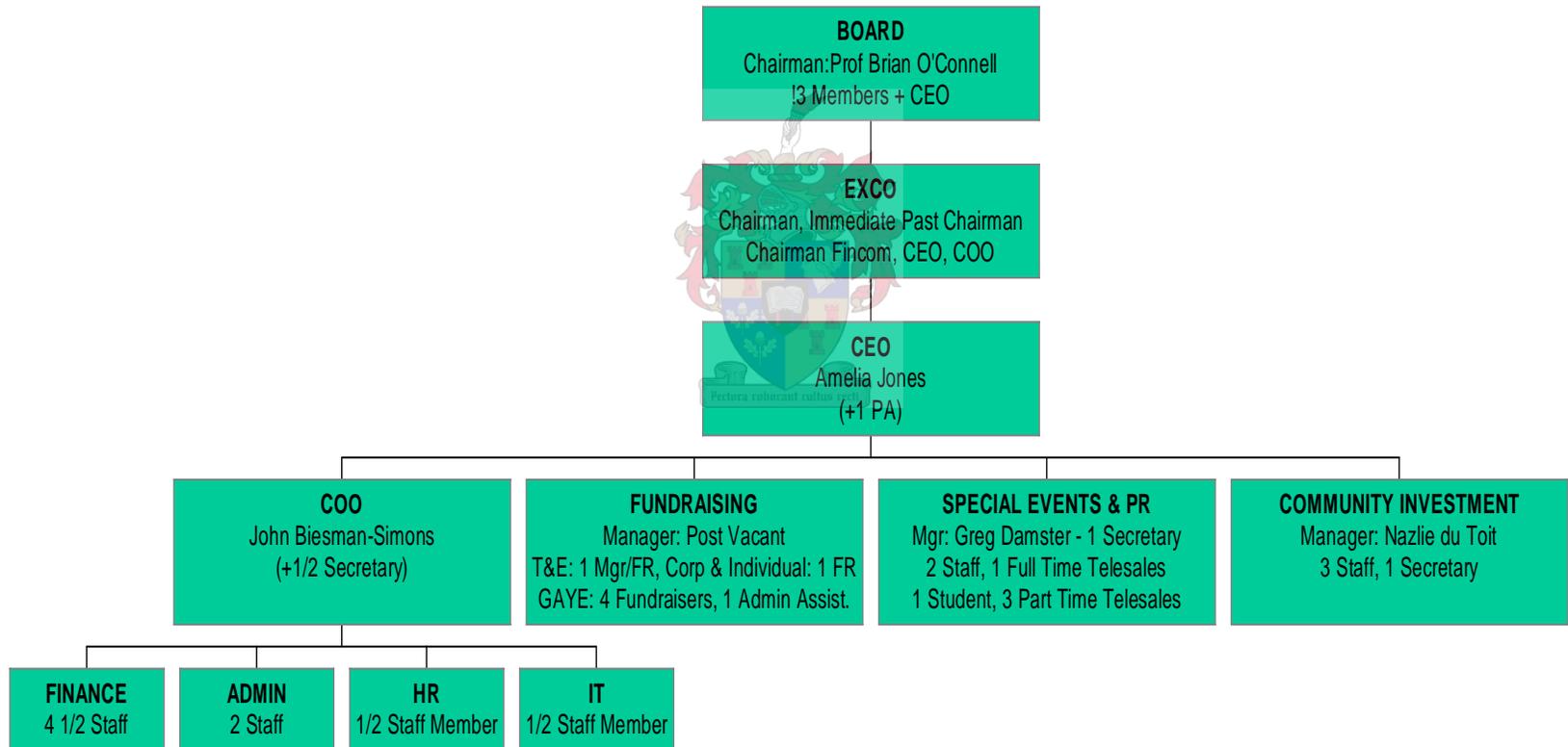
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Attachments



COMMUNITY CHEST OF THE WESTERN CAPE ORGANISATIONAL CHART NOVEMBER 2005



MEMBERSHIP APPLICATION FORM

MEMBERSHIP: THE COMMUNITY CHEST OF THE WESTERN CAPE

1. Name of Organisation:

1.1 If branch, name of parent organisation:

2. NPO Registration No:.....

3. Registration No. SARS (18A):

4. Address:

.....

.....

5. Office Bearers:

Chairman

Director

Name:

Name:

Address:

Address:

.....

.....

Tel No:

Tel No:

Treasurer

Principal

Name:

Name:

Address:

Address:

.....

.....

Tel No:

Tel No:.....

Secretary

Other

Name:

Name:

Address:

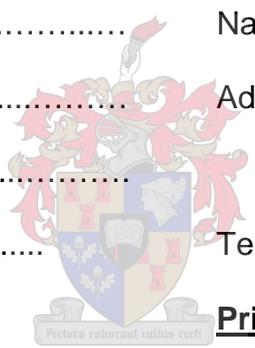
Address:.....

.....

.....

Tel No:

Tel No:



To whom must correspondence be sent?

Official:

Name:

Address:

Tel No:

6. Number of members:

7. Work Area: (Geographical description - eg. Magisterial District, Community Boundary)

.....

8. General description of services: eg. Aged, Child Care, Family Care

.....

9. Specific Services: e.g. Old Age Home, Crèche, etc.
Give full statistics of number of people cared for:

.....

Number of staff:

(a) Administrative:

(b) Professional:

Registered Nurses:

Nursing Aids:

Social Workers:

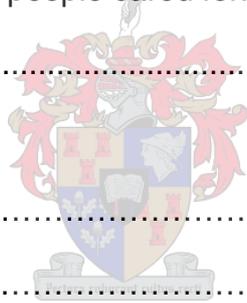
Nursery School Teachers:

Children's Helpers:

Other:

(c) Domestic (Cooks, Cleaners, Gardeners):

.....



Finance:

Administration: Percentage of expenditure

Client Service: Percentage of expenditure

Maintenance of Buildings:

.....
.....

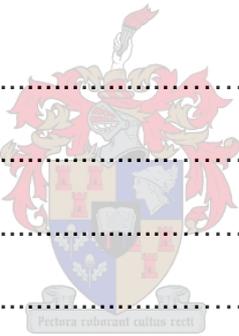
Replacement of Equipment:

.....
.....

10. Motivation for the application:

(a) Necessity of service for the community. Mention if there are other organisations that provide similar services:

.....
.....
.....
.....

The watermark is a heraldic crest featuring a shield with various symbols, topped by a crown and a figure holding a staff. Below the shield is a motto scroll with the Latin text "Pectora roburant cultus recti".

(b) How much local support can you mobilise?:

Individual Donations:

.....
.....
.....
.....

Company Donation:

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.....

Church Associations:

.....
.....

Fundraising Projects: Bazaars, etc.:

.....
.....

Money/ FEES from receivers of services (such as homes for the aged, care centres and service centres):

.....
.....



Local Authorities: Municipality and/or Regional Services Councils:

.....
.....

(c) State Aid - eg. Subsidies/Grants:

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.....

Grants for Capital Expenditure:

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.....

Subsidised Staff:

.....
.....

Subsidised Current Expenditure:

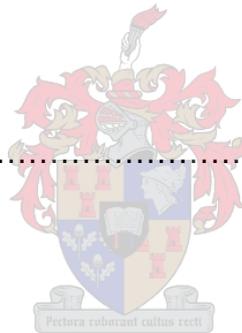
.....
.....

(d) Other:

.....
.....

CHAIRMAN:

.....
NAME



.....
SIGNATURE

.....
DATE

08 May 2007

TO ALL ORGANIZATIONS APPLYING FOR FUNDING FOR THE 2006/2007-FINANCIAL YEAR

Greetings!!!!

The Community Investment Team wish to extend its gratitude to those organisations that submitted their applications timeously and completely, it assisted us tremendously in the facilitation of the grant management process. In order to ensure that advice regarding your Organisation's grant reaches you by the start of the next financial year, **the deadline of 31 OCTOBER 2005 will BE STRICTLY OBSERVED**. Applications received after that date will not be considered until June or July 2006, after completion of the main approval process.

Please ensure that all documents required for a complete application is forwarded by the deadline.

May we remind you that **each** application for a Grant must include the following or will face disqualification:

- **ONE** completed, *SIGNED* original grant application form. (Kindly ensure that pages 2 and 6 of this form correspond). **This year it is available in MS Excel on request to organisations via email or disk provided by the organisation.**

- **ONE** original, bound copy of the full *2004/2005 AUDITED ANNUAL FINANCIAL STATEMENTS* (including the Auditor's report and Balance Sheet), signed by the Auditor as well as your Chairman and Secretary/Treasurer. **Branches of parent bodies are advised that a copy of the Head Office/ Parent Body Annual Financial Statements is a compulsory requirement and must accompany the branch financial statements.**

- **ONE** copy of the 2004/2005 Annual Report;

- **ONE** copy of the Annual General Meeting 2004/2005 minutes

- **A COVERING LETTER OF MOTIVATION:**

- (1) Highlighting any special or important developments/expansions/projects undertaken with the emphasis on funding and future sustenance of these;

- (2) Giving reasons / explanations for significant increases/decreases to expenditure and income and if it is likely to be repeated.

- **ONE copy of the enclosed report.** (Services, Plans and Outcomes) This is an opportunity for organisations to tell us more about its services, proposed plans and outcomes. Please feel free to give examples and individual stories are most welcome.

- Progress report on services in the field of HIV /AIDS.

- Confirmation of the organisation's Income Tax Exemption and Section 18A status if not already provided.

- Copies of letters reflecting the grants approved by the LOTTO, NDA, etc.

- Applications for grants from our HIV/Aids Fund must provide details of their services on the enclosed form and financial data on the grant application form. All other criteria also apply.

- Organisations applying for the **first time** must in addition to the above listed requirements ensure that the following documents are attached.

- ✓ A certified copy of the organisation's Constitution

- ✓ Membership Application Form

- ✓ NPO and Services Registration Certificates

The Community Chest urges you to tackle these forms early to give you plenty of time to request assistance with the task ahead. The Community Investment Department has set aside the 10th, 11th, 12th and 13th of October 2005 to assist you with grant applications. Kindly contact us at **(021) 424 3344** to make an appointment and to confirm documents needed for these sessions to be fruitful.

With kind regards.



Nazlie du Toit (Mrs.)

Manager: Community Investment

GRANT APPLICATION



BORWICK HOUSE
 82 BREE STREET
 CAPE TOWN 8001
 TELEPHONE: 021 424 3344

P. O. BOX 3836
 CAPE TOWN 8000
 FAX: 021 424 7387 / 422 2254

<p>PLEASE PRINT</p> <p>NB. THIS APPLICATION MUST BE SUBMITTED NOT LATER THAN 31st OCTOBER</p> <p>INDICATE IN EACH CASE: PROF/DR/MR/MRS/MS/ECT.</p> <p>CHAIRPERSON:</p> <p>TREASURER:</p> <p>SECRETARY:</p> <p>DIRECTOR/MANAGER/PRINCIPAL:</p> <p>CHIEF SOCIAL WORKER/PROJECT CO-ORDINATOR:</p> <p>NAME OF BANK:</p> <p>BRANCH:</p> <p>BRANCH CODE:</p> <p>ACCOUNT NO:</p>	<p>FULL NAME OF ORGANISATION APPLYING FOR GRANT: 2006 / 2007 FINANCIAL YEAR</p> <hr/> <p>TEL NO: _____ E-MAIL: _____ SARS 18A REG. NO: _____</p> <p>FAX NO: _____ AREA CODE: _____ W.O. REG. NO: _____ N.P.O REG. NO: _____</p> <p>AFFILIATED TO (PARENT BODY): _____</p> <p>FUNCTION/S OF BRANCH OR PROJECT: _____</p> <hr/> <p>POSTAL ADDRESS: _____ STREET ADDRESS OF BRANCH OR PROJECT: _____</p> <hr/> <p>POSTAL CODE: _____ POSTAL CODE: _____</p> <hr/> <p>CORRESPONDENCE TO BE ADDRESS: NAME: _____ POSITION: _____</p> <p>ADDRESS: _____</p> <hr/> <p>POSTAL CODE: _____</p> <hr/> <p>BUDGET PREPARED BY: _____ DATE: _____</p> <p>BUDGET APPROVED BY: _____</p> <p style="text-align: center;">SIGNATURE OF CHAIRPERSON</p> <p style="text-align: right;">SIGNATURE OF TREASURER/SECRETARY</p> <hr/> <p>QUERIES TO BE DIRECTED TO: _____ TEL NO: _____</p>
<p>NB: IF ANY OF THE INFORMATION ON THIS PAGE CHANGES, KINDLY INFORM US IMMEDIATELY IN WRITING</p>	

**From next year this document will be supplied to new applicants only.
Please file in a safe place for you future reference.**

August 2005

THE COMMUNITY CHEST OF THE WESTERN CAPE

NOTES ON THE GRANT APPLICATION FORM

Your application for a grant from the Community Chest requires careful completion of the enclosed GRANT APPLICATION forms, which have been somewhat amended and clarified to ease your task as much as possible. We hope that the following notes on specific line items will further assist you.

If, having studied the form and notes, you have any doubts or queries, please phone us -the Community Investment Department will be only too pleased to help you.

PAGE 1:

1. Correct completion of this page is essential. Should any of the details change after the Grant Application Form is submitted, please advise us immediately **in writing**.
2. Please ensure that the Chairman and Treasurer/Secretary have approved the budget and signed this page as required, and that the name and title of the person to whom queries must be directed is recorded together with his/her telephone number.
3. Except for the signatures requested in (2) above, **the use of block capital letters** (or typing) would be appreciated. All the information on this page is vital and we would like to be sure that we make no errors with regard to names, addresses, bank account numbers, etc. **Therefore remember to indicate title i.e. Prof/Dr/Mr/Mrs/Ms etc. in front of each name.**
4. If your organisation is affiliated to a parent body, that parent body's postal address can be inserted on the same line as the name of the parent body.
5. The postal and street addresses asked for separately refer to the **Organisation, which is applying for the grant**, not to the parent body. Equally, the signatures required in 2 above refer to officers of your own organisation and **not those of the parent body**.
6. Before inserting the Bank details, please check with your Bank that you have included all the digits in the Branch Code number and your Account Number.

PAGES 2 to 8:

- The name of your organisation should be inserted at the top of each page.
- The column numbers and headings are consistent for all pages.
- Please insert the applicable dates in **every** column heading on each of pages 2, 4, 6, 7 and 8

Column references are:

- Col.1 LAST YEAR:** These figures will come from your latest audited Financial Statements and will therefore agree with the figures in the Annual Financial Statements.
- Col.2 CURRENT YEAR:** These figures are for that period of the current financial year for which actual financial figures are available.
- Col.3 CURRENT YEAR:** These are estimated figures for the remainder of the current financial year (to 31 March) not accounted for in Col. 2. [For example, if Col. 2 covers the first 5 months then Col. 3 will be in respect of the remaining 7 months].
- Col.4 CURRENT YEAR:** These figures are the total of actual (Col. 2) plus estimated (Col. 3) figures for THE CURRENT YEAR.
- Col. 5 NEXT YEAR:** These are realistically budgeted figures relating to the financial year following on the Col. 4 period and for which a grant is being requested; realistically estimated figures should be used in this column.

PAGES 2 and 3: EXPENDITURE

Line references:

- 04** Includes all those special payments for services rendered by people other than the paid staff.
- 05** Only the **organisation's** contributions to pensions/Provident Fund/Medical Aid, U.I.F. and Workmen's Compensation must be recorded here, and **not** the employees' contributions.
- 07** Includes fuel, fares, and car allowances.
- 14** EQUIPMENT includes furniture and machinery.
- 15** Actual MAINTENANCE COST OF EQUIPMENT & VEHICLES that has **NOT** been charged to a Maintenance Fund should be recorded here.
See Line 38 below.
- 23** Actual REPAIRS AND MAINTENANCE TO BUILDINGS that have **not** been charged to a Maintenance Fund should be recorded here. See line 38.
- 24** INTEREST ON BUILDING LOANS OR PROPERTY PURCHASES to be recorded here. All other interest must be recorded on line 35.
N.B. Repayment of Mortgage Loans includes Interest as well as Capital Redemption. Only the Interest portion to be recorded here.
- 25** MUNICIPAL SERVICES covers electricity, water, rates, etc.
- 27** DOMESTIC FUEL would cover coal, wood, gas and oil.
- 29** LINEN, BLANKETS ETC. also covers crockery, cutlery, kitchenware, and clothing for staff or inmates.
- 31** EDUCATION means the cost of external education and not that given by staff of the organisation. It also covers **education materials** used externally or within the organisation as well as recreation materials, e.g. balls, bats, nets, etc.

35 INTEREST on loans raised for general purposes, loans from a Parent Body, on overdrafts as well as interest on any other loans, should be recorded here as one figure (excluding, of course, interest recorded on Line 24).

37 DEPRECIATION is the total amount charged for depreciation of fixed assets in the Financial Statements. Please consult your Auditors.

We have found that, generally speaking the following percentages are used in calculating depreciation:

Furniture	-	10%
Equipment	-	15%
Vehicles	-	20%
Computers	-	33,3%

38 MAINTENANCE FUND: For transfers to a Fund set up for major maintenance. Expenditure charged against the Fund must not be recorded on the Grant Application form. If the expenditure exceeds the balance in the Fund, then only that excess should be included in either line 15 (maintenance: equipment and vehicles) or 23 (repairs and maintenance: buildings).

39 REPLACEMENT FUND: For transfers to a Fund set up for the replacement of any assets, e.g. motor vehicles, machinery, etc. (**not** buildings).

If the expenditure exceeds the balance in the Fund, that excess must **not** be included in the Grant Application form.

N.B: If you have a Maintenance and/or Replacement Fund your annual contributions to it should preferably be put aside in a savings account or other suitable investment, to accumulate interest and provide readily available funds when needed. It is important to note that interest earned should be credited to the Fund and such interest should not be included in "Income on Investments" on line 12 page 4.

42 This is the total of Lines 06, 17, 26, 33, and 41.
Only the expenditure up to Line 42 will be considered in the allocation of grants - it is therefore the totals on this line that must be inserted on page 4, Line 20.

43 These items obviously do not form part of your operating costs.
to However, details of your capital expenditure on Equipment & Vehicles and Land
47 & New Buildings & Additions will give us realistic insight into the extent of your Financial obligations

PAGE 4: REVENUE / INCOME

04 General Donations for operating costs (Exclude donations received for Capital Expenses See line 24.)

05 Is the total of lines 03 and 04

08 Is the total of lines 06 and 07.

09,10 Subsidies: Always identify the source of Subsidies. Please ensure that outstanding subsidies are included in the figure on Lines 09 and 10. If any form of subsidies or grants are due/have been promised by a specific Government Department but have not been received within a specific financial year due to administrative delays, this must be clearly indicated in both the budgets and the Annual Financial Statements.

- 13 The source of grants must be identified.
- 16-18 TRADING ACTIVITIES: For the use of organisations, which have a trading activity such as a workshop that sells products to the public or acts as a sub-contractor to other businesses.
- 19 N.B. A **sub-total** is required here so that we can see the total revenue received from sources other than the Chest. This line is the total of lines 05, 08, 11,12,13,14,15, and 18
- 22 **Community Chest Grant:** unless you **insert your request on this Line in Column 5**, a grant cannot be awarded.
- 23 The SURPLUS or DEFICIT reflected in Column 1 of your application must agree with the figures in the Annual Financial Statements. If this is not the case (for example, if capital expenditure has been erroneously charged to your running costs), please note that reconciliation must be furnished.
- Please Note: Wherever figures are combined and therefore differ from the figures in the Annual Financial Statements, please supply working papers cross-referencing the items in the financial statements to those on the grant application form, preferably use a line number for cross-reference purpose.**
- 24 The figures recorded here will indicate all the donations received to meet the Organisations Capital Expenditure.

Please Note: Where indicated, sub-totals and totals that are carried forward must be completed on all pages and in all columns.

PAGE 5: FINANCIAL POSITION

Please calculate your organisation's estimated financial position and if the estimated figure at 31 March is negative (i.e. Accumulated Loss), kindly attach a **SURVIVAL PLAN**. This should explain clearly how your organisation plans to be able to fund its estimated future expenditures.

PAGE 6: PERSONNEL

Please ensure that the totals, lines 14 and 20, in the "Annual Gross Salaries" columns agree with the totals of the financial figures given in lines 01 and 02 on Page 2.

The staff analysis relates directly and only to the services rendered by your Organisation as described on Pages 7 and 8.

PAGES 7 & 8: STATISTICAL INFORMATION

Column numbers are consistent with the financial periods indicated by the same column numbers on pages 2, 3 and 4.

- Col.1** For last year's actual statistical information.
- Col.4** For this year's statistical information, which will include actual numbers for that period of the year for which numbers are available plus estimated numbers for the remainder of the current year to 31st March.
- Col.5** For realistically estimated numbers for next year, i.e. the year for which a grant is being requested.

PAGE 7: SERVICES

N.B. All Social Work statistics should preferably be compiled by a Social Worker.

TABLE 1:

Number of Persons for which Registered:

01-04 Residential Services

Record for each of the three financial years, the number of persons for whom e.g. An Old Age Home, a Hostel for Working Youth, A Children's Home or a Home for the Physically/Mentally Disabled is registered. The number of persons for which registered will usually be the same as the number of persons for whom the Home/Hostel is receiving a subsidy. If no subsidy is being received, please record the number of persons who can be accommodated.

06-09 Regular Daily Services/Day Accommodation

Refer to all those services, which are offered on a regular structured basis, usually at a designated venue and often including one or more daily meals. You would therefore record here the number of persons for whom e.g. a Service Centre, a Protected Workshop, a Crèche / Educare Centre, a Training Centre, a Day Care Centre is registered/subsidised. If a service is not registered/subsidised the maximum number of persons who can be accommodated is recorded.

TABLE 2:

Actual/Estimated Number of Persons:

01-04 Residential Services:

Record the actual number of persons who were accommodated last year in an Old Age Homes, hostels for working Youth, Homes for physically and mentally disabled, Children's Homes. This year's numbers will include actual plus estimated numbers; Next year's will be a realistic estimate.

06-09 Regular Daily Services/Day Accommodations:

As is the case with residential services (above), the figures recorded for the three financial years in Table 2 are actual enrolment/membership figures for last year, actual plus estimated figures for this year and realistically projected figures for next year.

SOCIAL WORK SERVICES

Line No:

11 Casework

In Table 2 the annual **caseload** is recorded - last year's actual, this year's actual/estimated and next year's realistically projected figures.

12 Administration of Pensions:

Record in Table 2 the total number of **persons** (including, where applicable, family members, relations, guardians etc.) who are involved via this service.

13 Emergency Relief Services:

Record the total number of **persons** receiving relief in Table 2.

14 Student Training:

Record only the number of Social Work Students who receive/will receive training in your organisation.

15-17 Other:

Any services which are offered by your organisation and which are not included under Lines 11 to 14 should be recorded here.

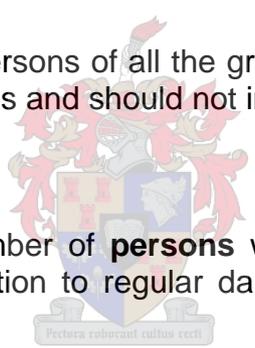
PAGE 8: GROUPS AND COMMUNITY PROJECTS

1-12 Group Work

Record the annual **number** of persons of all the groups, for all three years. This should be in addition to regular daily services and should not include the people listed on page 6.

13-24 Community Work Projects:

In Table 2, record the total number of **persons** who were served by/participated in the projects. This should be in addition to regular daily services and should not include the people listed on page 6.



Please list the individual groups and projects. Identifying details will include **name of group / project**, problem(s) being addressed by group/project, age group involved, etc. Total membership of each group/project should be recorded, for each of the three financial years, in the applicable Columns in Table 2, page 7.

(Mrs) Nazlie du Toit
MANAGER: COMMUNITY INVESTMENT

CHECKLIST OF MATERIAL DEALT WITH IN MEETINGS WITH
COMMUNITY CHEST VOLUNTEERS AND STAFF AND THE TECHNICAL
CONSULTANT

Organization Categories

Organization Category Codes
Category Titles
Sub Category Codes
Sub Category Titles

Services

Service Category Codes
Service Types
Units1 (capacity)
Units2 (actual)



Personnel Categories

Personnel Category Codes
Category titles
Sub Category Codes
Sub Category Titles
Number
Total Salary

Income Categories

Income Category Codes
Category titles
Sub Category Codes
Sub Category Titles
First
Revised
AFS

Expense Categories

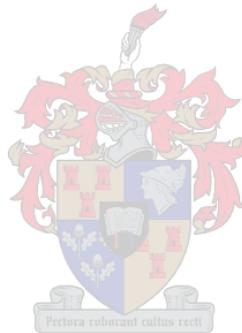
- Expense Category Codes
- Category titles
- Sub Category Codes
- Sub Category Titles
- First
- Revised
- AFS

Estimated Future Financial Position

- Actual Reserves
- Estimated Surplus/Deficit Last Period
- Estimated Surplus/Deficit Current Period

Organizations

- Organization
- Organization Details
- Office Bearers
- Contact Persons
- Bank details



Balance Sheet

- As At Date
- Type of assets
- Name of funds
- Amount
- Consolidated

COMMUNITY CHEST OF THE WESTERN CAPE

SURVEY QUESTIONNAIRE

INTRODUCTION

Funding of services provided by welfare organizations and the NGO sector is characterized by a history of fragmentation, irrationality and under-funding. In order to improve the process of resource allocation, a study is being conducted to develop a new funding model for the private sector to ensure more equitable and sustained financial resource allocation.

A computerized database containing your organization's details (including detailed financial and service data) has been developed. This data together with information gained from this survey and census data will be analyzed and organized to better inform the allocation decision-making process.

The purpose of this survey is two-fold. Firstly, it will form part of a doctoral study on welfare/NGO resource allocation decision making in the Western Cape. Secondly, information gained from this survey will be used to inform the Community of the Western Cape's strategic planning process. Both these purposes are aimed at substantially improving the funds allocation process to the benefit of your organization. As such, your input is of great importance, not only for your organization, but also for the welfare/NGO sector as a whole.

It should take no longer than 20 minutes to complete. In advance, many thanks for your time and effort!



André de V Smit
Department of Social Development
University of Cape Town

Amelia Jones
Chief Executive Officer
Community Chest of the Western Cape

1 November 2004

INSTRUCTIONS

The survey questionnaire is divided into sections to survey various themes. Please complete every section unless specified otherwise. It is crucial that the following persons complete the relevant sections of the questionnaire:

- 1) **The person responsible for compiling the Community Chest funding application for the current financial year (2004/05); and**
- 2) **The person in charge of the organization (CEO, Director, Manager, etc).**

Should either of these person(s) be unable to do so (no longer works for organization, on leave, etc.) **please specify so in Section A**. Any other competent person who is familiar with the Community Chest application process and/or who is currently responsible for the organization may then complete the questionnaire. In some sections it is desired that both persons consult with each other and then jointly answer the questions.

In each section, the purpose is set out in order to focus attention on the theme being surveyed. Please indicate your response to each statement or question with a tick (✓) in either the “Yes”, “No” or “Don’t Know” boxes. **Please make every effort to limit your “Don’t Know” responses to a minimum.** Unless indicated otherwise, tick all relevant boxes provided per statement or question. Some statements/questions will specify that you select only one. If you select “Other” please give details in the space provided. In a few instances where the statement/question is not applicable to your organization, place a tick the “Not applicable” box. Where requested, indicate either the applicable number or percentage in the space provided.

Where ranking is required, simply put a “1” next to the most important item or statement or name, a “2” next to the next important and so on until the highest number reflects the least important item or statement.

Please note that all responses in this questionnaire pertain only to the organization (or project) named in Section A and not to any other affiliated organization (or project).

Please attach a copy of your organization’s organizational goals (vision, mission, aims, objectives etc) to the completed survey questionnaire and return in the provided self-addressed-envelope before 30 November 2004.

<p>Should you require any assistance with the completion of this survey questionnaire please feel free to contact Andre Smit at (021) 650-3493 or Nazlie du Toit at (021) 424-3344.</p>
--

SECTION A: ORGANISATIONAL INFORMATION

[To be completed by person responsible for compiling the Community Chest funding application for the current financial year and the person in charge of the organization]

Purpose: To provide identifying details and contact numbers.

Name of organization: _____

Community Chest Ref no.: _____

Is your organization a parent body (it is responsible for smaller affiliate organizations) or is it affiliated to a larger parent organization or is it neither?

Parent body

Affiliated to parent body

Neither

Respondent details:

1) Person responsible for compiling the Community Chest funding application for the current financial (2004/05) year

A1 Did you compile the submission for a Community Chest grant for the current financial year?

Yes

No

A2 Are you employed by the organization?

Yes

No

A3 If "Yes", please provide your job title: _____

A4 If "No", are you a:

Committee member Consultant Volunteer

Other (please specify): _____

A5 Qualifications: Please indicate **only highest qualification** obtained:

General qualifications:	Accounting/financial qualifications:
Lower than matric <input type="checkbox"/>	Lower than matric bookkeeping <input type="checkbox"/>
Matric <input type="checkbox"/>	Matric bookkeeping/accounting <input type="checkbox"/>
Post-matric certificate <input type="checkbox"/>	Post-matric certificate in accounting <input type="checkbox"/>
Diploma <input type="checkbox"/>	Diploma in accounting <input type="checkbox"/>
Bachelor's degree <input type="checkbox"/>	Bachelor's degree (accounting) <input type="checkbox"/>
Honour's degree <input type="checkbox"/>	Honour's degree (accounting) <input type="checkbox"/>
Master's degree <input type="checkbox"/>	Master's degree (accounting) <input type="checkbox"/>
Doctoral degree <input type="checkbox"/>	Other (specify): _____ <input type="checkbox"/>

A6 Indicate if you are registered with any of the following professional bodies:

Institute of Administrators (IAC)	<input type="checkbox"/>
South African Institute of Chartered Accountants (SAICA)	<input type="checkbox"/>
South African Chartered Institute of Secretaries (CIS)	<input type="checkbox"/>
Institute for Commercial and Financial Accountants (ICFA)	<input type="checkbox"/>
South African Council for Social Service Professions	<input type="checkbox"/>
Health Professions Council of South Africa	<input type="checkbox"/>
South African Nursing Council	<input type="checkbox"/>
Other (specify): _____	<input type="checkbox"/>

A7 If you responded “yes” to any of the above, indicate category registered as (eg chartered accountant, bookkeeper, social worker, psychologist, nurse)

Category registered as: _____

A8 Your name (optional): _____

A9 Your contact details (optional): Tel: _____ Cell: _____

Fax: _____ Email: _____

2) The person in charge of the organization (CEO, Director, Manager, Principal, etc).

A10 Did you compile the submission for a Community Chest grant for the current financial year?

Yes No

A11 If "No" to above, did you approve of the application submitted to the Community Chest?

Yes No

A12 Please provide your job title: _____

A13 Qualifications: Please indicate **only highest qualification** obtained:

General qualifications: **Accounting/financial qualifications:**

Lower than matric Lower than matric bookkeeping

Matric Matric bookkeeping/accounting

Post-matric certificate Post-matric certificate in accounting

Diploma Diploma in accounting

Bachelor's degree Bachelor's degree (accounting)

Honour's degree Honour's degree (accounting)

Master's degree Master's degree (accounting)

Doctoral degree Other (specify): _____

A14 Indicate if you are registered with any of the following professional bodies:

Institute of Administrators (IAC)

South African Institute of Chartered Accountants (SAICA)

South African Chartered Institute of Secretaries (CIS)

Institute for Commercial and Financial Accountants (ICFA)

South African Council for Social Service Professions

Health Professions Council of South Africa

South African Nursing Council

Other (specify): _____

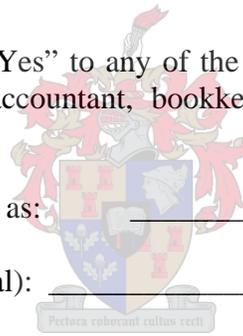
A15 If you responded “Yes” to any of the above, indicate category registered as (eg chartered accountant, bookkeeper, social worker, psychologist, nurse)

Category registered as: _____

A16 Your name (optional): _____

A17 Your contact details (optional): Tel: _____ Cell: _____

Fax: _____ Email: _____



SECTION B: COMMUNITY CHEST FUND APPLICATION PROCESS

[To be completed by the person responsible for compiling the Community Chest funding application for the current financial year]

Purpose: *To determine how organizations experience the Community Chest fund application process in order to improve this process*

B1 The Community Chest application package is clear in what is expected.

Yes No

B2 The Community Chest application process is too complicated.

Yes No

B3 The Community Chest application process requires too much information.

Yes No

B4 Because of its complexity, only financially qualified persons can successfully complete the Community Chest application process.

Yes No

B5 On average the Community Chest application process takes ___ hours to complete.

B6 I have to regularly seek advice from others when I complete the application.

Yes No

B7 Did you request help from the Community Chest in completing the application for the current financial year?

Yes No

B8 If "Yes" to above, the help was:

Very helpful Helpful Not helpful Other (comment below)

B9 Do you have computer access (MS Excel) to submit your application electronically (on-line)?

Yes No

B10 If “No” to above, if you had access to the facilities would you prefer to submit your application electronic submission?

Yes No

B11 Do you have the expertise to submit your application electronically?

Yes No

B12 If “No” to the above, would you like to develop this skill?

Yes No

B13 If “Yes” to the above would you welcome a volunteer provided by the Community Chest to do this on your behalf?

Yes No



SECTION C: ACCOUNTING PRACTICES

[To be completed by the person responsible for compiling the Community Chest funding application for the current financial year]

<i>Purpose:</i> <i>To determine accounting practices and budget formats applicable to organizations</i>
--

C1 What type of budget format does the organization use?

Line item Programme Functional Don't know

C2 Does your organization use the same budget for all applications for funding?

Yes No

- C3 If “No” to above, is it a funder’s requirement to submit a different budget?
 Yes No
- C4 Zero-based budgeting is a concept well understood in the organization.
 Yes No
- C5 Have you developed a zero-based budget in the last five years?
 Yes No Don’t Know
- C6 The organization’s annual budget is **mostly** (select one only) prepared by:
 Finance person Committee Director Group of people
 Other (specify): _____
- C7 In the case of an Affiliate, does your organization have a formal agreement with the parent body to cover potential annual financial shortfalls?
 Yes No Not applicable
- C8 In the case of an Affiliate, does the parent body assume full responsibility for your organization’s financial decision making?
 Yes No Not applicable
- C9 In the case of an Affiliate, does the parent body charge you an administration fee?
 Yes No Not applicable
- C10 If “Yes” to the above, the fee is roughly _____ % of total expenditure.
- C11 If “Yes” to C9 above, does the cost of the administration fee justify the benefits?
 Yes No Don’t Know
- C12 Does your organization have a policy on financial reserves?
 Yes No
- C13 If “Yes” to above, roughly _____ % of annual expenditure goes to reserves.

C14 Does your organization have a policy on depreciation?

Yes No

C15 If “Yes” to above, indicate the policy:

Full depreciation in year of acquisition Standard depreciation

Other (specify): _____

SECTION D: DEVELOPMENT AND SUSTAINABILITY

[To be completed by person responsible for compiling the Community Chest funding application for the current financial year in consultation with the person in charge of the organization]

<i>Purpose: To determine organization’s future development and sustainability</i>
--

D1 Your organization’s future is very secure.

Yes No

D2 If “No” to above, the **biggest** (select one only) threat to the organization’s future survival is:

Lack of funds Political interference Lack of support from community

Funding policies (National and/or Provincial Lack of proper staff

Competition from other organizations (including government)

Other (specify): _____

D3 Is your organization’s further growth constrained by a lack of funds?

Yes No

D4 Your organization’s ability to raise funds is:

Excellent Very Good Average Poor Very poor

D5 If your response to above was “Average, Poor or Very Poor” is it as a result of:
Your type of service Lack of funding sources No fundraising staff
Too much competition for funds Lack of fundraising knowledge/skills
Other (specify): _____

D6 Have you or any of your colleagues received training in fundraising?
Yes No

D7 Have you or any of your colleagues received training in fundraising from the Southern African Institute of Fund-Raising (SAIF)?
Yes No

D8 Are you or any of your colleagues a member of the Southern African Institute of Fund-Raising (SAIF)?
Yes No

D9 If “No” to above, do you or any of your colleagues attend the Southern African Institute of Fund-Raising (SAIF) functions/activities?
Yes No



D10 Is your organization part of a network of service providers?
Yes No

D11 If “Yes” to above, please list networks below:

D12 Is/are the above mentioned network(s) crucial to your organization’s survival?
Yes No

D13 There is an increasing threat that my organization's service will in future be provided by a for-profit (business) organization.

Yes No Don't Know

D14 Does your organization have a formalized marketing plan?

Yes No

D15 If "No" to above, should an organization like the Community Chest market your organization?

Yes No Don't Know

D16 If "Yes" to above, will your organization provide the needed material to market your organization?

Yes No

D17 Have you or any of your colleagues received training from the Community Chest?

Yes No

D18 If "Yes" to above, is it considered:

Very helpful Helpful Not helpful Other (comment below)

D19 The Community Chest should provide more training.

Yes No

D20 If "Yes" to above, the Community Chest should provide training as follows:

Fund raising Strategic Planning Staff Development

Marketing Programme Evaluation Volunteer Development

Human Resource Management Financial management

Other (specify): _____

D21 The Community Chest should stick to its core business of raising funds on behalf of organizations like us and leave training to other organizations.

Yes No

D22 Should the Community Chest support an organization indefinitely?

Yes No

D23 If “No” to above, for how long should it support the organization? _____ years

D24 Increasingly, corporate donors are selecting their own projects to fund directly.

Yes No Don't Know

D25 If “Yes” to above, does this threaten your organization's existence?

Yes No Don't Know

D26 Membership of the Community Chest adds to the credibility of my organization.

Yes No Don't Know

D27 The Community Chest should facilitate an annual needs analysis for the region that will include all stakeholders to better target the most needy services.

Yes No

D28 The Community Chest should provide regular information sessions on the priorities it has identified for funding in terms of the needs analysis.

Yes No

SECTION E: PROJECT AND OPERATIONAL FUNDING

[To be completed by person responsible for compiling the Community Chest funding application for the current financial year in consultation with the person in charge of the organization]

Purpose: <i>To determine the degree of difficulty in getting operational funding as opposed to project or capital funding</i>
--

E1 Funding for projects or capital expenditure is more readily available than is funding for operational (day to day) expenditure.

Yes No

E2 Fundraising for operational expenditure is the most difficult of my organization's fundraising activities.

Yes No

E3 How many funders are prepared to fund your organization's operational expenditure?

_____ funders

E4 The Community Chest should only fund:

Operational expenditure Capital expenditure Both

E5 In general, does your organization take a percentage of project funds as an "administration fee" to cover operational costs?

Yes No

E6 If "Yes" to above, in general, what percentage of project funding is taken for the "administration fee" to cover operational costs?

_____ %

E7 If "Yes" to E5 above, is the project or capital funder aware of this deduction?

Yes No

E8 If "Yes" to above, have they ever expressed reservations about this practice?

Yes No

E9 Cross cutting themes such as “employment creation” which could be applicable to other services should be specifically funded as a project rather than as part of the main service being provided.

Yes

No

Don't Know

SECTION F: FUNDING SOURCES

[To be completed by person responsible for compiling the Community Chest funding application for the current financial year in consultation with the person in charge of the organization]

Purpose: *To determine the various funding sources and the difficulties encountered in seeking funds from a wide variety of sources*

F1 Does your organization employ a fundraiser?

Yes

No

F2 The person/body **chiefly** (select one only) responsible for fundraising in your organization is:

Finance person Committee Fundraiser Individual staff members

Director Other (specify): _____

F3 Are direct service professionals (social workers, teachers, etc) involved in developing funding proposals?

Yes

No

F4 How many sources of funding (international and national) do you currently access (including national/provincial/local government) sources?

_____ sources of funding

F5 Does your organization have a database that contains the details of various funding agencies?

Yes

No

F6 If 'Yes' to F5 above, who is **mainly responsible** for the maintenance of the database? (Select one only)

Finance person Committee Director Fundraiser

Other (specify): _____

F7 Are direct service professionals (social workers, teachers, health workers etc) sometimes expected to spend time on fundraising?

Yes No

F8 Has your organization received funds from the Lotto?

Yes No

F9 Your organization is happy with the way in which the Lotto distributes its funds.

Yes No

F10 If "No" to above, it is because of:

Allocated less than requested Funding criteria unclear

Process too lengthy Disagree with funding criteria

Delayed payment Infrequency of award

Process too cumbersome Uncertainty of funding

Welfare sector allocated too little Political/other interference

Other (specify): _____

F11 Has your organization received funds from the NDA?

Yes No

F12 Your organization is happy with the way in which the NDA distributes funds.

Yes No

F13 If “No” to F12 above, it is because of:

- | | | | |
|-------------------------------------|--------------------------|--------------------------------|--------------------------|
| Allocated less than requested | <input type="checkbox"/> | Funding criteria unclear | <input type="checkbox"/> |
| Process too lengthy | <input type="checkbox"/> | Disagree with funding criteria | <input type="checkbox"/> |
| Process too cumbersome | <input type="checkbox"/> | Uncertainty of funding | <input type="checkbox"/> |
| Centralization of process | <input type="checkbox"/> | NDA Governance issues | <input type="checkbox"/> |
| Welfare sector allocated too little | <input type="checkbox"/> | Political/other interference | <input type="checkbox"/> |
| Other (specify): _____ | | | <input type="checkbox"/> |

F14 Your organization has the **most difficulty (select one only)** in accessing funds from the following:

- Government Community Chest Corporates Lotto
- Other (specify): _____

F15 Please rank in order of importance (largest in terms of Rand value) the following sources of income your organization benefits from during the **current financial year (2004/2005)**:

Rank (1 = largest and 12 = smallest)

- 
- National government _____
 - Provincial Government _____
 - Local authorities _____
 - Community Chest _____
 - Corporates (business sector) _____
 - National Development Agency (NDA) _____
 - National Lottery (Lotto) _____
 - Umsombomvu Youth Fund _____
 - Trusts and estates _____
 - Fund-raising activity _____
 - International sources _____
 - Other (specify): _____ _____

F16 For how many years has your organization received a grant from the Community Chest?

_____ Years

F17 In relation to escalating costs, the annual grant from the Community Chest gets smaller every year.

Yes No

F18 My organization is concerned that the annual amount the Community Chest collects for distribution does not increase sufficiently to meet existing needs.

Yes No

F19 My organization operates a registered “for profit” business organization to generate profits as a source of income.

Yes No

F20 If “No” to above, would you welcome assistance in creating a for-profit business organization to fund your current operations?

Yes No

SECTION G: ONE-STOP FUNDING

[To be completed by person responsible for compiling the Community Chest funding application for the current financial year in consultation with the person in charge of the organization]

Purpose: <i>To determine whether the Community Chest can serve as a broker and package funding on behalf of beneficiaries</i>
--

G1 Does your organization spend too much time (in relation to time spent on providing the service) in developing various funding applications each year?

Yes No

G2 Would you prefer to submit one application to one organization for all your funding (including national/provincial/local government and all other funders like the Community Chest, Lotto, etc)?

Yes No

G3 Would you prefer to diminish your fundraising capacity and rely on one organization to do this on your behalf?

Yes No

G4 If “Yes” to above, would you be prepared to pay such an organization a brokerage fee for funds raised on your behalf?

Yes No

G5 If “Yes” to above, what would be the maximum percentage of the funds raised on your behalf that you would be prepared to pay for the brokerage?

_____%

G6 The Community Chest should provide leadership in determining the funding needs of the region and attempt to influence funding policies based on these needs

Yes No

G7 The Lotto should annually award a global amount for the Community Chest to re-allocate to its member organizations.

Yes No

G8 The Community Chest should act as a broker to acquire funds from international funding agencies (ie USAID, DIFID) on my organization’s behalf.

Yes No Don’t Know

SECTION H: CORPORATE GOVERNANCE

[To be completed by person responsible for compiling the Community Chest funding application for the current financial year in consultation with the person in charge of the organization]

Purpose: <i>To determine structures and procedures adopted to ensure adequate management controls are in place</i>

H1 Are you familiar with Section 38(j) of the Public Finance Management Act, 1999 (Act 1 of 1999)?

Yes No

- H2 Are you familiar with the King Commission on good governance?
 Yes No
- H3 Has any organization declined to fund your organization because of a contravention of the Public Finance Management Act, 1999 (Act 1 of 1999)?
 Yes No Don't Know
- H4 Has your organization developed a structure internal to the organization to audit the organization's financial activities?
 Yes No
- H5 Are the fiduciary responsibilities clearly understood by the members of your organization's board?
 Yes No
- H6 Is your organization committed to the code of conduct formulated by the South African Grant Makers Association and/or the Charities Aid Foundation?
 Yes No Don't Know
- H7 Are you satisfied that all your service programmes are designed with adequate controls (measurable outcomes)?
 Yes No Don't Know
- H8 If "No" to the above, it is because of: Lack of programme development skills
 Other (specify): _____
- H9 If "Yes" to H7 above, are you satisfied that your service programmes are achieving the desired outcomes?
 Yes No Don't Know
- H10 If "No" to above, it is because of:
 Lack of adequate management Lack of resources (financial or human)
 Other (specify): _____

SECTION J: PROVINCIAL FUNDING POLICIES

[To be completed by person responsible for compiling the Community Chest funding application for the current financial year in consultation with the person in charge of the organization]

<i>Purpose:</i> <i>To determine the impact of current and proposed government funding policies</i>
--

J1 Are you familiar with the current government funding policies?

Yes No

J2 Are you currently receiving subsidies/funds from any national/provincial government departments?

Yes No

J3 If “Yes” to above, does your organization receive sufficient funds from the government?

Yes No

J4 If “No” to above, it is as a result of:

Bad funding policy Organization does not understand funding policy

Discrimination against my organization Other (detail below)

J5 The existing government funding policies are appropriate.

Yes No

J6 The existing government funding policies are too complex.

Yes No

- J7 Are you aware of the “new” Financial Award Policy for social service providers recently distributed for comment by the National Department of Social Development?
- Yes No
- J8 If “Yes” to above, have you read the proposed funding policy?
- Yes No
- J9 If “Yes” to above, does your organization meet all the transformation criteria for funding as laid down in the proposed funding policy?
- Yes No
- J10 Was your organization consulted in the drafting of the “new” Financial Award Policy?
- Yes No Don't Know
- J11 The amount of funding received from the government (all sources) has declined as a percentage of income over the past few years.
- Yes No Don't Know

SECTION K: PERCEPTIONS OF THE COMMUNITY CHEST

[To be completed by person responsible for compiling the Community Chest funding application for the current financial year in consultation with the person in charge of the organization]

Purpose: *To determine current views on the Community Chest in order to make the organization more responsive to beneficiary needs*

- K1 The name “Community Chest” is not in keeping with a changed South Africa.
- Yes No
- K2 The symbolism of the red feather is understood.
- Yes No

- K3 The symbolism of the red feather is lost in the South African context.
 Yes No
- K4 Donors often refuse to fund my organization as it funds the Community Chest.
 Yes No
- K5 The Community Chest is involved in direct service provision.
 Yes No
- K6 The community perceives the Community Chest as just another welfare organization such as NICRO, Child Welfare, etc.
 Yes No
- K7 The Community Chest must deal more aggressively with its competitors.
 Yes No
- K8 The world trend where designated funds (given by a donor for a specific project) are ever increasing, is acceptable.
 Yes No
- K9 The Community Chest should continue to fund all sectors listed in K10 below.
 Yes No
- K10 If “No” to above, it must concentrate on the following sectors only: **(Please select and tick only 5 sectors)**:
- | | | | |
|----------------------------------|--------------------------|---------------------------------|--------------------------|
| Community Development Services | <input type="checkbox"/> | Care of the Physically Disabled | <input type="checkbox"/> |
| Care of the Mentally Handicapped | <input type="checkbox"/> | Care of Elderly and Homeless | <input type="checkbox"/> |
| Health Care Support Services | <input type="checkbox"/> | Early Childhood Development | <input type="checkbox"/> |
| General Child And Family Welfare | <input type="checkbox"/> | Rehabilitation | <input type="checkbox"/> |
| Children/Youth support services | <input type="checkbox"/> | HIV/AIDS | <input type="checkbox"/> |

K11 The Community Chest must go back to its original core business, that of funding operational expenditure only and not provide any other service.

Yes No

K12 The Community Chest should only fund relevant and needed organizations.

Yes No

K13 The Community Chest has a very sophisticated allocation procedure.

Yes No

K14 The Community Chest can be trusted to make the right allocation decisions.

Yes No

K15 If the Community Chest does not significantly raise its income it will become irrelevant in a few years time.

Yes No

K16 Given the amount received from the Community Chest annually, my organization will probably not seek funds from the Community Chest in the future.

Yes No

K17 The Community Chest is a hindrance in my organization's fund-raising efforts.

Yes No

K18 It would be better if the Community Chest were to close and organizations allowed to do their own fundraising without competing with the Chest.

Yes No

K19 The Community Chest should revert to its original aim of funding only welfare related services and exclude health related services.

Yes No

SECTION L: ATTACHMENTS

Please attach the required attachments (see INSTRUCTIONS)



University of Cape Town

Commerce Student Social Responsibility Survey

Dear Student

In a joint venture, the Departments of Accounting and Social Development at the University of Cape Town and the Community Chest of the Western Cape are assessing the feasibility of utilising students' accounting knowledge and skills to assist small and emerging not-for-profit (NGO, welfare, charity) organizations with their annual budgeting process next year. These organizations often lack the financial expertise to develop accurate budgets and to successfully apply for funding. The aim is to have the student mentor an organisation and teach it to develop electronic budgets and funding applications.

This survey attempts to determine whether students will be interested in being part of this enterprise and to assess current involvement and interest in social responsibility projects. **It is entirely voluntary and you are under no obligation to do so. All responses will remain anonymous and you should therefore not identify yourself in any manner.**

Should a sufficient number of students indicate a willingness to participate in the project, a campus meeting for such students will be held early in the 2006 academic year. Only at this stage will you be expected to identify yourself to the Community Chest. Students will be given the opportunity of selecting the field (child welfare, educare, disability, etc) and the geographic area in the Western Cape in which they wish to operate. Full training and electronic templates will be provided and students will also be provided with professional backup throughout the project.

We would appreciate your taking a few minutes to complete the survey.

Kindly **respond to all statements and questions** by placing a tick in the appropriate box.

Once completed please deposit the completed survey questionnaire in the envelope provided by the Department of Accounting.

Many thanks for your time and interest.

Sincerely

Colin C Smith
Senior Lecturer
Dept Accounting, UCT

André de V Smit
Associate Professor
Dept Social Development, UCT

Amelia Jones
Chief Executive Officer
Community Chest of the WC

A BIOGRAPHICAL INFORMATION

Please provide us with answers to the following questions to enable us to generate a biographical profile.

1. How old are you (rounded off in years)? _____ years 11

2. Gender

Male		21
Female		22

3. Marital status

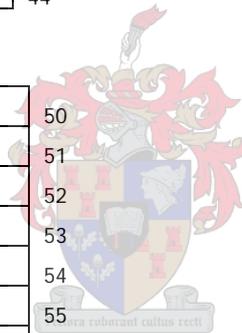
Never married		31
Married		32
Divorced		33

4. Term time residence

With parents		41
Private digs		42
University residence		43
Other		44

5. Residence when not at UCT

Western Cape		50
Gauteng		51
Eastern Cape		52
Northern Cape		53
Limpopo		54
Northwest		55
Mpumalanga		56
Free State		57
Kwazulu-Natal		58
Not in South Africa		59



6. In which year do you hope to graduate? _____ 61

7. We know that it is difficult to define your career aspirations at this stage but which of the following career paths do you think you would most likely follow? Indicate the most likely one (**Indicate only one**).

Professional accountant in private practice		71
Consultant to business		72
Investment professional		73
In corporate business		74
In government or municipal sector		75
In your own business		76
Some non-financial career path		77
Other(specify):		78

8. Do you have your own transport?

Yes		81
No		82

9. Do you own/have access to a personal computer other than at UCT computer labs?

Yes		91
No		92

10. Are you able to use MS Excel with ease?

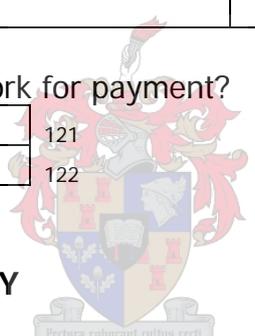
Yes		93
No		94

11. How are you funding your studies at UCT (Mark as many as are appropriate)

Financial Aid		111
Bursaries (repayable or otherwise)		112
Scholarships		113
Parents		114
Student Loans		115
Employment (any form)		116
Other (please specify):		117

12. Do you perform any regular work for payment?

Yes		121
No		122



B SOCIAL SERVICE ACTIVITY

Please provide us with answers to the following questions to enable us to generate a Social service profile.

13. What is your perception of the involvement of accountants in social issues?

Very involved		131
Partly involved		132
Uninvolved		133

14. Have you ever mentored anyone before?

Yes		141
No		142

15. Indicate active involvement in any of the following extra curricular activities at UCT? (Mark as many as are appropriate)

Sport		151
Cultural activity		152
Faith based activity		153
Student politics		154
SHAWCO		155
Other		156

16. Are any of the above activities related to philanthropy or social upliftment?

Yes		161
No		162

17. If yes to 16 above what motivates your involvement? (Mark as many as are appropriate)

I was involved at school		171
My parents are involved		172
I have a political motivation		173
I have a faith based commitment		174
I exercise my philosophical values		175
Other(specify):		176

18. Please describe the extent of your involvement in social projects at school

Never		181
Occasionally		182
Sometimes		183
Regularly		184

19. Your involvement in social projects at school benefited you by (Mark as many as are appropriate)

Service and Merit awards		191
Leadership development		192
CV building		193
Satisfied a social or religious conscience		194
Just something you wanted to do		195
Other(specify):		196

C UNDERSTANDING OF SOCIAL DEVELOPMENT ISSUES IN SOUTH AFRICA.

Please answer the following questions to give us some indication of your social awareness of current issues in South Africa.

20. Are you informed about social issues in your community?

Yes		201
No		202
Unsure		203

21. How often do you watch TV news per week?

Never		211
1-3 times		212
4-6 times		213
Every day		214

22. How often do you watch actuality programmes like Special Assignment, Third Degree, Carte Blanche, and other such programmes?

Never		221
Occasionally		22
Sometimes		223
Regularly		224

23. How often do you read a newspaper per week?

Never		231
1-3 times		232
4-6 times		233
Every day		234

24. Do you ever read magazines like Newsweek or Time?

Never		241
Occasionally		242
Sometimes		243
Regularly		244

25. Do you follow local news on the Internet?

Never		251
Occasionally		252
Sometimes		253
Regularly		254

26. Name the National Minister of Finance: _____ 261

27. Who do you think is mostly responsible for the social well being of society?

National Government		271
Municipalities and local government		272
NGO sector		273
Private sector		274
People are responsible for their own lives and destinies		275
Other(specify)		276

28. What factors influence your view of social responsibility?

Parental attitudes		281
Political values		282
Religious/faith based values		283
Philosophical values – your view of life etc		284
Other(specify):		285

29. Have you heard of the Community Chest?

Yes		291
No		292

30. The purpose of the Community Chest is to provide:

A welfare service		301
Provide training		302
Provide funding		303

31. There are career opportunities for accountants in the not-for-profit sector.

Yes		311
No		312

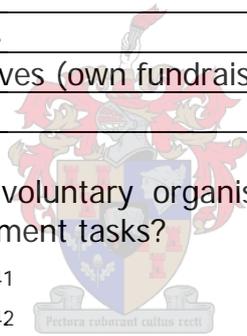
32. Name the National Minister of Social Development: _____ 321

33. Who is responsible for funding welfare services in South Africa? **Rank in order of contribution size i.e. 1=biggest contribution and 10=smallest contribution.**

National government		330
Provincial government		331
Local government		332
National lottery fund		333
Community Chest		334
Faith-based organisations		335
Foreign governments		336
International funding agencies		337
Welfare organisations themselves (own fundraising)		338
Other		339

34. Have you ever assisted any voluntary organisation (cultural, faith-based, sports, welfare) with financial management tasks?

Yes		341
No		342



35. Have you ever been requested to assist a NGO/welfare/community based organisation with your financial management knowledge and skills?

Yes		351
No		352

36. Would you like to participate in this project and offer your financial knowledge and skills to act as a financial mentor to a needy organization? **[This is a mere indication of interest and you will be under no obligation to participate, should you not wish to do so next year].**

Yes		361
No		362

IF “NO” TO 36 ABOVE, PLEASE IGNORE SECTION D AND RETURN THE QUESTIONNAIRE

D PARTICIPATION IN SOCIAL SERVICE PROJECT

Please answer the following questions to give some indication of your preferences in participating in the social service project next year. **At this stage you are under no obligation** – it is only your intentions that are to be measured to determine feasibility.

37. In offering my financial expertise, I would prefer to:

Do so at the organization allocated to me		371
Do so at UCT or some other convenient place		372

38. Would you be prepared to spend a minimum of two mornings (vacation time or weekend) next year in training (at no cost to you)?

Yes		381
No		382

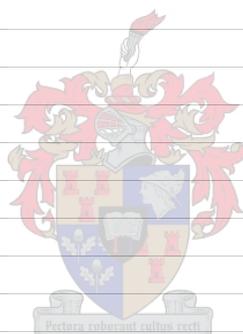
39. What personal benefits do you believe you would derive from an involvement in a social responsibility project such as this? [Indicate as many as applicable]

Service and Merit awards		391
Leadership development		392
CV building		393
Satisfying a social or religious conscience		394
Just something you wanted to do		395
Contributing to building a better South Africa		396
Career development		397
I will learn from this as much as I teach		398
Other(specify):		399

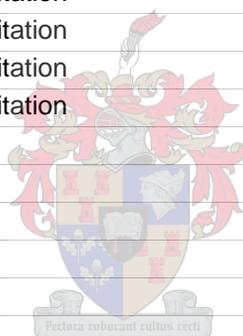
40. This is your opportunity to comment on the survey and your give your thoughts on the proposed project. We welcome your take on the issue and any ideas you may have to make this a more rewarding experience for both students and the organisations they adopt will be particularly valued.

Many thanks – hope to see you next year!

Org Cat Code	Category	Cat & Sub-cat ID	SubCategory
0	Community Services	116	Child abuse
0	Community Services	120	Health Care Services
1	Children/Youth Facilities	1	Emergency home
1	Children/Youth Facilities	3	Night shelter
1	Children/Youth Facilities	6	Youth hostel
1	Children/Youth Facilities	8	Other
1	Children/Youth Facilities	71	Children's home
2	Early Childhood Development	9	Home child minding
2	Early Childhood Development	11	Day care (3-6)
2	Early Childhood Development	12	Pre-school (3-6 educational)
2	Early Childhood Development	13	Educare (0-6 holistic)
2	Early Childhood Development	14	Other
2	Early Childhood Development	68	After school care
2	Early Childhood Development	73	Creche (0-3)
3	General Family Services	15	Child and family
3	General Family Services	16	Marriage and family
3	General Family Services	17	Other
3	General Family Services	69	Family re-integration
4	Adult Services	18	Rape/battered women
4	Adult Services	19	Night Shelters
4	Adult Services	20	Unmarried mothers
4	Adult Services	22	Other
5	Aged Care and Promotion	23	Service centre
5	Aged Care and Promotion	24	Home for aged
5	Aged Care and Promotion	26	Social service
5	Aged Care and Promotion	27	Home care
5	Aged Care and Promotion	28	Other
5	Aged Care and Promotion	72	Elder abuse
5	Aged Care and Promotion	74	Respite care
5	Aged Care and Promotion	75	Meals provision
6	Physical Handicap Care and Promotion	29	Training centre
6	Physical Handicap Care and Promotion	30	Workshop
6	Physical Handicap Care and Promotion	31	Residential treatment
6	Physical Handicap Care and Promotion	32	Sheltered employment
6	Physical Handicap Care and Promotion	33	Social service
6	Physical Handicap Care and Promotion	34	Care groups/day care
6	Physical Handicap Care and Promotion	35	Other
6	Physical Handicap Care and Promotion	77	Home care
7	Mental Handicap Care and Promotion	36	Training centre
7	Mental Handicap Care and Promotion	37	Workshop
7	Mental Handicap Care and Promotion	38	Residential treatment



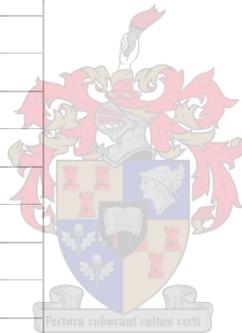
7	Mental Handicap Care and Promotion	39	Sheltered employment
7	Mental Handicap Care and Promotion	40	Social service
7	Mental Handicap Care and Promotion	41	Care groups/day care
7	Mental Handicap Care and Promotion	42	Other
7	Mental Handicap Care and Promotion	76	Home care
8	Health Care and Promotion	43	Nutrition
8	Health Care and Promotion	44	Hospice
8	Health Care and Promotion	45	Family planning
8	Health Care and Promotion	46	Cancer
8	Health Care and Promotion	47	Tuberculosis
8	Health Care and Promotion	48	HIV and AIDS
8	Health Care and Promotion	49	Other
8	Health Care and Promotion	78	Heart disease prevention
9	Drug/Alcohol Dependence Prevention and Rehabilitation	50	Social service
9	Drug/Alcohol Dependence Prevention and Rehabilitation	51	Rehabilitation centre
9	Drug/Alcohol Dependence Prevention and Rehabilitation	52	Other
9	Drug/Alcohol Dependence Prevention and Rehabilitation	117	Prevention programmes
10	Crime Prevention and Rehabilitation	53	Social service
10	Crime Prevention and Rehabilitation	54	Other
10	Crime Prevention and Rehabilitation	79	Victim support
10	Crime Prevention and Rehabilitation	80	Prevention programmes
11	Economic Empowerment	61	Other
11	Economic Empowerment	81	Youth
11	Economic Empowerment	82	Women
11	Economic Empowerment	83	Adults
11	Economic Empowerment	84	Physically handicapped
11	Economic Empowerment	85	Mentally handicapped
11	Economic Empowerment	86	Offenders
11	Economic Empowerment	88	Aged
12	Lifeskills Training	90	Youth
12	Lifeskills Training	91	Adults
12	Lifeskills Training	92	Women
12	Lifeskills Training	93	Offenders
13	Networks	97	Forums
13	Networks	98	Joint ventures
13	Networks	118	Other
14	Research	99	Needs assessment
14	Research	100	Organizational capacity
14	Research	101	Programme development
14	Research	102	Programme evaluation
14	Research	103	Social policy
14	Research	104	Other
15	Caregiver training	94	Aged
15	Caregiver training	95	Mentally handicapped



15	Caregiver training	96	Physically handicapped
15	Caregiver training	119	Other
16	Other	105	Rescue
16	Other	106	Volunteer
16	Other	107	Cultural
16	Other	108	Advice and information
16	Other	109	Benevolent
16	Other	110	Social club
16	Other	111	Other
17	Education and training	112	Early childhood teacher aid
17	Education and training	113	Volunteer
17	Education and training	114	Women
17	Education and training	115	Other



Type of Area	Name
Rural	Atlantis
Rural	Beaufort West
Rural	Bredasdorp
Rural	Caledon
Rural	Calitzdorp
Rural	Calvinia
Rural	Ceres
Rural	Clanwilliam
Rural	Frazerburg
Rural	Heidelberg
Rural	Hermanus
Rural	Hopefield
Rural	Ladismith
Rural	Laingsberg
Rural	Malmesbury
Rural	Montagu
Rural	Moorreesburg
Rural	Murraysberg
Rural	NamaKwaland
Rural	Oudtshoorn
Rural	Piketberg
Rural	Plettenberg Bay
Rural	Prince Albert
Rural	Riversdale
Rural	Robertson
Rural	Sutherland
Rural	Swellendam
Rural	Tulbagh
Rural	Uniondale
Rural	Vanrhynsdorp
Rural	Victoria West
Rural	Vredenburg
Rural	Vredendal
Rural	Wellington
Rural	Williston
Rural	Worcester
Urban	Athlone
Urban	Bellville
Urban	Cape Town
Urban	George
Urban	Goodwood
Urban	Helderberg
Urban	Kimberley
Urban	Knysna



Urban	Kuilsrivier
Urban	Mitchell's Plain
Urban	Mosselbay
Urban	Paarl
Urban	Simons Town
Urban	Simonstown
Urban	Somerset West
Urban	Stellenbosch
Urban	Strand
Urban	Wynberg

