Foreword

As the Department of Social Development (DSD), we are committed to the agenda of social transformation that is embodied in the principles of social justice and the Bill of Rights contained in the Constitution of the Republic, herein referred to as the Constitution. Our government has been given a mandate by most of our people to deliver on the promise of a better life for all. This objective, we believe, can only be pursued and achieved by embarking on a social transformation journey, based on an integrated and comprehensive social development system. This system would serve as a basis for a more people-centred society. The realisation of this mandate lies in the manner we plan and implement our programmes to respond to the pressing needs of individuals, families and communities; to tackle poverty, inequality and unemployment.

The National Development Plan (NDP) Vision 2030 has been adopted across government to address the pressing challenges of eradicating poverty and reducing inequality. The NDP identifies a critical need for the current social development system to be reformed in order to deliver better results for vulnerable groups, including a review of the existing policy and legislation, and to take account of new contextual realities.

While we have made progress in the fight against poverty, inequality and unemployment, much remains to be done. It is precisely because of the scale of the work required to improve the lives of South Africa's most vulnerable people that we had the Nonprofit Organisation (NPO) Summit in 2012. The aim of this summit was to establish strong partnerships and develop workable and lasting strategies in social development.

Government cannot address all the challenges facing society alone and needs to ensure the involvement and participation of all sectors if it is to achieve its constitutional and legislative mandate. As the DSD, some of our achievements have only been possible because of services provided in partnership with civil society organisations and the co-operative relationships with them. Our belief is this co-operation strengthens the system through which services are delivered and promotes the overall wellbeing and development of people. For the Department to succeed, this collaboration and co-ordination must be underpinned by the attitudes and values of the developmental approach and good relations between the various key stakeholders within government and the broader NPO sector, at all levels of governance.

From experience, we acknowledge that effective participation by civil society organisations in developmental initiatives only thrives when there is an enabling legislative framework. The South African legal framework, deeply entrenched within the constitution, provides civil society organisations with the necessary operational framework. The object of the Non-Profit Act (No. 71 of 1997) is primarily to encourage and support NPOs to contribute meaningfully to development in the country. In addition, the Act provides for the establishment of an administrative and regulatory framework for NPOs, as well as adequate standards of governance, transparency and accountability. The DSD therefore acknowledges that social partners are important in spearheading capacity building and the delivery of developmental social services.

Mr L. Mchunu
Acting Director-General
DSD Sector Funding Policy

Acknowledgements

The Department of Social Development (DSD) would like to recognise and acknowledge the participation and contributions of representatives of the national and provincial DSD. It further acknowledges and appreciates the contribution of all the other stakeholders, particularly the NPO sector and the various other departments who made valuable input during the national and provincial consultative sessions towards the development of this Policy.

The involvement and engagements with all the stakeholders solidified the input in the review of the Policy on Financial Awards to Service Providers (PFA), which has been renamed to DSD Sector Funding Policy. Consideration was given to every input, comment and suggestion, where feasible and practicable, and that has been integrated into the revised DSD Sector Funding Policy.
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<th>Description</th>
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<tbody>
<tr>
<td>AIDS</td>
<td>Acquired Immunodeficiency Syndrome</td>
</tr>
<tr>
<td>DPME</td>
<td>Department of Planning, Monitoring and Evaluation</td>
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<tr>
<td>DSD</td>
<td>Department of Social Development</td>
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<tr>
<td>ECD</td>
<td>Early Childhood Development</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
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<td>HSDS</td>
<td>Heads of Social Development Services</td>
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<tr>
<td>IDP</td>
<td>Integrated Development Plan</td>
</tr>
<tr>
<td>ISDM</td>
<td>Integrated Service Delivery Model for Social Welfare</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<td>MANCO</td>
<td>Management Committee</td>
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<td>MDG</td>
<td>Millennium Development Goals</td>
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<td>MEC</td>
<td>Member of the Executive Council</td>
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<td>MINMEC</td>
<td>Ministers Council for Social Development</td>
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<td>MOU</td>
<td>Memorandum of Understanding</td>
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<td>MTEF</td>
<td>Medium-Term Expenditure Framework</td>
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<td>MTSEF</td>
<td>Medium-Term Strategic Framework</td>
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<td>NAWONGO</td>
<td>National Association of Welfare Organisations and Non-Governmental Organisations</td>
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<td>NDA</td>
<td>National Development Agency</td>
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<tr>
<td>NDP</td>
<td>National Development Plan</td>
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<tr>
<td>NGO</td>
<td>Non-Government Organisation</td>
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<tr>
<td>NPO</td>
<td>Non-Profit Organisation</td>
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<td>PFA</td>
<td>Policy on Financial Awards</td>
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<tr>
<td>PFMA</td>
<td>Public Finance Management Act</td>
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<td>PPP</td>
<td>Public Private Partnership</td>
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<td>SCM</td>
<td>Supply Chain Management</td>
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<td>SFP</td>
<td>Sector Funding Policy</td>
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<td>SSP</td>
<td>Social Service Practitioners</td>
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<tr>
<td>TPA</td>
<td>Transfer Payment Agreement</td>
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<tr>
<td>TOR</td>
<td>Terms of Reference</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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Executive Summary

The department is still faced with the challenges of providing the best possible services to the poorest and most vulnerable sectors of society. Social services have been the joint responsibility of DSD and civil society, with DSD providing financial support to non-profit organisations through funding and/or subsidisation. The current realities of the country demand that DSD reviews the manner in which it is disbursing its resources, to ensure that there is equitable provision thereof to historically disadvantaged communities.

The DSD policy and legislative framework has created a conducive climate for the DSD to achieve its mission, particularly with regard to the equitable distribution of resources. The critical role that the NPO sector has played in service provision is acknowledged by DSD. While some NPOs have made significant transformational shifts in line with the various policies and legislative frameworks to respond to the country’s current realities, transformation imperatives still remain a major challenge, particularly regarding the equitable distribution of services.

The White Paper for Social Welfare (1997), and the related Comprehensive and Summary Reports thereof (March 2016), continue to serve as an overall guide for the delivery of developmental social welfare and community development services that are accessible and equitable for all South Africans. While there has been some progress, it is important to provide further guidance for the implementation of various policies and programmes towards the delivery of integrated developmental social services.

With a view to fortifying the funding relationship of the DSD and the NPO sector, the department developed the Policy on Financial Awards to Service Providers (PFA), which has been reviewed and renamed as the DSD Sector Funding Policy (SFP). This policy seeks to ensure effective and efficient funding of the NPO sector and other entities with a view to facilitating the achievement of the department’s strategic objectives, specifically regarding the delivery of developmental social welfare, community development services and the capacity building programmes - in partnership with the NPO sector. Additionally, the policy will contribute towards guiding the funding partnership between the department, the NPOs and other entities.

Over the policy’s first five years of implementation (2005 - 2010) numerous concerns were received by the DSD from various stakeholders, regarding the ineffectiveness of the policy. In 2009/10 a Desktop Analysis conducted by the DSD, with the engagement of the NPO sector and provinces, revealed gaps and points of weakness in the policy. In 2010, the Free State High Court Judgment also identified additional gaps and challenges which impacted negatively on the policy’s effective implementation. By way of addressing the identified challenges, the Ministers Council for Social Development (MINMEC) and Heads of Social Development Services (HSDS) requested the review of the policy to address the problem areas identified during the initial implementation period (2005-2010). This policy was consequently approved and implemented from 2011.

The SFP for developmental social services is therefore a review of the existing PFA (which was approved in March 2011). This revised policy seeks to set out, in more detail, the proposed approach to the funding of all entities that are partnering with the department. Its primary aim is to ensure that DSD, together with the sector, achieves the mission of the DSD, namely ‘provision of integrated, comprehensive and sustainable social development services.'
Furthermore, the SFP aims to guide the country's response to the funding of service providers in the social development sector; to facilitate transformation for the equitable distribution of services and resources; and to ensure effective and efficient service provision to the poor and vulnerable sectors of society.
Introduction

Developing a transparent, fair and reasonable approach to funding services within the social development sector is no easy task. The process is complicated by the wide range of social needs the sector seeks to address, the varied nature of responses and the ever-present reality of constrained funding. Taking these factors into account, the overarching goal of the Sector Funding Policy is to facilitate the provision of integrated, comprehensive and sustainable social development services to people who need them, especially those who are most vulnerable. It does so by setting the policy parameters for planning, budgeting and equitable distribution of DSD funds including providing funding in the form of transfer payments to service providers that render developmental social services in partnership with government, represented by the national Department of Social Development (national DSD) or a provincial department of social development (provincial DSD).

This Policy document is divided into two main sections, as follows:

Section A: Context for the Social Development Sector Funding Policy

Section A provides an overview of the policy and legal context that informed the development of the Social Development Sector Funding Policy as set out in Section B, and the various associated annexures and guidelines. Note that Section A is intended to be descriptive, rather than prescriptive.

Chapter 1 reviews the history of the previous Policy on Financial Awards, highlighting the various challenges which necessitated its revision. The chapter also reviews the impact that the NAWONGO court case has had on the issue of funding services that address the needs of those who are most vulnerable in society. Chapter 2 sets out the legal framework governing transfers within the social development sector, highlighting the particular importance of the Constitution and the Public Finance Management Act.

Section B: The Social Development Sector Funding Policy

This section sets out the Social Development Sector Funding Policy and describes the different annexures and guideline documents that are part of the overall policy package.

Chapter 3 sets out the principles and policy goals. Chapter 4 deals with policy relating to transformation within the social development sector. Chapter 5 sets out arrangements for managing the partnership and funding arrangements between government and other role-players. Chapter 6 deals with policy relating to planning and budgeting for social development services, particularly issues related to ensuring equitable access across communities and geographic regions, and prioritising services to people who are most vulnerable. Chapter 7 describes the steps provincial DSDs must follow when planning, budgeting for and allocating funds for the provision of services. Chapter 8 sets out policies governing the management of transfers. Chapter 9 deals with monitoring and the publication of information on transfers.

Finally, Chapter 10 sets out the dates for the implementation of the overall policy, and specific provisions within the policy, as well as certain practical arrangements related to the implementation of the policy.
Section A
Context for the
Social Development Sector Funding Policy

Chapter 1 – Background

The challenges facing the social development sector are varied and complex. This is reflected in the analysis presented by the Ministerial Committee on the Review of the White Paper for Social Welfare (1997), which submitted its Comprehensive Report¹ to the Minister of Social Development in March 2016. In its Report, the Committee highlights the important role played by NPOs, but also the challenges with the current funding arrangements: “Non-profit organisations (NPOs) deliver a substantial proportion of social development services across most service areas. Their service delivery assists government in fulfilling its commitments. There is, however, widespread acknowledgement that the current funding arrangements for NPOs are inadequate in many respects, including the amount of funding, disparities across and within provinces, and inefficient processes.”²

The National Development Plan 2030 provides the following forthright analysis: “South Africa needs to confront the reality that social services are critical for improving social integration and human development. The current model of shifting the burden of care, treatment and rehabilitation to the non-governmental sector and the poorest communities is not working. The scale of social fragmentation and loss of purpose requires more systematic engagement with both governmental and non-governmental social service providers. Statutory services for children, young offenders, the elderly, people with mental health problems and people living with disabilities need well-conceived state and community interventions. Complex social problems require professional interventions to deal with the symptoms and underlying causes of social pressures, most evident in schools, workplaces and neighbourhoods that are plagued by gang warfare and households afflicted by violence, including the abuse of women and children. Urgent and systematic attention is required to deal with these issues.”³

The National Development Plan 2030 goes on to note that: “The current social welfare system needs to be reformed to deliver better results for vulnerable groups. Over the medium to long term, government should implement reforms that ensure accountability as well as adequate funding for the current state-civil society model for delivering welfare services.”⁴

The National Development Plan 2030 then makes the following policy proposal: “Reorganise the state-civil society model for delivering social services to ensure greater accountability, improve service delivery and protect the very vulnerable from neglect, exploitation and abuse.”⁵

The Sector Funding Policy is key to giving effect to this policy proposal.

In doing so, the Sector Funding Policy aims to address the shortcomings of the previous Policy on Financial Awards to Service Providers (2004), as well as issues related to the management and payment of transfers to entities involved in the provision of developmental social services. The proposals of the Ministerial Committee on the Review of the White Paper for Social Welfare (1997) were also considered and, where appropriate, are taken on board by the Sector Funding Policy.

³ See page 378 of the National Development Plan 2030
⁴ See page 376 of the National Development Plan 2030
⁵ See page 377 of the National Development Plan 2030

After the 1994 elections the government revisited policies to transform to a democratic society. The White Paper for Social Welfare (1997) laid the foundation for transforming the social development sector to embrace a developmental social services system that is just, equitable, participatory and appropriate in meeting the needs of all South Africans. In 1999, national DSD issued the Financing Policy for Developmental Social Services. The Policy's stated aims were to:

- 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; and
- Promote the capacity and sustainability of organisations.

In 2001, the Council of Ministers for Social Development (MINMEC) raised concerns about the slow pace at which service delivery was being transformed to align with the developmental approach and requested a high-level review of the Financing Policy (1999). This review concluded that: "Although the principles of the Financing Policy were sound, significant revision to the content of the Policy was necessary. MINMEC also decided that the Financing Policy should be located within a broader transformation programme, which involves reviewing welfare legislation, costing of services and transforming the social services professions."

This initiated a process to review the policy, which resulted in MINMEC approving the Policy on Financial Awards to Service Providers in October 2004. This new Policy was implemented from April 2005 with the aim of "guiding the country's response to the financing of service providers in the social development sector, to facilitate transformation and redirection of services and resources, and to ensure effective and efficient services to the poor and vulnerable sectors of society".

In subsequent years, national DSD received numerous concerns from various stakeholders regarding the Policy and its implementation. Challenges highlighted include:

- Disparities in the subsidisation of the same services across the different provinces.
- Different approaches by provinces to the management and administration of funding of NGOs.
- Different approaches to the monitoring and evaluation of service delivery by NGOs.

In response, in 2009 the national DSD conducted a desktop analysis of the Policy on Financial Awards (2004) to evaluate the impact of its implementation across the social development sector. The key findings of this review were:

- Lack of clarity in respect of the national and provincial roles and responsibilities in relation to NPO financing;
- Lack of uniformity in the implementation of the Policy across provinces;

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• Lack of alignment between the *Policy* and the newly approved sector legislation;
• Difference in approach used for the financing of NPOs within the social services sector;
• Inadequate financing of developmental social services and statutory services, in particular;
• Lack of disclosure of sources of financing by NPOs;
• Multiple funding of NPOs for the same services by different government departments;
• Lack of alignment to service delivery norms and standards;
• Lack of capacity within the NPO sector;
• Delays in the transfer of funds to NPOs; and
• Non-compliance of some NPOs with the NPO Act and other pieces of legislation.

Shortly after this review was completed, the High Court in the Free State issued its first judgment in the NAWONGO case. The court ruled that the *Free State Policy on Financial Awards to the Non-profit Organisations in the Social Development Sector of 2003* was unreasonable in that it did not recognise government’s constitutional and statutory obligations with regards to the funding of social welfare services provided by NPOs. The court found that the *National Policy on Financial Awards to Service Providers (2004)* did not differ fundamentally from the Free State policy, and so the finding that the Free State policy was unreasonable extended to the national policy as well.\(^7\)

In response, MINMEC instructed the national DSD to review the *Policy on Financial Awards to Service Providers (2004)* and to address the shortcomings identified by both the desktop analysis and the first NAWONGO judgment. This *Sector Funding Policy* is the long-awaited outcome of this process.

### 1.2 The impact of the NAWONGO court case\(^6\)

Provincial DSDs have regarded transfers to NPOs as subsidies to help NPOs provide social services. In recent years, these subsidies have not increased in line with inflation and, in some instances, allocations have actually fallen from one year to the next. The challenges caused by these factors have been aggravated by management challenges and the late payment of the transfers leading to cutbacks in service delivery. It is within this context that the National Association of Welfare NGOs (NAWONGO) took the Free State provincial government to court on the issue of NPO funding.\(^9\) The court case stretched from mid-2010 to August 2014. Four judgments were delivered during the case.

In the first judgment the court states that the subsidy approach to funding NPOs "fails to recognise, as a fundamental principle of funding, that NPOs that provide care to children, older persons and vulnerable persons in need, as well as statutory services, fulfil constitutional and statutory obligations of the department."\(^10\) Building on this position, the court ruled that a provincial DSD must

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\(^7\) See paragraphs 19 through 32 and 47 of the First NAWONGO Judgement, 5 August 2014.

\(^6\) National Association of Welfare Organisations and Non-Governmental Organisations and Others vs the Member of the Executive Council for Social Development, Free State and Others (Case no: 1719/2010. Free State High Court)

\(^9\) Note that the national Minister of Social Development was the second respondent but did not oppose it.

\(^10\) See paragraph 47 of the First NAWONGO Judgement, 5 August 2010.
fund the full core costs of services when it enters into agreements with NPOs to provide constitutionally and statutorily mandated services.\textsuperscript{11}

The first judgment put in place a structural interdict that required the Free State DSD to revise its Financing Policy to align with constitutional and legislative requirements, and to report back so that the court could check compliance. Each of the successive judgments reviewed the department’s revised policy drafts. In the fourth judgment, the court found the revised Funding Policy put forward by Free State DSD to be “compliant”. However, the court was careful to emphasise this did not imply that it represented the best policy option, or that better policy options were not possible. In this regard, the court stated: “The power to formulate and implement policy on financing of public projects resides in the government elected by the people of South Africa. This court can only pronounce on whether the policy complies with the Constitution. In deciding this question, the court must therefore be aware of the fundamental principle of separation of powers and be wary of attempting to formulate policy itself. The socio-economic rights in question have no minimum core or threshold. The test is whether the policy is a reasonable measure to the maximum extent of available resources or within available resources to achieve the progressive realisation of the rights. The test is not whether the policy is the best or most desirable measure possible.”\textsuperscript{12}

1.2.1 Elements of a reasonable funding policy

Government’s policy for funding NPOs and other entities must be "reasonable" and the following list sets out the key elements of a reasonable funding policy:\textsuperscript{13}

1. \textit{Government must consult with NPOs when developing or revising its funding policy.}
   - Emphasis is placed on the importance of thorough and meaningful consultation to avoid having a policy that is regarded as unreasonable.

2. \textit{The funding policy must be aligned to government’s constitutional and legislative obligations.}

3. \textit{Government has an obligation to fully fund the core service costs of NPOs that provide services that the state is obliged to provide.}

4. \textit{Government must take reasonable measures to the maximum extent of its available resources to ensure funding is available for the services that NPOs provide, particularly those services required by the most vulnerable.}
   - Government is obliged by both the Constitution and statutes to achieve progressive realisation of socio-economic rights. This requires that government must progressively increase the amount allocated for social services.\textsuperscript{14}

5. \textit{The funding policy must be reasonable, fair, equitable and transparent.}

6. \textit{The funding policy must indicate which services it will fund, what inputs it will fund and at what level it will fund those inputs.}

\textsuperscript{11} See paragraphs 13 to 17, and especially paragraph 22 of the Second NAWONGO Judgment, 11 May 2011. Also paragraph 3 of the Third NAWONGO Judgment, 22 March 2013 and paragraph 12 of the Fourth NAWONGO Judgment, 28 August 2014, taking into consideration that the court found the revised policy, including paragraph 11.5.2.4. of it to be reasonable.

\textsuperscript{12} See paragraph 13 of the Fourth NAWONGO Judgment, 28 August 2014

\textsuperscript{13} This list was first presented in the \textit{NAWONGO PER Annexure: Consultant’s proposals for an NPO Funding Policy aligned to the NAWONGO court judgments, which is one of the four main outputs of National Treasury’s Performance and Expenditure Review of the Cost implications of funding NPOs following the NAWONGO court judgments (2018).}

\textsuperscript{14} See paragraph 13 of the Fourth NAWONGO Judgment, 28 August 2014
7. The level of funding for a service should cover the core items required to deliver the service at a reasonable unit cost of these items, which should be revised every three years in consultation with stakeholders.

8. It is reasonable to expect NPOs to contribute to the funding of services.
   - it is not unreasonable for the funding policy to require that NPOs make a contribution.\textsuperscript{15}

9. The funding policy must provide for a method of planning and prioritising services so as to provide a rational basis for making tough decisions regarding which services to fund.

10. The funding policy may not provide for a downward adjustment in the level of funding for a service in order to fit within the available budget.

11. Government must clearly define the quality and content of the services it intends funding, in alignment with any norms and standards specified in legislation.
   - The funding policy cannot provide for lowering the quality of services in order to fit the available budget.

12. The funding policy must provide certainty; it cannot allow government to exercise an undefined discretion.

13. Funding agreements should usually be for three years to facilitate planning, both by government and NPOs.

14. Government’s administration of transfers must be timeous, reasonable, fair, equitable and transparent.

Through the Sector Funding Policy, the national DSD seeks to align its policy for funding developmental social services to these elements.

1.2.2 Reasonable modifications to the Funding Policy

In developing a comprehensive funding policy that will facilitate the provision of integrated, comprehensive and sustainable social development services, government is obliged to consider the following:

- the need to consider the whole departmental budget when prioritising the allocation of funds to services;
- the need to prioritise prevention and early intervention services;
- managing the trade-off between fully funding the core cost of existing services and expanding access to services;
- the need to move progressively from the current situation and avoid regressive steps in the provision of services and the risk of collapsing NPO capacity within the sector;
- the need to maintain and expand a balanced range of social and community development services recognising their integrated nature in addressing complex social needs;
- the need to develop an approach to funding the core costs of services that is administratively practical and ensures equity across service providers; and
- the need to develop a fair, transparent approach to NPO contributions.

\textsuperscript{15} See paragraph 48 of the First NAWONGO Judgment, 5 August 2010
This Sector Funding Policy provides for modifications to the previous reviews of the funding policy so as to better align to building the capacity of the sector to equitably fund existing services and progressively expand access to developmental social services going forward.

1.3 The draft Guideline for the Management of Transfers

There have long been concerns that departments are not managing transfers efficiently and effectively and that this impacts negatively on the development of productive partnerships and the delivery of services. At the end of 2016 National Treasury released a consultation draft of the Guideline for the Management of Transfers. This document seeks to clarify a number of key uncertainties in the interpretation and application of the Public Finance Management Act, 1999 with regards to the management of transfers and aims to begin the process of putting in place uniform treasury norms and standards for the management of transfers within the social development sector specifically. In subsequent discussions, it has been agreed that National Treasury should proceed with Section A of the draft Guideline, which applies to all sectors, and that the material in Section B of the draft Guideline, which applies specifically to the social development sector, be considered in the Sector Funding Policy.
Chapter 2 – Legal framework

The legislation governing transfers within the social development sector is divided into framework legislation and legislation that permits or mandates the funding of specific services.

Table 1 Legislation governing the payment of transfers

<table>
<thead>
<tr>
<th>Framework legislation</th>
<th>Funding legislation in the social development sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion of Administrative Justice Act, 2000</td>
<td>Children’s Act, 2005</td>
</tr>
<tr>
<td>Companies Act, 2008</td>
<td>Older Persons’ Act, 2006</td>
</tr>
<tr>
<td></td>
<td>Prevention of and Treatment for Substance Abuse Act, 2008</td>
</tr>
<tr>
<td></td>
<td>National Development Agency Act, 1998</td>
</tr>
</tbody>
</table>

The framework legislation creates an enabling, non-restrictive environment for the funding and management of transfers to entities outside of government.

The funding legislation applicable to the social development sector imposes specific funding criteria and conditions for funding certain services, often specifying which kinds of entities may be funded for a particular service. A further complicating factor is that some legislation was drafted without taking into account the current division of responsibilities between national and provincial government, and the current system of intergovernmental fiscal relations. The Minister of Social Development therefore needs to delegate responsibility for implementing the relevant legislation to the MEC for Social Development in each province.\(^\text{16}\)

2.1 Framework legislation relevant to this Policy

2.1.1 The Constitution (Act No. 108 of 1996)

The Constitution sets the overall framework within which government is required to provide services. The Bill of Rights provides for basic human rights and social and economic rights. It specifically makes provision for the delivery of social services. Section 27(1) (c) of the Constitution makes provision for the right to social security and social assistance, and section 28 makes provision for the right to social services for children.

Also relevant within this context is the Constitution’s division of functions between the three spheres of government, which provides that social services are a functional area of concurrent national and provincial legislative competence. In practice, national government leads with regards to policy and legislation, while the provinces fund and implement social development services, with local government fulfilling certain responsibilities in relation to childcare facilities and health and safety issues.

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\(^{16}\) National DSD will review whether the required delegations are in place.
2.1.2 The Non-Profit Organisations Act, 1997 (Act No. 71 of 1997)

The NPO Act establishes an administrative and regulatory framework for the voluntary registration and monitoring of NPOs. An NPO is defined, in terms of section 1 of the NPO Act, as "a trust, company or other association of persons established for a public purpose, and the income and property of which are not distributable to its members or office bearers except as reasonable compensation for services rendered". The NPO Act adopts a one-size-fits-all approach to both registration and compliance requirements and this is one of the key reasons for its review.

2.1.3 Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000)

The national and provincial DSDs engage in numerous administrative actions and make various decisions when managing transfers to NPOs that fall within the definition of the terms given in section 1 of the Promotion of Administrative Justice Act, 2000. Therefore, all administrative processes to manage transfers must comply with this Act. In practice, this means that the processes departments follow when calling for proposals, evaluating proposals, concluding TPAs, making payments, monitoring and evaluating performance, etc. must all be procedurally fair as set out in section 3 of the Act.

2.1.4 Public Finance Management Act, 1999 (Act No. 1 of 1999)

The Public Finance Management Act (PFMA) sets the regulatory framework within which departments make transfers to entities. While many sections of the PFMA are of general relevance, section 38(1)(j) and (k) deals specifically with transfers to "an entity within or outside of government". These sections are set out below, along with regulation 8.4 of the Treasury Regulations (March 2005).

2.2 The legal basis for transfers

Sections 38(1) (j) and (k) of the PFMA read as follows:

38. General responsibilities of accounting officers (1) The accounting officer for a department, trading entity or constitutional institution —

... (j) before transferring any funds (other than grants in terms of the annual Division of Revenue Act or to a constitutional institution) to an entity within or outside government, must obtain a written assurance from the entity that that entity implements effective, efficient and transparent financial management and internal control systems, or, if such written assurance is not or cannot be given, render the transfer of the funds subject to conditions and remedial measures requiring the entity to establish and implement effective, efficient and transparent financial management and internal control systems;

(k) must enforce compliance with the prescribed conditions if the department, trading entity or constitutional institution gives financial assistance to any entity or person.

The following provision in the PFMA is also directly relevant to the management of transfers:

38. General responsibilities of accounting officers (1) The accounting officer for a department, trading entity or constitutional institution —
(f) must settle all contractual obligations and pay all money owing, including intergovernmental claims, within the prescribed or agreed period.

Regulation 8.4 of the Treasury Regulations (March 2005) issued in terms of the PFMA elaborates on the above provision as follows:

8.4 Transfers and subsidies (excluding Division of Revenue grants and other allocations to municipalities) [Section 38(1) (j) of the PFMA]

8.4.1 An accounting officer must maintain appropriate measures to ensure that transfers and subsidies to entities are applied for their intended purposes. Such measures may include-

- (a) regular reporting procedures;
- (b) internal and external audit requirements and, where appropriate, submission of audited statements;
- (c) regular monitoring procedures;
- (d) scheduled or unscheduled inspection visits or reviews of performance; and
- (e) any other control measures deemed necessary.

8.4.2 An accounting officer may withhold transfers and subsidies to an entity if he or she is satisfied that-

- (a) conditions attached to the transfer and subsidy have not been complied with;
- (b) financial assistance is no longer required;
- (c) the agreed objectives have not been attained; and
- (d) the transfer and subsidy does not provide value for money in relation to its purpose or objectives.

8.4.3 & 8.4.4 [not applicable to transfers to NPOs]
Section B
The Social Development Sector Funding Policy

Chapter 3 – Principles and Policy Goals

The Sector Funding Policy is built on the foundation of the values, principles and rights set out in the Constitution, and embedded in other government policies and legislation. These values, principles and rights provide the basis for government, represented by the national Department of Social Development and provincial departments of social development, to partner with NPOs and other entities in the delivery of developmental social services, striving to provide equitable access to services across communities and geographic regions, and prioritising the provision of services to people who are most vulnerable.

3.1 Core Values

When providing developmental social services government, NPOs and all other role-players must act within the bounds of the Constitution and specifically seek to uphold the core constitutional values of human dignity, the achievement of equality and the advancement of human rights and freedoms, non-racialism and non-sexism and the rule of law. They must also seek to uphold and advance the realisation of the rights set out in the Bill of Rights, specifically sections 27 and 28:

- **Section 27**, among other things, provides that everyone has the right to have access to social security - including, if they are unable to support themselves and their dependants, appropriate social assistance;

- **Section 28**, among other things, provides that every child has the right to:
  - appropriate alternative care when removed from the family environment,
  - basic nutrition, shelter, basic health care services and social services,
  - be protected from maltreatment, neglect, abuse or degradation, and
  - be protected from exploitative labour practices.

It also provides that a child’s best interests are of paramount importance in every matter concerning the child.

National DSD and provincial DSDs are also specifically required to act in accordance with the Basic values and principles governing public administration set out in section 195 of the Constitution, as well as the Batho Pele principles as set out in the White Paper on Transforming Public Service Delivery (1997).

3.2 Principles that underpin the Sector Funding Policy

The following principles have informed the content of the Sector Funding Policy, and must inform its implementation:

**Accessibility:** Accessibility of services in terms of physical and geographical conditions, time, language and need. Developmental social services are made available to all people who need them, specifically those who are most vulnerable. No individual or group is denied access either because they lack resources or lack knowledge on how to access services.
Accountability: Compliance with all relevant legislative, policy and financial regulations, including holding the entities that receive transfers accountable for the proper use of the funds.

Affordability: No one must be excluded on the basis of their inability to pay for services and, where fees are charged, a means test\(^\text{17}\) should be applied.

Appropriateness: Services that are appropriate in terms of social, economic, religious, cultural, indigenous, physical and gender-based needs and conditions.

Efficiency and effectiveness: Achievement of objectives and the funding and delivery of services in a cost-effective and efficient manner.

Empowerment: Enhancement of the capacity of existing, new and emerging entities to enable them to participate fully in the delivery of developmental social services.

Equity: Fair funding and distribution of developmental social services based on social needs, and community and geographic priorities.

Excellence: Maintaining professional standards of performance in the management, planning, budgeting, funding and delivery of developmental social services.

Integrity: Managing, funding and providing services with honesty, justice and respect for all involved, especially service beneficiaries.

Human rights-based approach: Upholding and promoting the values and rights set out in the Constitution in the management, planning, budgeting, funding and delivery of developmental social services.

Partnership: Government, NPOs, co-operatives and other entities working together in a spirit of co-operation and mutual trust to achieve the common goal of providing developmental social services to all people who need them, specifically those who are most vulnerable.

Transparency: Access to information; openness of administrative and management procedures.

3.3 Goal and objectives of the *Sector Funding Policy*

3.3.1 Goal of the Policy

The overarching goal of the *Sector Funding Policy* is to facilitate the provision of integrated, comprehensive and sustainable social development services to those who need them, especially the most vulnerable, through providing funding in the form of transfer payments to service providers that are rendering developmental social services in partnership with government, represented by the national Department of Social Development or a provincial department of social development.

\(^{17}\) A means test is an official investigation into a person's financial circumstances to determine their eligibility to receive state assistance based on specific income benchmarks.
3.3.2 Objectives of the Policy

The objectives of the Sector Funding Policy are:

- To facilitate the equitable provision of developmental social services to all people who need them, prioritising people who are most vulnerable, and specifically expanding access in poor, underserved informal settlements and rural areas.

- To promote transformation through aligning social services to the developmental approach, expanding equitable access by working with a wider range of entities, promoting organisational transformation, capacity building and creating training and mentoring opportunities for new and emerging entities.

- To build relationships between government and other role-players in the social development sector that are socially equitable, financially viable, structurally efficient and effective in delivering, and aimed at extending access to developmental social services.

- To put in place mechanisms to ensure the appropriate prioritisation of services, particularly prevention and early intervention services, and the care and protection of children, older persons, people with disabilities and those who are most vulnerable.

- To provide for the development of service funding standards that specify minimum levels of funding for entities providing core care and protection services.

- To put in place mechanisms to facilitate planning and budgeting for the delivery and expansion of developmental social and community development services.

- To detail fair and transparent procedures to be followed by departments when allocating funding to NPOs and other entities for the delivery of developmental social services.

- To simplify and streamline processes for managing transfers to NPOs and other entities, including putting in place differentiated requirements for financial reporting and risk-based monitoring.

- To enhance transparency and accountability by providing for the annual publication of information on transfers to entities.

3.3.3 Intended outcomes of the Policy

The desired outcomes of the Sector Funding Policy:

- Everyone, particularly those who are most vulnerable, has equitable access to quality developmental social services irrespective of where they live or their level of income.

- Government is working with NPOs and other entities in relationships founded on mutual respect, co-operation, open communication and equitable funding.

- Government transfers to NPOs and other entities are being managed fairly, transparently, efficiently and accountably, in compliance with applicable legislation.
3.4 Applicability of the Sector Funding Policy

The Sector Funding Policy applies to the national Department of Social Development and the departments responsible for social development in each province when planning the provision of developmental social services (social welfare and community development services), making transfers in terms of section 38(1)(j) and (k) of the PFMA to entities outside of government to fund or subsidise specific projects, programmes or other interventions carried out by these entities related to developmental social services.
Chapter 4 – Transformation

"Transformation is about turning around the legacy of apartheid, equalising opportunities, building capabilities and making real the vision embodied in the Constitution of the Republic of South Africa; that is the establishment of a non-racist, non-sexist, democratic and prosperous society."15 This is how the National Development Plan 2030 concludes Chapter 15: Transforming society and uniting the country.

Earlier in the Plan it is noted that: "Only by reducing poverty and inequality through broadening opportunity for all can the country achieve transformation. This transformational vision, which calls upon the use of resources, skills, talents and assets of all South Africans, is about adequately advancing social justice and addressing historical disparities."19

And that: "The task of creating equal opportunities and building capabilities should begin with ensuring that everyone has access to quality basic services... "20

The social development sector has a critical role to play in realising transformation by ensuring that it fulfills its constitutional mandate to guarantee that everyone has access to quality developmental social services, prioritising children, older persons, persons with disabilities and those who are most vulnerable.

To ensure equitable access to developmental social services, the sector itself needs to transform so as to be governed by the democratic values and principles enshrined in the Constitution. Section 195 of the Constitution sets out the basic values and principles governing public administration in all spheres of government. These values and principles must govern not only the national DSD and provincial DSDs, but all role-players in the social development sector given that they are all involved in providing developmental social services to the public and most are using public funds in the form of transfers to do so (see below).

The social development sector has an important role to play in realising the objectives of transformation through ensuring all services are aligned to the developmental approach, expanding equitable access to services across provinces and underserved informal settlements and rural areas, expanding the range of entities with which government partners to deliver services, promoting organisational transformation, and creating training and mentoring opportunities to promote transformation.

4.1 Implementing the developmental approach to social services


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10 See page 478 of the National Development Plan 2030.
15 See page 465 of the National Development Plan 2030.
20 See page 466 of the National Development Plan 2030.
approach does not replace or give precedence to any one method of practice, but stresses that regardless of the method of intervention, the outcome must promote social and economic justice.\textsuperscript{21}

The \textit{Ministerial Committee on the Review of the White Paper for Social Welfare (1997)} notes that the developmental approach is "an important advance that situated the problems of individuals and families within South Africa’s unique socio-political context of institutional racism and socio-economic inequality."\textsuperscript{22} However the Committee found that there is a confusing diversity of understandings of the concept of developmental social services within the government sector, the non-governmental sector, practising social development professionals, academics and researchers. The Committee goes on to state that: "There is a need for further clarity to translate the concept into operational practice to better link [developmental social services] with poverty and vulnerability and take into account the psycho-social trauma that individuals and households experience through their life cycle. ... [Developmental social services] is a path to ensuring that the most vulnerable and at risk in society have comprehensive social protection (including social services) that covers them throughout their lifecycle. Together social protection measures, developmental social work, the social services as well as community development processes provide the paths to social development. Social development is an outcome of protecting people who are vulnerable and at risk using social assistance, community development and social welfare services. It is also an outcome of processes that enable communities to overcome structural conditions such as poverty and unemployment through strategies designed to promote capabilities, social infrastructure and effective participation in local governance."\textsuperscript{23}

The national DSD will take the lead in ensuring that there is consistent understanding of the approach to developmental social services among all role-players within the social development sector. It will also give guidance on how to translate the developmental approach into operational practice so that all sector role-players can align their delivery of services accordingly. Ultimately, the aim is to ensure that the developmental approach informs the design and delivery of all sector services to maximise their transformational impact.

\subsection*{4.2 Expanding access to services}

As noted, the social development sector has a critical role to play in realising transformation by ensuring that everyone has access to quality developmental social services.

The most urgent task in this regard is for national DSD and provincial DSDs to ensure that NPOs and other entities that provide poverty alleviation programmes, care and protection to children, older persons, people with disabilities and those who are most vulnerable, as well as statutory services that enter into agreements with government for government to fund or subsidise the delivery of such services, are properly funded according to service funding standards that cover the core cost of delivering these services in line with the applicable minimum norms and standards. This is a necessary step that lays a sound foundation for the equitable expansion of properly funded, quality services.

\begin{flushleft}
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Expanding equitable access to services will require and deliberate planning budgeting. The national DSD and provincial DSDs will lead with plans and budgets that redress historical inequalities and specifically expand services to those who are most vulnerable in poor, underserved informal settlements and rural areas.

4.3 Partnering with a wider range of entities

In the past, the national DSD and provincial DSDs partnered primarily with well-established NPOs in delivering services. The range of NPOs funded has increased over time. In particular, the rapid expansion of ECD in recent years, as well as the national roll-out of the Isibindi model, created opportunities for provincial DSDs to partner with many more new and emerging NPOs. However, significant additional capacity is required to transform the sector and ensure that everyone has access to quality developmental social services, particularly in poor, underserved informal settlements and rural areas. The provincial DSDs will need to expand their in-house delivery capacity, work with established NPOs to further expand their capacity and geographic reach, support new and emerging entities, and explore options for partnering with a wider range of entities. These should include business entities such as co-operatives, sole proprietors, business-partnerships and companies, for the delivery of certain services.

4.4 Promoting organisational transformation

NPOs and other entities in the social development sector are generally involved in providing services to the public. Most of them have to register in terms of sector legislation and many of them are using public funds in the form of transfers to deliver services. In addition, those NPOs that provide care and protection to children, older persons, people with disabilities and those who are most vulnerable, and provide statutory services, do so on behalf of government. For this reason, national DSD and provincial DSDs have a duty and responsibility to ensure all NPOs and other entities they register and/or fund to provide developmental social services align their governance, management, employment practices and service delivery with the basic values and principles governing public administration as set out in section 195 of the Constitution.

The chart below sets out a slightly modified version of section 195 of the Constitution, adapted to make it applicable to NPOs and other entities operating within the social development sector. All NPOs and other entities involved in the delivery of developmental social services are required to align their governance, management, employment practices and service delivery with the basic values and principles set out below:

Basic values and principles for entities delivering developmental social services

All NPOs and other entities that are involved in the delivery of developmental social services must be governed by the following basic values and principles:

(a) A high standard of professional ethics must be promoted and maintained.
(b) Efficient, economic and effective use of resources must be promoted.
(c) NPOs and other entities must be development-oriented.
(d) Services must be provided impartially, fairly, equitably and without bias.
(e) People's needs must be responded to, and the public must be encouraged to participate in decision-making as appropriate.

(f) NPOs and other entities must be accountable.

(g) Transparency must be fostered by providing the public with timely, accessible and accurate information.

(h) Good human-resource management and career-development practices must be cultivated to maximise human potential.

(i) NPOs and other entities ought to be broadly representative of the people they serve, with board appointments, employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve local representation.

The national DSD, in consultation with provincial DSDs and sector role-players, will develop a Transformation Scorecard to measure and monitor the extent to which NPOs and other entities align with these basic values and principles. National DSD will also develop a roll-out schedule for measuring and monitoring alignment starting with the largest NPOs and other entities involved in the social development sector. This is based on the understanding that the public interest in ensuring entities align to these basic values and principles is proportional to their size and extent of operations.

Based on the roll-out schedule, NPOs and other entities will be required to complete and submit the Transformation Scorecard either to national DSD or the relevant provincial DSD. If an NPO or other entity scores below a set minimum level in a particular area, national DSD or the relevant provincial DSD will engage with it to develop and agree on a Transformation Plan setting out the actions the NPO or other entity will take to address the areas of non-alignment and time-frames for implementing such actions. This Transformation Plan must become an agreement, signed by the relevant department and duly authorised representatives of the NPO or other entity.

National DSD or the relevant provincial DSD must monitor the NPO's or entity's compliance with this Transformation Plan. Should the NPO or other entity fail to implement it in material respects, the relevant department must engage further. However, if the NPO or other entity is deliberately and intentionally resisting transformation, the relevant department must implement steps to close down its operations by terminating all transfers, revoking any service registration certificates it may hold and closing all its facilities and services.

4.5 Training and mentoring opportunities to promote transformation

The service delivery capacity of the social development sector needs to be grown significantly to expand access to developmental social services such as poverty alleviation and other community development programmes to all who need them. This represents an important opportunity to expand and transform the sector through establishing and building the capacity of new NPOs, cooperatives and other entities working in poor, underserved informal settlements and rural areas.

National DSD and provincial DSDs will facilitate training and mentoring opportunities for new and emerging entities through the following approaches:
(a) **Hub and spoke mentoring**

The idea is that a central well-capacitated entity will be funded/contracted to provide an oversight, mentoring and support service to a number of neighbouring entities. There are already many entities that have hub and spoke mentoring arrangements in place. It is envisaged that departments need to promote, formalise and fund these arrangements, in several forms:

- an entity runs several satellite sites, as part of a single organisation. In this instance the entity acts as a central hub, directly responsible for the administration of the campuses, managing the staff, and overseeing the quality of services. The relevant provincial DSD would fund the entity or NPO hub for the oversight mentoring component of the work it does, with a view that, over time, some of the campuses will be spun off into independent entities; or

- a central NPO or a business entity is funded/contracted by the relevant department to provide oversight, mentoring and support to independent entities within its geographic area or in a designated geographic area.

Existing evidence indicates that such hub and spoke arrangements have the potential to provide training and mentoring at a relatively low cost, especially if the hub and spokes are in the same geographic area. The services the hub provides could extend beyond mentoring and programme support to also include capacity building programmes related to registration support, book-keeping, governance and financial management, management of parent committees and infrastructure management support.

(b) **Contracted mentoring and support**

An NPO or other entity with the necessary knowledge, skills and capacity would be contracted to provide mentoring and support to selected new and emerging entities for a specified period, e.g. two years. A number of options exist for structuring these arrangements:

- **service provider contracts**: here the relevant department would need to follow a normal procurement process to appoint the service provider. Both NPOs and other entities would be entitled to tender, and the winning bidder would be appointed to provide the required training and mentoring service to the designated new and emerging organisations. This arrangement will also apply to organisations which provide governance and oversight to the associates.

- **joint funding arrangements with donors to appoint service providers**: here the relevant department would leverage donor funding and management capacity, which could have many positive spin-offs, one of them being greater scope to select specific entities that have the required expertise or are located in the specific geographic area where the service is required.

(c) **Twinning of organisations**

A well-capacitated entity could twin with a new or emerging entity with a view to their working together to improve the latter's capacity. This is a reduced form of the hub and spoke model, where one NPO supports another. The advantage of keeping it small scale is that supporting a single NPO is not “too big a task”, and if the management gets behind the initiative, it has the potential to yield very positive outcomes – for both entities – in terms of promoting integration across communities.
If well-promoted, an initiative of this nature could potentially play an important role in improving, for example, the quality of ECD in poor communities.

**d) Workplace exchanges**

This involves establishing an incentive scheme that encourages workplace exchanges between the staff of well-capacitated organisations and new and emerging entities. It is envisaged that both staff members and beneficiaries stand to gain from such exchanges, and that the links forged through the exchanges could lay the basis for further mentoring and support.
Chapter 5 – Partnerships and Funding Transfers

In a broad sense, a partnership is any cooperative endeavour undertaken by two or more parties. These parties can be governments, civil society organisations, businesses, individuals, or a combination, and the goals of the partnership can vary widely. To work effectively, partnerships need to be built on a foundation of co-operation, mutual respect, trust and synergy directed towards achieving a common objective. Partnerships aim to bring stakeholders with different resources together for the purpose of jointly achieving common aims.

Successive United Nations (UN) Summits on population, development, gender and the environment have highlighted partnerships as a key approach for achieving sustainable human development objectives. The South African government also recognises the potential of partnerships to strengthen democratic social collaboration and create an enabling environment for growth, distribution and extension of services to poor and vulnerable people. The National Development Plan 2030 recognises the critical importance of partnerships, noting: “To successfully implement this plan, the country needs partnerships across society working together towards a common purpose. At present, South Africa has high levels of mistrust between major social partners. A virtuous cycle of building trust and engaging in discussion to confront the most pressing challenges is needed – one that takes a long-term view.”

Forging meaningful partnerships within the social development sector is particularly important in providing social protection services and leading government efforts to forge partnerships through which vulnerable individuals, groups and communities become capable and self-reliant participants. This requires the organisational structure and the fiscal resources to also effectively address the triple challenges of poverty, unemployment and inequality as articulated in the NDP. A vibrant civil society is an essential vehicle for ensuring active citizenship and empowering communities to take ownership of their own development and future. Developmental social services have at their core the ideas of collective responsibility and collaborative partnership, where all the partners in the sector play a critical role in ensuring the provision and equitable extension of services to address the needs of the most vulnerable people in society.

The current partnership arrangements within the social development sector are generally poorly structured and not organised to respond to the increasingly complex social problems facing our society. There is an urgent need to restructure them to develop a system that is socially equitable, financially viable, structurally efficient and effective. To facilitate this, the national DSD developed a DSD-NPO Partnership Model that formalises key elements of the partnerships within the sector, namely:

- setting common purpose and goals for the partnership;
- describing roles and responsibilities of the respective partners;
- setting up forums to facilitate collaboration;
- providing for appropriate Memoranda of Understanding (MOU);
- providing for open, transparent accountability mechanisms;
- accessible channels of communication; and
- appropriate dispute resolution processes.

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24 See page 57 of the National Development Plan 2030.
The Sector Funding Policy is a key building block in developing socially equitable, financially viable, structurally efficient and effective partnerships within the social development sector. National DSD and provincial DSDs play a critical role in the partnership through leading the planning for the delivery of services and providing NPOs and other entities with the funding they require to deliver developmental social services. The aim is to make these funding arrangements fair, transparent, efficient and effective, while at the same time ensuring accountability for the use of public funds.

### 5.1 Purposes or objectives and entities that may be funded by transfers

The following table sets out the developmental social services and the types of entities national DSD and the provincial DSDs may fund to provide particular services by means of transfers made in terms of section 38(1) (j) of the PFMA.

**Table 2: Purposes that may be funded by transfers and eligible entities**

<table>
<thead>
<tr>
<th>Priority prevention and early intervention Programmes</th>
<th>Social welfare services</th>
<th>Community development services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design and delivery of programmes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Services to children;</td>
<td>- Capacity building of entities</td>
<td></td>
</tr>
<tr>
<td>- Services to older persons;</td>
<td>- Community empowerment services development, including life skills</td>
<td></td>
</tr>
<tr>
<td>- Services to persons with disabilities;</td>
<td>- Community development</td>
<td></td>
</tr>
<tr>
<td>- Services to families;</td>
<td>- Social mobilisation programmes</td>
<td></td>
</tr>
<tr>
<td>- Victim empowerment;</td>
<td>- Food security /</td>
<td></td>
</tr>
<tr>
<td>- Social Crime Prevention;</td>
<td>- Food relief programmes</td>
<td></td>
</tr>
<tr>
<td>- Prevention of substance abuse and rehabilitation;</td>
<td>- Sustainable livelihood programmes</td>
<td></td>
</tr>
<tr>
<td>- HIV and AIDS</td>
<td>Registered NPOs</td>
<td>Registered NPOs</td>
</tr>
</tbody>
</table>

| Registered NPOs                                      |                         | Co-operatives (see conditions set out in section 7.1) |

National DSD and provincial DSDs may not make transfers in terms of section 38(1) (j) of the PFMA to voluntary associations, trusts, charitable trusts or funds that are not registered as NPOs in terms of the NPO Act. In the absence of such registration, the governance and accountability arrangements for these types of entities can be very vague. Also, doing so would undermine the objectives of the NPO Act to encourage non-profit organisations to maintain adequate standards of governance, transparency and accountability and to improve those standards.\(^{25}\)

National DSD and provincial DSDs may make transfers in terms of section 38(1)(j) of the PFMA to for-profit type entities providing ECD services because:

- for-profit type entities are already playing an important role in extending access, and in most instances are using private resources to do so, meaning it would be inequitable and impractical to require them to register as NPOs;
- the transfers are linked to providing ECD services in designated geographic areas (wards) or to eligible children; and

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\(^{25}\) See section 2 of the NPO Act, 1997.
- the TPAs provide that the entity must account for the use of transfers to provide ECD services, and the entities may not deliberately structure the use of the transfer to make a profit.

5.2 Specific eligibility requirements to receive transfers

Entities need to comply with eligibility requirements to receive transfers, but compliance does not create a funding entitlement or place an obligation on either the national DSD or a provincial DSD to fund the entity. The criteria and processes national DSD and provincial DSDs must follow when allocating funding are described in Chapters 6 and 7 below.

To be eligible to receive a transfer all entities must be registered and compliant with the applicable governance, financial management, banking and reporting requirements, as follows:

- NPOs must be registered in terms of the Non-Profit Organisations Act, No. 71, 1997, and compliant with its provisions.
- Co-operatives must be registered in terms of the Co-operatives Act, No. 14 of 2005, and compliant with its provisions.
- Companies must be registered in terms of the Companies Act, No. 71 of 2008, and compliant with its provisions.

Sole proprietorships and partnerships are legal entities recognised in common law. There are no legal registration requirements governing these entities.

In all instances where the NPO or other entity is providing or planning to provide a service to beneficiaries, it must:

- be registered or have at least a conditional registration in the case of services where such registration is a legislative requirement (for instance, services set out in the Children’s Act, 2005, Older Persons Act, or the Prevention and Treatment of Substance Abuse Act), or
- in the case of services where there is no legislative requirement to register as a service provider, it must provide the information requested by the relevant department to demonstrate it has the necessary capability and understanding to provide services according to the specified minimum norms and standards for the service.

In addition to the above registration requirements, for an entity to be eligible to receive a transfer from the national DSD or a provincial DSD it must:

- have a bank account in the name of the entity;
- have the financial management and internal control systems applicable to the entity in place;
- have complied with the funding application requirements applicable to the specific service or grant; and
- have no previous history of serious financial mismanagement issues or non-compliance with the minimum norms and standards for services previously delivered, unless, in the case of NPOs, companies and co-operatives, specific measures have been put in place to resolve the issues and mitigate against future occurrences.
The *SFP Guideline* will provide further details on these eligibility requirements, particularly requirements regarding applications, financial management and financial reporting standards.

### 5.2.1 Registration on the Central Supplier Database

The Central Supplier Database is managed by the National Treasury. Currently its purpose is to serve as a single source of key supplier information of organisations, institutions and individuals interested in conducting business with the South African government. Its purpose is to support the supply chain management processes of government. Consequently, at present, NPOs and other entities are not required to register on the Central Supplier Database to be eligible to receive transfers in terms of section 38(1)(j) of the PFMA.\(^{26}\)

The Central Supplier Database provides a useful platform for verifying and maintaining key entity, banking and tax-related information. Therefore, national DSD is exploring options with National Treasury to extend the functionality of the database to cover entities that receive transfers. If a decision is taken to make registration on the Central Supplier Database an eligibility requirement to receive transfers, national DSD will inform all role-players in the sector, and draw up a timetable for rolling out the registration requirement that starts with the largest entities.

### 5.3 Types of funding arrangements

The national DSD and provincial DSDs can enter into different types of funding arrangements with NPOs and other entities delivering developmental social services. The structure of funding arrangements must be tailored to the specific purpose or objective of the partnership and will be reflected in the TPA signed with the NPO or other entity. A department must structure funding arrangements so as to:

- promote the efficient and effective delivery of services;
- ensure equity between entities being funded for the same or similar services;
- facilitate the fair and transparent determination of the level of funding allocated to an entity; and
- facilitate the monitoring of the management and use of funds.

Programme funding is the preferred form of funding for developmental social services, as it should take into consideration all reasonable costs involved in delivering a service; in calculating such costs, post costs and per capita costs can be used. However, it is not clear that programme funding is fit for purpose in all circumstances; for instance, when funding an entity to purchase specific equipment or the upgrading of buildings. To avoid imposing a one-size-fits-all approach to funding, a range of possible funding arrangements are provided for:

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\(^{26}\) In terms of the PFMA transfers are a distinct category of transactions, different from procurement processes as such supply chain management regulations do not apply to transfers.
Table 3: Types of funding arrangements

<table>
<thead>
<tr>
<th>Type of funding arrangement</th>
<th>When should it be used?</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Programme funding</td>
<td>To calculate the funding for entities that provide services or run programmes that are ongoing in nature. This includes social welfare facilities such as shelters, drop-in centres, protective workshops etc.</td>
</tr>
<tr>
<td>ii. Per place/beneficiary funding</td>
<td>To calculate the funding for entities that provide services where there is a strong link between the number of places or beneficiaries and the cost of providing the service such as for child and youth care centres and ECD centres.</td>
</tr>
<tr>
<td>iii. Post funding</td>
<td>To calculate the funding for entities where the department is supporting their activities by funding specific posts.</td>
</tr>
</tbody>
</table>
| iv. Project-based funding   | • To calculate the funding to entities for specific projects that are once-off and of limited duration, such as awareness/education campaigns or livelihood projects.  
• Ongoing sustainable livelihood projects aimed at reducing poverty, inequality and social ills.  
• To calculate the funding to entities for the repairs, maintenance and renovations to existing buildings. |
| v. Item based funding       | To calculate the funding to entities to enable them to purchase equipment or vehicles required for the provision of services. |
| vi. Cost sharing            | To share the cost of funding a programme or project with an entity. The ratio of the cost sharing will be based on what each of the parties can contribute. |

A department may set out more than one type of funding arrangement in an TPA, or it may sign more than one TPA with an entity, reflecting different funding arrangements for different purposes or objectives.

There are, however, specific concerns that post funding is often structured in ways that do not recognise the associated overhead and operating costs of employing personnel and enabling them to do their work (e.g. transport and materials). It is therefore recommended that this funding approach should be converted to programme funding so as to provide for these other costs.

5.4 Transfer payment agreements (TPAs)

The national DSD or the relevant provincial DSD must sign a suitably structured TPA with each entity it intends to fund. A department may only transfer funds to an entity once the TPA has been signed by the duly authorised representatives of both the department and the entity. Once signed, funds may only be transferred in accordance with the payment schedule specified in the TPA.

The SFP Guideline sets out the minimum required contents of TPAs and arrangements for signing and record keeping.

5.5 Moving entities towards sustainability

Moving entities towards being self-reliant needs to be understood with reference to the particular type of entity, the services it is providing and the purpose / objectives for funding it.

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27 A programme is a planned, coordinated group of activities and procedures for a specific purpose. Programmes cover a very wide range of social development services.
5.5.1 Services where government has an ongoing funding responsibility

Where the funding arrangement involves funding an NPO or other entity that provides services to children, older persons, people with disabilities or other very vulnerable people, or to provide statutory services, government has an ongoing responsibility to fund such services. In such instances, the partner NPOs or other entities are providing developmental social services on behalf of government and therefore they are not expected to be moved towards being self-reliant.

Nevertheless, these NPOs and other entities are still encouraged to explore other sources of funding to enable them to improve the quality of services they provide. This may include soliciting donations, charging fees or developing alternative income streams.

5.5.2 Supporting specific time-bound projects

In other instances, the national DSD or a provincial DSD may partner with an NPO or other entity with the express purpose of implementing a specific time-bound project or as part of an initiative aimed at enabling the entity to become self-reliant. In such instances, there is no obligation on the department to fund the entity beyond the period of the TPA, and the entity needs to take the necessary income earning / fund-raising steps to ensure its own sustainability.

5.5.3 Charging fees for services

Many NPOs and other entities charge client fees for the services they provide. This is an important strategy to ensure their sustainability, supplement any funding they receive from government and enable them to improve the quality of the services they provide.

In some service areas there are regulations governing the fees that clients may be charged for specific welfare services, but in many other areas no such regulations exist. Where regulations governing service fees exist, NPOs and other entities are required to operate within the prescribed parameters.

Recognising government’s own resource constraints, and in line with the benefit principle of public finance, NPOs and other entities are encouraged to charge clients fees for the services they provide, taking into account clients’ income and their ability to pay.

Where an NPO or other entity decides to charge fees, it must put in place a fees policy that sets out:

- processes for informing clients of the applicable fees before a service is rendered;
- a schedule of fees for services, including any permissible discounts, (e.g. early payment discounts), or grounds for exemptions;
- payment periods – by when fees must be paid?
- arrangements for payment – invoicing, who receives payment, payment methods, receipts; and
- consequences of non-payment.

If an NPO or other entity charges fees for the services it provides, neither national DSD nor a provincial DSD may reduce the level of funding it is eligible to receive in terms of any applicable minimum funding standards except in accordance with the SFP Guideline on NPO Contributions referred to in section 5.6.2 below.
5.6 Effective use of sector resources

In the spirit of partnership, NPOs and other entities have an obligation to work with the government to ensure that both private and public funds within the social development sector are used efficiently and effectively to provide developmental social services as widely as possible. Many NPOs and other entities receive funds from sources other than national DSD or provincial DSDs.

5.6.1 Disclosing other funding sources

NPOs are encouraged to raise funds from a range of sources as this will contribute towards their sustainability. However, to ensure the national DSD or a provincial DSD does not fund services or objectives that have already been funded from other sources, NPOs are required to disclose the existing funding they receive from national DSD, a provincial DSD, and other funders. Such disclosures will become compulsory once the national DSD has put in place the SFP Guideline on NPO Contributions.

5.6.2 NPO contributions

There must be a fair, equitable and transparent method of determination of what the NPOs are able to contribute for provision of statutory services. The equation below describes relationship between transfers, core costs and the full cost of services for all developmental social services that government funds entities to provide:

\[ \text{Government transfer} < \text{core cost of service} < \text{the full cost of service} \]

In other words, government transfers to NPOs are less than the core cost of providing services, which are in turn less than the full cost of services. In such circumstances, it would be unreasonable and unfair for an amount to be deducted from the DSD transfer amount on basis that the entity receives funding from another source. Therefore, entities will not be required to make contributions until such time as national DSD has put in place SFP Guideline on NPO Contributions, which will:

a. set out how NPOs and other entities are required to report other sources of income, i.e. provide reporting forms and specify what forms of proof are required;

b. specify which sources of NPO income should be considered when determining what amount an NPO or other entity can be fairly expected to contribute;

c. set out a fair, equitable and transparent method for determining what NPOs and other entities can reasonably be expected to contribute to the funding of services; and

d. in the case of a service listed in Category 1 of SFP Annexure 3, require an NPO or other entity to make a contribution only if the service has been shifted into Category 2 and is being funded at a level equal to or exceeding the applicable minimum funding standard, and the applicable minimum funding standard has been set at a level that covers the reasonable core costs of providing the service.\(^{28}\)

e. Because of limited funding currently, government will only be able to fund any particular service at the specified minimum funding standard, which will be below the reasonable core costs of providing the service, and then increase their value progressively until they equal the reasonable core cost of providing services.

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\(^{28}\) This recognises that DSD might set the initial value of minimum service funding standards below the reasonable core cost of providing services, and then increase their value progressively until they equal the reasonable core cost of providing services.
cost of the service and the full cost of the service. The implication is that NPOs would need to be able to source their own funds to make up any deficit until the available budget allows government to fund the particular service at the reasonable core cost of provision.
Chapter 6 – Planning and Budgeting for the Delivery of Services

The government, represented by national DSD and the provincial DSDs, is responsible for the planning, budgeting, funding and delivery of all developmental social services, ensuring equitable access across communities and geographic regions, and prioritising the delivery of services to people who are most vulnerable.

6.1 Key priorities for the social development sector

When planning and budgeting for all developmental social services, the national DSD and provincial DSDs will be guided by:

- the responsibilities of government set out in the Constitution and sector legislation;
- demographic information and social development indicators;
- research on the need for social welfare and community development services; and
- government and department priorities, as informed by the above information.

The planning and budgeting for developmental social services will be informed by:

1. The conceptual approach, vision and priorities set out in the National Development Plan 2030. In this regard, Chapter 11 Social Protection envisages building a social protection system that:

   - Has a defined social floor so that households that have not achieved the basic standard of living are assisted. The floor of essential goods and services can vary between individuals, depending on their age, gender, socioeconomic status, health and abilities;
   - Eliminates poverty induced hunger;
   - Is responsive to the needs, realities and conditions of livelihood of those who the system is intended to benefit;
   - Is built on a principle of building and utilising the capabilities of individuals, households and communities and avoiding the creation of dependency and stigma;
   - Is flexible and capable of responding to rapidly changing scenarios and the emergence of new challenges (for example, the impact of HIV/AIDS), and of meeting the changing needs of individuals across their life cycle.29

As already noted, the chapter sets out the priority of the social development sector as follows: "Reorganise the state-civil society model for delivering social services to ensure greater accountability, improve service delivery and protect the very vulnerable from neglect, exploitation and abuse."30

And outlines the following areas of action31:

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29 See page 362 of the National Development Plan 2030.
30 See page 377 of the National Development Plan 2030.
31 See pages 377 and 378 of the National Development Plan 2030.
• the need to address the skills deficit in the sector,
• increasing the role of the state in the provision of developmental social services, including establishing effective partnerships with the private and community sectors,
• accelerating efforts to integrate issues of disability into all facets of society, and ensure equitable service provision for persons with disabilities,
• improving the safety of women, children and persons with disabilities.

2. The priorities and plan of action set by the current Medium Term Strategic Framework.

Outcome 13 of the current MTSF (2014-2019) envisages building a “comprehensive, responsive and sustainable social protection system” through, among other things,
• reforming the social services system to deliver better results for vulnerable groups;
• clarifying the role of NPOs in the social services system, as well as consolidating the different community-based services through which many social services are provided; and
• reviewing the funding model for social services.

The Minister of Social Development has been tasked with coordinating the implementation of this outcome.

With each successive term of office, the government develops a new MTSF. The national DSD will issue revised goals and objectives accordingly.

3. As a constitutional obligation, the department needs to move progressively towards funding core care and protection services to children, older persons, people with disabilities and those who are most vulnerable in line with the reasonable core cost of providing the service

6.2 Planning the delivery of developmental social services

The national DSD is responsible for setting national priorities for the provision and roll-out of developmental social services, which the provincial DSDs implement. This means national DSD and the provincial DSDs will work together with sector role-players to put coherent plans in place for the provision and roll-out of each of the different developmental social services, as well as plans that specify priorities for funding.

The national DSD will adapt the guideline formats for Five-year Strategic Plans and Annual Performance Plans to the needs of the social development sector, for use by the provincial DSDs. The aim will be for the Annual Performance Plan to serve as a three-year rolling plan for the provision and roll-out of developmental social services in each province, aligned to its budget and MTEF allocations. The national DSD will also put in place processes and timeframes for coordinating and monitoring planning by provincial DSDs.
6.2.1 Defining and prioritising developmental social services

The goal of the categorisation and prioritisation arrangements set out below is to ensure that programmes, projects, services or needs that are deemed to be the most important are ranked high and prioritised in the allocation of funds.

To lay the foundation for the development of coherent national and provincial DSD plans for developmental social services, the national DSD will:

1. Develop and maintain a list of standard service names to be used by all provincial DSDs and other role-players in the social development sector. Standard service names are provided in SFP Appendix 1.

2. Define minimum norms and standards for each service based on existing sector legislation and policy as appropriate. This will lay the foundation for developing a sector funding strategy and the specification of reasonable core costs that the state should progressively aim to fund.

3. Develop and maintain a service specifications form for use when the national DSD or provincial DSDs issue a request for proposals for the expansion of services. The form will cover:
   - which service is to be expanded, providing a detailed description of the required service aligned to the minimum norms and standards for the relevant service
   - the geographic location where the service is to be delivered,
   - who the intended beneficiaries of the service are, and
   - the proposed funding arrangements for the service.

To further support the planning and prioritisation of developmental social services the national DSD, in consultation with provincial DSDs and other sector role-players, has developed and will maintain:

- SFP Annexure 1: Top action areas for prevention and early intervention. This list identifies the highest-priority prevention and early intervention action areas for the next five years within which provinces must plan, budget and implement specific prevention and early intervention interventions.

- SFP Annexure 2: List of principles to identify services / projects that should be discontinued. Knowing which services should be funded is to some extent clarified by knowing which services / projects should not be funded. The principles seek to avoid ambiguity but also take into consideration the integrated nature of social services. These principles apply to both department in-house delivery and delivery through NPOs and other entities.

- SFP Annexure 3: Services required to be funded according to minimum funding standards. This Annexure lists the services ('Category 1' services) that government is constitutionally and statutorily mandated to provide and, when provided by an NPO or similar entity, the state must progressively work towards funding that entity for the reasonable core costs of providing the service. The National Department of Social

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52 Implementing standard service names would greatly facilitate the planning, budgeting, management and funding of services, as well as facilitate consistent reporting – all of which would promote better quality analysis of the need for and provision of services.

53 The priority prevention and early intervention areas were developed based on consultations with national DSD and the provincial DSDs. They are the areas that have the most potential to reduce the future demand for response services. However, the Department is also exploring the existing approaches to delivering social welfare services. This process will propose revised approaches for delivery of integrated service including the prevention and early intervention services.
Development will undertake to research the reasonable core costs of each of these services and publish them as they become available. For any particular service, these costs would represent the ideal level of funding that the state should progressively work towards based on the available budget. The order in which the reasonable core costs are published is not a reflection of the relative priority of any particular service.

- Annexure 3 then sets out which of these services government has committed to fund according to minimum funding standards ('Category 2' services) and the minimum funding standards for those services. Based on the available budget, government will annually, or as frequently as possible, publish a minimum funding standard for each service listed in category 2.\textsuperscript{34} As available funding for any particular service increases, government may gradually increase the minimum funding standard of that service until it equals the reasonable core cost of the service.

- Government should aim to establish minimum funding standards for each service listed in Category 1 so that Category 1 and Category 2 services eventually mirror each other. Working in consultation with provincial DSDs and other sector role-players, national DSD will develop minimum funding standards for the highest priority services first. It will gradually expand the number of standards as services are moved into Category 2 and as the research required to develop reliable costing of the services is completed.

- Once all Category 1 services are listed in Category 2, and all Category 2 services are funded according to minimum funding standards that equal the reasonable core cost of providing the services, government will have fulfilled its obligations to properly fund these services, though issues of access will, in all likelihood, still need to be addressed.

- **SFP Annexure 4: Prioritised list of services.** This Annexure ranks all services in Annexure 3 in terms of priority. This is the result of the prioritisation exercise conducted according to the prioritisation method set out in SFP Appendix 2. It is important for the sector to re-take the prioritisation exercise periodically to ensure this list represents the current situation and need for the different social development services in the country/province.

- This list represents the order in which government must, as and when additional funding becomes available:
  - Firstly, increase the minimum funding standard of the different services; and
  - Once Category 1 services have been fully funded according to the applicable national minimum funding standards and these are equal to the reasonable core cost of provision, the order in which access to these services must be expanded.

\textsuperscript{34} The process of developing minimum funding standards is detailed in SFP Guideline: \textit{Planning and budgeting for developmental social services}
All the SFP Annexures must be reviewed every five years but can be updated more frequently based on policy decisions. Provincial plans for developmental social services

In the year following a provincial election, each provincial DSD must prepare a five-year Strategic Plan in accordance with the format set by national DSD. For each fiscal year, each provincial DSD will prepare an Annual Performance Plan in the format set by national DSD. These documents must use the standard service names and descriptions provided in SFP Appendix 1 to ensure consistency across provinces and to enable better reporting and analysis on total services and funding.

To facilitate the planning, budgeting and funding of developmental social services, provincial DSDs will also develop and maintain:

- **Schedule 1: List of priority prevention and early intervention initiatives.** Working within the parameters set by SFP Annexure 1, provincial DSDs must each compile a list of the priority prevention and early intervention programmes or services it will fund. Not all areas have to be covered, and the decision to select specific programmes/services must be based on need and their expected efficacy in the province. This schedule should be reviewed every five years.

- **Schedule 2: List of existing TPAs.** Provincial DSDs must develop and each year maintain a list of all TPAs and the respective costs of those agreements in a format set by national DSD. The list must contain at least the following information for each TPA:
  - NPO name and region
  - Service type corresponding to one of the services listed in SFP Appendix 1
  - Effective period of TPA
  - Average annual cost of the agreement
  - Number of beneficiaries covered by the agreement
  - Indicate, if applicable, which of the priority prevention and early intervention initiatives listed in Schedule 1 is being provided;
  - Whether or not the service is currently being funded in line with the minimum funding standard
  - Other developmental social services
  - Programme 5 services, and projects including:
    - Capacity building of entities
    - Community empowerment services
    - Community development
    - Social mobilisation programmes
    - Sustainable livelihood programmes etc.

If a single TPA covers more than one of the above areas, it should be listed in each applicable area along with the funds allocated for that area.
When compiling and reviewing this list each year, each provincial DSD must evaluate each TPA against the principles set out in *SFP Annexure 2*, and where the TPA is for a service or project that should be discontinued, the provincial DSD must not renew the TPA.

- **Schedule 3: Services funded according to minimum funding standards.** Each provincial DSD must compile and maintain a list of services which must be funded according to minimum funding standards. Provincial DSDs must fund all Category 2 services listed in SFP Annexure 3 according to the applicable minimum funding standards set nationally or a higher amount. Provincial DSDs may identify additional services which they will fund according to their own minimum funding standard (where no minimum funding standard exists at national level), i.e. provinces may add Category 1 services to Category 2 where they are able to make an irreversible commitment to funding this service according to their own minimum funding standards year on year.\(^{35}\) Provinces should therefore not make the decision to add a service to Category 2 lightly.

- **Schedule 4: Prioritised list of developmental social services.** Each provincial DSD must compile and maintain a prioritised list of services, taking into account *SFP Annexure 4*. Provincial DSDs may provide for a different ordering of services based on provincial priorities - as long as the changes are well motivated with reference to the provincial context and based on consultations with provincial social development sector role-players and experts.\(^{36}\) This schedule must be reviewed every five years.

### 6.2.2 Deciding on the appropriate mode of delivery

When the national DSD or a provincial DSD is planning the delivery of developmental social services, it can choose from the following modes of delivery:

- **Mode 1 – *in-house delivery*:** the department delivers the service itself.

- **Mode 2 – *contracting out delivery*:** the department uses the supply chain management process to conclude a *commercial contract* with an entity (usually a for-profit business, but it could also be any other type of entity or even an individual) to deliver the service. The funds are disbursed as a payment for goods and services.

- **Mode 3 – *funding an entity to provide the service on its behalf*:** the department concludes an TPA with an entity (usually an NPO) to deliver the service for an agreed amount of funding from the department. The department will aim to progressively increase funding to align to the reasonable core costs of such services.

- **Mode 4 – *subsidising the provision of a service*:** the department concludes an TPA with an entity to subsidise the services that the entity delivers. The level of subsidy may vary depending on what resources the entity can bring to the partnership. The funds are paid to the entity by means of a transfer.

To date, provincial DSDs have regarded transfers to NPOs as facilitating the delivery of services through Mode 4, i.e. where the transfers are meant to be subsidising the services that NPOs deliver.

\(^{35}\) However, when national DSD introduces a minimum funding standard for a service, each provincial DSD will have to adjust their own minimum funding standard to not be lower than the national standard. A provincial standard can be higher than a national minimum funding standard.

\(^{36}\) Specific limitations to the re-ordering process are set out in SFP Annexure 4: these ensure that the integrity of the original prioritisation results that are based on the prioritisation method are preserved.
However, going forward, the choice of mode for securing services should recognise, as a fundamental principle of funding, that NPOs that provide care to children, older persons and vulnerable persons in need as well as statutory services, fulfil constitutional and statutory obligations of the department. When government is contracting or partnering with an entity to deliver constitutionally and statutorily mandated social welfare services, government is responsible for progressively working towards funding that covers the reasonable core costs of that service, rather than providing partial subsidies for it, i.e. funding through Mode 3.

When planning the delivery of individual developmental social services, the national DSD and each provincial DSD needs to decide which modes of delivery are appropriate for a specific service and which mode the department is going to use. The following table provides guidance on this issue:

**Table 4: Appropriate modes of delivery for different service categories**

<table>
<thead>
<tr>
<th>Categories of services</th>
<th>Appropriate modes</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority prevention and early intervention services listed in Schedule 1;</td>
<td>Modes 1, 2</td>
<td>If a department uses Mode 3, the level of funding must be based on the applicable minimum funding standard.</td>
</tr>
<tr>
<td>Category 1: Care and protection social development services;</td>
<td>Modes 1, 2</td>
<td></td>
</tr>
<tr>
<td>Category 2: Services where minimum funding standards are defined;</td>
<td>Modes 1, 2</td>
<td></td>
</tr>
<tr>
<td>Other social development services, and services, programmes and projects for community development, capacity building, sustainable livelihoods/poverty relief programmes, disaster relief interventions</td>
<td>Modes 1, 2</td>
<td></td>
</tr>
</tbody>
</table>

National DSD and each provincial DSD also needs to evaluate when it is required to follow normal supply chain management processes versus when it may fund an NPO or other entity to provide a specific service using a transfer made in terms of section 38(1)(j) of the PFMA. The following text box provides guidance:

**Purposes or objectives that may be funded by transfers**

When deciding whether to use a transfer or not, an accounting officer of the national DSD or a provincial DSD must consider the following:

- a transfer agreement should be non-commercial in nature. In other words, the entity receiving the transfer should not deliberately structure the use of the transfer to generate a profit (i.e. the entire transfer should be spent on the specific purpose for which it was allocated to the entity; so the entity may not retain a portion of the transfer as a surplus (profit) for use on other purposes). This does not mean the entity may not generate income in other areas of its operations; and

- the department, trading entity or the constitutional institution should not be the primary beneficiary of the goods and services funded by such transfers.

Departments, trading entities and constitutional institutions may not use transfers as provided for by section 38(1)(j) of the PFMA in the following circumstances:

- to pay for goods and services that would normally be procured through supply chain management processes; or
6.2.3 Service specifications for expanding services

National DSD and each provincial DSD will plan the expansion of developmental social services in their *Five-year Strategic Plans* and three-year rolling *Annual Performance Plans*, in the order in which services are prioritised in Schedule 4. Any particular service can only be expanded if all existing NPOs with TPAs are funded at the minimum funding standard equal to the reasonable core cost of providing the service.

When the national DSD or provincial DSDs plan to expand or renew programmes or services in partnership with other entities, the department must complete a *service specification form*. This provides the basis upon which the department will issue requests for proposals for the renewal of services or the expansion of services or programmes.

The national DSD and provincial DSDs are not required to issue requests for proposals each year. Instead they will do so only in the years that they have planned and budgeted to expand or renew the provision of services working in partnership with NPOs or other entities.

NPOs and other entities may take the lead in establishing new facilities or programmes in areas they regard to be suitable rather than being guided by the relevant department’s strategic planning. These initiatives will not be discouraged because they allow, among others, for piloting of innovative services. However, due to resource limitations and to ensure the orderly expansion of services, it will not always be possible for either the national DSD or a provincial DSD to fund such facilities, programmes or services. In order to deliver services effectively where they are required most, national DSD and provincial DSDs need to lead the planning to extend services.

6.2.4 Sufficient capacity to monitor services and manage transfers

The national DSD and provincial DSDs must ensure, within available resources, that they have sufficient capacity to manage the partnership arrangements with NPOs and other entities. This includes putting in place the necessary capacity to:

- Assess and register organisations for the provision of social development services in terms of the applicable legislation governing such services.

- Monitor the delivery of services by partner organisations so as to ensure compliance with service delivery norms and standards, and that the best interests of beneficiaries are protected at all times, irrespective of whether the organisation is receiving public funds to provide services or not.

- Manage the disbursement of funds to eligible partner organisations in accordance with the principles and processes set out in this Policy and elaborated on in the *SFP Guideline* and the *SFP Guideline on NPO Contributions*.
6.3 Norms for funding and structuring provincial DSD budgets

The National Development Plan 2030 notes in Chapter 11 Social Protection that: "Over the medium to long term, government should implement reforms that ensure accountability as well as adequate funding for the current state-civil society model for delivering social services."\(^{37}\)

And again, "In order to respond to the scale and complexities of South Africa's poverty, social fragmentation and lack of social support systems, government should play a more active and larger role, including ensuring the system is adequately funded and accountability is strengthened."\(^{38}\)

Both national and provincial government have critical roles to play in ensuring developmental social services are adequately funded. National government is developing a strategy to prioritise the funding of developmental social services through the provincial equitable share and appropriately structured conditional grants. In turn, provincial governments have a responsibility to ensure developmental social services are adequately funded by prioritising the function appropriately in their provincial budgets.

### 6.3.1 Provincial budget allocations to social development

The figure below illustrates that spending on developmental social services is highly unequal across provinces.\(^{39}\)

It is recognised that, in terms of the Constitution, provincial governments are free to determine the allocation of funds in their budgets. However, both national and provincial governments have a collective responsibility to ensure that services are provided impartially, fairly, equitably and without bias.\(^{40}\) Services are also required to achieve better outcomes for beneficiaries, and governments must work towards funding the reasonable core costs of providing services, in order that these outcomes are realised for beneficiaries.

**Table 5: Provincial per capita spend on social development**

<table>
<thead>
<tr>
<th>Province</th>
<th>Outcome 2016/17</th>
<th>Outcome 2017/18</th>
<th>Outcome 2018/19</th>
<th>Preliminary outcome 2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>R0.35</td>
<td>R0.37</td>
<td>R0.40</td>
<td>R0.44</td>
</tr>
<tr>
<td>Free State</td>
<td>R0.38</td>
<td>R0.39</td>
<td>R0.43</td>
<td>R0.47</td>
</tr>
<tr>
<td>Gauteng</td>
<td>R0.30</td>
<td>R0.30</td>
<td>R0.28</td>
<td>R0.33</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>R0.25</td>
<td>R0.26</td>
<td>R0.29</td>
<td>R0.31</td>
</tr>
<tr>
<td>Limpopo</td>
<td>R0.29</td>
<td>R0.31</td>
<td>R0.35</td>
<td>R0.37</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>R0.31</td>
<td>R0.33</td>
<td>R0.33</td>
<td>R0.35</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>R0.59</td>
<td>R0.67</td>
<td>R0.67</td>
<td>R0.72</td>
</tr>
</tbody>
</table>

\(^{37}\) See page 376 of the National Development Plan 2030.

\(^{38}\) See page 383 of the National Development Plan 2030.

\(^{39}\) The PER Report 2: Analysis of expenditure on social development services (2018) shows that spending on social services is six times more unequal across the provinces compared to education services, and nearly three times more unequal compared to health services.

\(^{40}\) See section 195(1)(d) of the Constitution.
<table>
<thead>
<tr>
<th>Region</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>North West</td>
<td>R0.35</td>
<td>R0.37</td>
<td>R0.40</td>
<td>R0.41</td>
</tr>
<tr>
<td>Western Cape</td>
<td>R0.30</td>
<td>R0.31</td>
<td>R0.32</td>
<td>R0.35</td>
</tr>
</tbody>
</table>

Source: population numbers based on STATSSA mid-year population estimates (P0302), July 2020

**Figure: Provincial per capita spend on social development**

Social Development expenditure per capita

Source: population numbers based on STATSSA mid-year population estimates (P0302), July 2020

### 6.3.2 National schedule of minimum funding standards

**Note on terminology used:**

*Minimum norms and standards* refer to the minimum requirements in terms of service features, activities and quality levels. These are the standards of protection, care and support that the state has committed to providing to eligible beneficiaries. Typically, these are the minimum requirements to achieve the desired outcomes for beneficiaries.

*Reasonable core costs* refer to the cost of delivering the service in accordance with the prescribed minimum norms and standards. These are the costs of achieving the desired outcomes for beneficiaries.

*Minimum funding standards* refer to the level of funding that government commits to fund a particular service at. Based on available funding, the minimum funding standards may specify a starting or current amount per service that is below the reasonable core cost. Minimum funding standards include the planned funding levels for the following years, with a view to progressively...
increase funding until such services are funded according to the reasonable core costs of delivery (i.e. the cost to achieve the desired outcomes).

The state recognises that NPOs and other entities which provide core care and protection services to children, older persons, people with disabilities and very vulnerable persons in need are fulfilling the constitutional and statutory obligations of government. Therefore government undertakes to move progressively towards funding the reasonable core costs of providing the constitutionally and statutorily mandated services listed as 'Category 1' in SFP Annexure 3.

National DSD has developed and will maintain:

- **SFP Annexure 3: Services required to be funded according to minimum funding standards.** This Annexure lists the services ('Category 1' services) that government is constitutionally and statutorily mandated to provide and, when provided by an NPO or similar entity on behalf of DSD, the state must progressively work towards funding that entity for the reasonable core costs of providing the service. It further sets out which of these services government has committed to fund according to minimum funding standards ('Category 2' services) and the applicable minimum funding standards for these services.

  The minimum funding standards for Category 2 services must be introduced at a level that the available budget allows. Then, as additional funding becomes available, the minimum funding standard must be progressively increased until it equals the reasonable core costs of providing the applicable service. Government will progressively increase funding for Category 2 services until all minimum funding standards equal the reasonable core cost of those services. Minimum funding standards must be increased in the order specified in the prioritised list of services in SFP Annexure 4 or as amended by the provincial department in Schedule 4.

  For each service, the schedule must set out:
  - a minimum level of funding
  - the reasonable core cost of delivering the service in line with the specified minimum norms and standards for the service

Working in consultation with provincial DSDs and other sector role-players, national DSD will develop minimum funding standards for the highest priority services first. It will gradually expand the number of standards each year as services are moved into Category 2 and as the research required to develop reliable costing of the services is completed.

When national DSD or provincial DSDs partner with NPOs or other entities to provide Category 2 services, the departments are required to fund the service at the level of the applicable minimum funding standard or higher.

National DSD will monitor provincial DSDs' compliance with the minimum funding standards in respect of entities funded in the current financial year.

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41 See paragraph 47 of the First NAWONGO Judgment, 5 August 2010.
When developing and maintaining the service funding standards, national DSD will be guided as follows:

(a) Structure of the minimum funding standards

The structure of the minimum funding standards may differ, but they will be built around at least one of the following:

- a per beneficiary funding amount;
- a per place/bed funding amount;
- the programme cost of a particular service;
- levels at which posts are funded.

National DSD will also consider whether there is a need to provide for geographic variations in the minimum funding standard to accommodate regional or urban-rural variations in the resources involved in providing services or the costs of core inputs.

(b) Reasonable core costs

The minimum funding standard for a specific service must ultimately seek to cover the reasonable core costs required to deliver that service. The following principles will guide the setting of reasonable core costs:

- Minimum norms and standards for a service must be used to identify the minimum range of items required to deliver the service and that therefore must be included in the core costs.
- Core costs must include a component for management and overhead costs\(^{42}\) not directly incurred in the provision of the service.
- The price or cost of items (excluding personnel) included in core costs must reflect the reasonable unit cost of such items based on current market prices.

(c) Rate at which staff salaries are included in core costs

It is likely for most services that staff salaries would represent the bulk of the core cost of the service. Therefore, when setting the salary levels or cost of staff for any particular service, it is important to consider that setting these at a level equivalent to the public sector will mean that the state will lose much of the advantage of using NPOs as implementing agents for delivering social development services.

(d) Annual revision of minimum funding standards

National DSD will set/revise the minimum funding standards applicable for a particular financial year in the year prior so that provinces can take any new or updated minimum funding standards into account when compiling their budgets for provincial DSDs.

(e) Three-yearly review of the minimum funding standards

National DSD will review the minimum funding standards every three years. This will be done in consultation with provincial DSDs and other sector role-players.

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\(^{42}\) Including costs associated with managing finances, reviewing / auditing financial statements, data gathering and reporting, staff training and mentoring, municipal charges etc.
6.3.3 Budget norms for provincial DSDs

The following budget norms are recommended to ensure that provincial DSDs budget for and implement an appropriate mix of developmental social services and community development services:

(a) A fixed percentage of the total budget allocated to prevention and early intervention

Prevention is cheaper than cure and it also avoids unnecessary suffering. Provincial DSDs have a responsibility to prioritise the funding of prevention and early intervention initiatives to prevent harm and save costs in future. Therefore, each provincial DSD is expected to allocate a fixed percentage of their total budget to priority prevention and early intervention programmes and projects that the department listed in Schedule 1. A provincial DSD may choose to spend more than the minimum percentage of its total budget on these programmes and projects.

National DSD may increase the minimum share of the total budget to be allocated to prevention and early intervention, in consultation with provincial DSDs, sector experts and other sector role-players.

(b) An appropriate amount for community development programmes

The DSD's strategic approach to providing social development services is to ensure an appropriate mix between developmental social services and the various training, development and poverty alleviation initiatives. To maintain an appropriate mix and to ensure the care and protection of children, older persons, people with disabilities and other very vulnerable people is appropriately prioritised, each provincial DSD needs to ensure an appropriate balance is maintained between allocations to Programme 5 (community development and poverty alleviation programmes) and the core constitutional and statutory services identified in SFP Annexure 3.43

(c) Budget separately for existing services and for the expansion of services

Most developmental social services that national and provincial DSDs currently provide will likely need to be provided on an ongoing basis. Each department should budget separately for:

i. existing developmental social services: i.e. those services that the department is currently providing in-house or in partnership with NPOs or other entities, and that it will in all likelihood continue to provide for. The first step is to ensure all these services are funded at the applicable minimum funding standards.

ii. increases to meet the minimum funding standards: the department must then budget to increase funding for Category 2 services until they reach the target minimum funding standards for that service. In this regard, see section 6.4 below.

iii. expanding access to services: this covers both introducing new services and expanding access to existing services either through in-house provision or through partnerships with NPOs or other entities.

When the department expands access to a Category 2 service, the service must be funded at least at the level of the applicable minimum funding standard from the outset.

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43 (a) and (b) are interim arrangements until implementation of an integrated service platform that includes both PEI and community development services is developed.
When an existing service is discontinued, the funds that become available can be allocated either to raise the level of funding for ongoing services or to expanding access to services.

6.4 Temporary measures to prioritise budgets to meet service funding standards

The government's constitutional and statutory obligation is to progressively work towards funding NPOs and other entities providing core care and protection services to those who are most vulnerable for the reasonable core costs of providing the service, according to the applicable minimum norms and standards applicable to the services. To ensure this happens within as short a time as possible, the following measures are proposed:

- **National DSD will:**
  - Research and publish the reasonable core costs of all services under category 1 based on existing minimum norms and standards if these are available. If minimum norms and standards do not exist, these must be developed first before researching core costs.
  - Work with National Treasury to motivate for additional funds to be allocated to the provincial equitable share, to meet government's constitutional and statutory obligations;
  - Put in place the required SFP Annexures; specifically identifying services that fall into Category 1 (services that government should work towards funding at reasonable core costs), and Category 2 (services which are to be funded according to minimum funding standards)

- **Provincial DSDs will:**
  - Ensure that it has NPO and beneficiary level data for all NPOs with existing TPAs and that are providing services listed in category 2
  - Develop minimum funding standards for all services in category 2 based on the available budget
  - Review all existing TPAs and identify those that are providing services for which minimum funding standards have been developed.
  - Ensure that all NPOs providing a particular service are funded according to the applicable minimum funding standard, restructure TPAs accordingly.

- In addition, may consider that until all NPOs with existing TPAs to provide Category 1 services are funded in accordance with the applicable minimum funding standards, provincial DSDs may:
  - not budget to increase allocations to NPOs with existing TPAs for services which are not listed in Category 1 or Category 2;
  - not budget to expand access to any developmental social services, either through in-house provision or by way of transfers to NPOs or other entities;
  - not budget for the building or refurbishment of any new offices or facilities.

The aim of these measures is to ensure minimum funding standards are set and implemented in line with the available budget. Once this is done, the gap between the minimum funding standard and the reasonable core cost of each service will become apparent. The above measures are subject to other guidance provided by National Treasury and should be reviewed every three years.
Provincial DSDs must share with National DSD the minimum funding standards for each service as they are developed; and a schedule of TPAs of the NPOs providing that particular service as proof that they are funded at or above the minimum funding standard.
Chapter 7 – Procedures for Budgeting and Allocating Funds

Building on the planning and budgeting norms set out in Chapter 6, this chapter describes the steps that provincial DSDs must follow when planning, budgeting for and allocating funds for the provision of services.

The last section in this chapter deals with the allocation of funds within Programme 5.

Step 1: Set up priority schedules

There are four schedules provincial DSDs need to set up that align with the stages of the allocation process (Step 3) discussed below. The schedules are described fully in section 6.2.2 above, and are:

- **Schedule 1: List of priority prevention and early intervention initiatives**
- **Schedule 2: List of existing TPAs**
- **Schedule 3: Services to be funded according to minimum funding standards**
- **Schedule 4: Prioritised list of developmental social services**

Step 2: Budget process and structuring the budget

Provincial DSDs need to budget effectively for funds within the provincial budget process and allocate the available budget for funding department activities and services provided by NPOs or other entities, taking into account the budget norms set out in Chapter 6.

Each year, provincial DSDs must:

**(a) Prepare a well-structured annual budget submission:** as per Treasury guidelines, each provincial DSD has a responsibility to prepare a well-structured annual budget that is ready to feed into the provincial budget process at the appropriate times specified in the province’s budget preparation schedule. These budgets must provide the rationale for why the province should increase the provincial DSD’s allocation. Among other things, these submissions should include information on the current gap between the reasonable core cost of each service and the minimum funding standard.

**(b) Review all expenditures for savings:** the department must maximise resources available for services by ensuring that all opportunities for savings are identified. With reference to SFP Annexure 2, each provincial DSD is required to:

- review all expenditure incurred by the department with a view to identifying opportunities for efficiencies and cutting non-essential expenditure wherever possible;
- review the NPOs and other entities whose non-compliance with their TPAs is serious in nature, and initiate processes to ensure compliance, failing which their funding may be cut at the discretion of the accounting officer; and
- review the services and activities it currently funds, particularly the TPAs that have reached to end of the contract period or due for review, with a view to cutting the funding of those NPOs that deliver services that are either not aligned with the department’s core mandate or very low down on the priority list.
(c) **Structure the provincial DSD budget to reflect key spending priorities:** the structure of each provincial DSD's budget and the allocations to key spending priorities must be aligned to the budget norms set out in Chapter 6. The following figure shows the structure of a provincial DSD budget.

**Step 3: Allocation process**

The allocation process is broken down into a number of stages. These aim to ensure that the available budget is allocated based on the prioritisation of services.

**Figure 1: Structure of provincial DSD budgets to ensure prioritised allocation**

With reference to the above figure:

1. **Budget for specific prevention and early intervention action areas:** Once the provincial DSD knows its total budget for the year, it should allocate a given percentage to fund prevention and early intervention initiatives. This budget must be allocated to interventions the provincial DSD listed in **Schedule 1: List of priority prevention and early intervention initiatives**. This is an interim arrangement as the department continues to explore other approaches that will consider PEI services. The department does not have to fund these services in any particular order. It may allocate the funds to the listed services based on its assessment of their relative priority and the opportunities that exist to implement the services. These funds may be used either in-house, to contract in services or to subsidise NPOs or other entities to deliver prevention and early intervention initiatives. The level of these subsidies must be determined with reference to a service delivery plan and budget and what the NPO or other entity can reasonably contribute, if anything.

2. **Budget for department expenditure:** The provincial DSD must ensure the department's management and oversight activities are adequately funded within the available budget, as well as the existing services it provides in-house.

   Until all NPOs with existing TPAs to provide Category 1 services are funded in accordance with the applicable minimum funding standards, provincial DSDs' scope to grow departmental expenditure is restricted by the provisions set out in section 6.4 above.

3. **Budget for existing TPAs for social services at minimum funding standards:** For each service type, PDSDs must assess the available budget and determine the minimum funding standards which can be afforded within that budget given the NPOs with existing TPAs providing that service and their respective beneficiary numbers (and other cost variables as stipulated in the minimum funding standards).

4. The budget must cover the provision of all ongoing services provided through existing TPAs, except where the department has taken a decision to discontinue a specific service or to terminate the TPA due to unresolved non-compliance. Most existing TPAs should be for three years.

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44 Section 6.3.2 provides that the minimum funding standards must be increased using the Consumer Price Index each year. As provided in section 6.4, until all NPOs with existing TPAs to provide Category 1 services are funded in accordance with the applicable minimum funding standards, no allocations to NPOs with existing TPAs for services which are not listed in Category 1 or Category 2 may be increased.
5. **Budget to increase minimum funding standards until they are equal to the reasonable core cost of the service:** Once the above steps are complete and funds remain available for allocation, PDSDs must gradually increase the minimum funding standard for each service starting with the highest priority services. They must ensure that all NPOs with existing TPAs providing the service are funded at the updated minimum funding standard.

6. **Budget to expand access to developmental social services.** The goal of this Policy is to first increase funding for all Category 1 services, at existing service levels, to ensure that their reasonable core costs are funded by government. The social development outcomes that these services seek to achieve can only be realised when they are appropriately funded. Only when all existing TPAs for Category 2 services are funded in line with the applicable target minimum funding standards and these are equal to the reasonable core cost of the service may a provincial DSD then budget to expand access to those services. The budget to expand access to services must show which services are to be provided in-house and which are to be provided in partnership with NPOs or other entities. When budgeting to expand developmental social services, the department must seek to build up a balanced range of services, taking into account the priority ranking of services set out in its *Schedule 4*. When expanding access to any service listed in Category 2 the new services must be funded according to the applicable minimum funding standard from the outset.

7.1 **Initiatives to alleviate poverty and promote sustainable livelihoods**

Many government departments run programmes aimed at alleviating poverty and promoting sustainable livelihoods. They include:

- Public Works
- Agriculture, Forestry and Fisheries
- Economic Development
- Environmental Affairs
- Labour
- Mineral Resources
- Small Business Development
- Tourism
- Trade and Industry
- Arts and Culture
- Rural Development and Land Reform
- Sport and Recreation South Africa

These departments are running programmes to promote food security, develop people's skills, create employment opportunities, connect people to jobs, support emerging businesses and cooperatives, facilitate access to markets etc. These programmes provide various types of support including training, technical support, market information, production inputs and grant funding.

To avoid duplicating what other departments are already doing, national DSD and provincial DSDs have the potential to play a very important role in connecting people, emerging businesses and cooperatives to the wide range of services and funding opportunities offered by other government departments. To this end, national DSD will develop and maintain a website that will serve as a national information hub of government programmes aimed at alleviating poverty and promoting sustainable livelihoods. Provincial DSDs are encouraged to develop and maintain similar websites reflecting opportunities offered by provincial departments and municipalities within the province. Community development workers must use this information as a resource to advise and direct people to the appropriate government programmes.
7.1.1 Business development grants to cooperatives

The Department of Small Business Development runs the Co-operative Incentive Scheme\(^{45}\), designed to address the following market failures encountered by co-operative enterprises:

- Lack of working capital to allow effective market entry;
- Lack of access to finance;
- Lack of participation in the formal economy by co-operatives, in particular those owned by previously disadvantaged persons (especially those in rural areas), women, persons with disabilities and youth; and
- Low or non-participation by co-operative enterprises in current incentive programmes.

The Co-operative Incentive Scheme is a grant scheme that supports broadening economic participation by historically disadvantaged communities to enter the mainstream economy. The Department of Small Business Development contributes 100% of the total approved costs of project activities to the maximum of R350 000. The R350 000 may be accessed in one application, or in a number of applications, depending on what suits the individual co-operative.

There is also a range of other business development schemes run by the Department of Trade and Industry that co-operatives can access for working capital.

Given the existence of these schemes, national DSD and provincial DSDs may not make grants or transfers to co-operatives to provide working capital to develop their businesses. Instead, they should support the co-operatives to apply for a grant under the Cooperative Incentive Scheme or other relevant schemes as suits the type of business the co-operative wishes to develop. As co-operatives are funded for the services in the same manner as NPOs and other entities and based on the above, the national DSD and provincial DSDs will further explore the notion of discontinuing grants or transfers to cooperatives specifically for providing working capital to develop their businesses.

7.1.2 Partnering with co-operatives and other entities to deliver services

The PFMA does not specify the legal nature of the entity to which the departments may make transfers and, more particularly, it does not require that the entity receiving transfer must be a registered NPO. However, sector legislation does restrict what types of entities may receive transfers for a particular purpose.

The Sector Funding Policy in line with the provisions of section 38(1)(f) of the PFMA - encourages the national and provincial DSDs to enter into partnerships with co-operatives and other entities listed under section 5.2 to deliver services in the areas of food security, community development and poverty alleviation. Social co-operatives and other entities are recognised for being instrumental in implementing sustainable community-driven projects that address food security and create employment and income opportunities. Thus, to ensure the effective and efficient delivery of community development services and programmes, co-operatives are funded for the services in the same manner as NPOs and other entities.

\(^{45}\) Department of Small Business Development, Programme Guidelines: Co-operative Incentive Scheme (CIS).
Chapter 8 – Management of transfers

The level of funding and mechanisms for allocating the funding are critical elements to the partnership between government and NPOs or other entities providing developmental social services. The arrangements for managing transfers are equally important. The aim is to put in place clear, predictable procedures that are transparent and fair, and above all to ensure that payments are made on time, thereby minimising the scope for inconsistent and discretionary practices.

Key policies related to the management of transfers are set out in this chapter. Detailed requirements and procedures are set out in the SFP Guideline.

8.1 The management of transfers must be transparent, fair and timely

When managing transfers, the national DSD and the provincial DSDs must ensure that all their decision-making and administrative processes are transparent, fair and timely. In practical terms, this means each department must:

- act within the framework provided by the Promotion of Administrative Justice Act 3 of 2000;
- clearly indicate by means of service specifications which services it intends to fund by means of transfers, and the purpose or objective of the transfer;
- publicise a clear description of the funding processes so that NPOs and other entities know what is expected and the timelines involved;
- set out generally applicable eligibility criteria for entities to partner with the department,
- set out generally applicable criteria for evaluating applications;
- ensure TPAs are concluded and transfers are paid in a timely manner;
- set out in the TPAs the process and the criteria to be used when monitoring whether the transfer is being used for its intended purpose;
- inform entities in writing of any remedial actions that must be taken and set out the timeframe within which they must be carried out; and
- establish an appropriate process to adjudicate appeals in the case of disputes between entities and the department.

Some of these matters are elaborated on below, and the SFP Guideline provides further guidance on them.

8.2 Reducing the administrative burden

It is recognised that to promote government’s transformation objectives, the national and provincial DSDs need to work with entities with widely varying levels of capacity. In the past, many new and emerging entities have found it difficult to comply with the administrative and financial reporting standards required of them. They have therefore been excluded from receiving DSD funding. This has constrained the roll-out of services to the country’s more remote areas.

National DSD and provincial DSDs must aim to reduce the administrative burden associated with transfers and providing developmental social services to make it easier for new and emerging entities to partner with government, while maintaining appropriate accountability arrangements.
Recognising that the state is working in partnership with the entities receiving the transfers, the national DSD and provincial DSD must ensure that all systems and processes for managing transfers are fit for purpose. This means that systems and processes must ensure compliance with the applicable legislation, but not impose an undue administrative burden on either the department or the entity receiving the transfer. It also means adopting a differentiated approach in relation to:

- the financial management and reporting requirements for entities based on their net annual income (which essentially measures size);
- the funding renewal procedures based on the entities' past funding history; and
- the monitoring of entities based on their individual risk profiles.

The SFP Guideline provides further details on how the differentiated approach applies in these areas.

8.3 Publication of funding timetables

On or before 15 April each year, the national DSD and provincial DSDs must publish funding timelines on their departmental website and other appropriate locations detailing when the following events will occur:

i. Call for proposals;
ii. Consultation of service standards;
iii. Application forms become available;
iv. Deadlines for receipt of applications;
v. Announcements of awards or the decline thereof;
vi. When TPAs shall be signed and when NPOs will receive copies of their signed TPAs;
vii. In-year reporting deadlines and processes;
viii. Financial year-end reporting deadlines and processes.

8.4 Management actions to be communicated in writing

When managing transfers to NPOs or other entities, the national DSD and provincial DSDs must communicate in writing (preferably via email) the following actions within the indicated time frames:

i. Acknowledgement of receipt of application for funding, immediately if handed in at a social development office, or within 5 days of the closing date for applications if submitted via post, courier or electronically.

ii. Notices of the outcome of applications for funding by the date the department specifies in its funding timetable.

iii. Notices of non-compliance with TPAs as soon as the department becomes aware of the non-compliance.

iv. Notices related to any objections and appeal processes must be handled in a timely manner.

v. Notices of delays in payment with apologies and remedial action the department will take, at least 10 days prior to the payment date, or as soon after an unexpected delay as possible.
vi. Notices related to end-year deviation requests and the year-end retention or return of unspent funds before 31 May.

8.5 Standard application forms and transfer payment agreements

The national DSD, working with provincial DSDs and other sector role-players, will develop separate funding application forms and transfer payment agreement templates for ECD centres, residential facilities and programme-based services, and other community development services as required.

The template funding application forms must be fit for purpose, only request information that is directly relevant and may differentiate between new funding applications and renewal applications.

The template TPAs must be fit for purpose and only deal with issues directly applicable to ensuring:

- proper financial management of transfer funds;
- that transfer funds are used for the intended purpose; and
- appropriate reporting and oversight arrangements.

Provincial DSDs will be required to use these templates when entering into agreements with NPOs or other entities for the funding and provision of the relevant welfare and community development services.

8.6 Signing of transfer payment agreements and the provision of copies

The national DSD and provincial DSDs to ensure that the signing of TPAs complies with the following deadlines:

- renewal TPAs: two months before the existing contract expires;
- new TPAs for services to be delivered in the following financial year.

An accounting officer may enter into a transfer agreement outside of the above timeframes provided that a motivation outlining the special circumstances is attached to the transfer agreement.

The SFP Guideline sets out procedures for managing new and renewal applications.

8.7 Transfers for attendance-based programmes and residential facilities

In recognition of the fact that NPOs and other entities have ongoing running costs that remain largely constant despite small variations in the number of beneficiaries being served, and to simplify administration, national DSD and provincial DSDs must adopt the 80/20 approach to paying transfers wherever appropriate, and where there are no alternative arrangements specified in legislation or in regulations.

The 80/20 approach requires that the full transfer be paid out in accordance with an agreed payment schedule unless the entity’s performance falls below 80% of the delivery targets set out in its TPA with the department. In this case the department must investigate the reasons for the reduced performance. If warranted, the department may reduce the value of future transfers to reflect the actual average level of delivery.
All transfers to attendance-based social service programmes, residential facilities and ECD centres must be linked to the number of places agreed in the TPA, and may only be reduced if average utilisation of the places over a quarter falls below 80% of the agreed number of places.

8.8 Transfer payments to designated bank accounts

Funds may only be transferred to a bank account in the name of the entity receiving the transfer as designated on the TPA. No exception may be made to this rule.

There is no legislation requiring an entity to keep a separate bank account for transfers received. Doing so imposes additional banking costs on the entity, and it fragments and complicates their financial management arrangements. Generally, the benefits for a department’s monitoring are minimal, and do not justify the additional administrative burden on the entity.

In line with the Guidelines on the Management of Transfers (2017), entities must not be required to open a separate bank account for receiving transfers unless there are circumstances that warrant it, such as:

- the entity acts as a disbursing or contract management agent for the department;
- the entity manages the funds for other new or emerging entities; or
- the size of the transfer is such that interest needs to be accounted for explicitly.

8.9 Payments of transfers to be made according to a payment schedule

Delays in the payment of transfers impact negatively on entities and their staff, and compromise service delivery. Therefore, a department must make payments according to a pre-determined payment schedule as stipulated in the TPA with the entity.

The SFP Guideline provides further guidance on the structuring of payment schedules, processes to change payment schedules and deviations from payment schedules.

8.10 In-year monitoring of the management and use of transfers

The SFP Guideline must set a risk-differentiated approach to monitoring TPAs that is fit for purpose and reduces the monitoring burden placed on departments, and the entities receiving transfers. National DSD and provincial DSDs are required to use this approach to evaluate the risk of all TPAs annually and plan their in-year monitoring of the management and use of transfers.

8.11 Managing TPA deviation requests

On occasions, there may be a need to deviate from the TPA. In such instances, the entity must put in a written request, clearly outlining the reasons for the deviation. The delegated official responsible for approving deviation requests must communicate with the entity in writing, within the timeframe stipulated in the SFP Guideline. When approving a deviation request, the official may attach reasonable conditions to the alternative use of the funds, if it is deemed appropriate. The department may only approve such a deviation request if the entity is up-to-date with all its reporting obligations and the performance reports show that it has delivered at least 80% of the outputs and outcomes it agreed to provide in its TPA.
8.12 Managing funds unspent at the end of the year

National DSD and provincial DSDs may submit the rollover request of unspent funds to the relevant treasury to be rolled-over to an entity to continue delivering outputs and outcomes set out in the TPA or for an alternative purpose approved by the relevant department. The rollover request should be in line with the deviation approval by the department and in line with the rollover conditions as set in the PFMA and Treasury Regulations.

If the rollover request is not approved, the funds must be returned to the relevant department to be surrendered to the relevant revenue fund.

8.13 Managing non-compliance with TPAs

It is important that the standards and processes for managing non-compliance with TPAs are clearly spelt out. This provides a framework for action to the responsible officials, and eliminates the scope for arbitrary, unfair interventions. Taking into consideration the Promotion of Administrative Justice Act 3 of 2000, the SFP Guideline sets out:

- the procedures to be followed when managing non-compliance;
- descriptions of different types of non-compliance; and
- the appropriate responses to different types of non-compliance.

Responses to non-compliance may include revising the TPA to reduce the transfer, suspending payments or terminating the TPA. In addition, the relevant department may increase the level of oversight and monitoring; change the TPA so that the transfer can be diverted to another entity to be managed; appoint an administrator; appoint a mentor or itself mentor the organisation.

8.14 Terminating working with an entity

The national DSD or a provincial DSD may decide to terminate working with and funding an NPO or other entity providing developmental social services in the following circumstances:

- if there is non-compliance with the TPA that is serious in nature; or
- if the TPA has expired and the department chooses not to renew it (for any valid reason).

When a department decides to terminate working with and funding an NPO or other entity that is providing a statutory service or a service listed in Annexure 3, the department must ensure the interests of the service beneficiaries are protected, including ensuring that they are provided with access to the same or similar services on an uninterrupted basis provided either in-house by the department or by another entity.

The SFP Guideline sets out further procedures in this regard.

8.15 Managing disputes and appeals

When different institutions work together it is likely that disputes will arise from time to time. The national DSD and each provincial DSD must put in place appropriate dispute resolution processes aligned to the guidance provided in the SFP Guideline. This will ensure the timely, fair, transparent adjudication of disputes in the spirit of partnership. The dispute resolution mechanisms will:
• give the NPO or other entity the opportunity to request the responsible official to provide written reasons for a particular administrative action, if such reasons have not already been given,

• give the NPO or other entity the opportunity to make written representations to the relevant head of department to have the decision reviewed;

• give the NPO or other entity the opportunity to appeal the decision to an independent Appeals Committee to be established by each department’s Executing Authority.

If a matter is not resolved through the above mechanisms, the aggrieved party may take the matter to court. However, approaching the courts should be seen as a last resort.

All TPAs must contain clauses setting out appropriate dispute resolution mechanisms and commit the parties to using these mechanisms before taking any matter to court.
Chapter 9 – Monitoring and publication

In the past, transfers to NPOs and other entities have not been managed transparently. The review of the Policy is to ensure accountability for the allocation and use of these public funds. The publication of information relating to transfers is an essential mechanism to improving transparency and accountability.

9.1 Monitoring compliance with the Policy

National DSD will put in place appropriate mechanisms to monitor compliance with this Policy both by its own NPO funding unit and by the provincial DSDs. These monitoring mechanisms must include at least the following:

1. An annual analysis of the level at which provincial governments fund their provincial DSDs and how provincial DSDs allocate their budgets, reflecting comparative provincial information as set out in the SFP Guideline. National DSD must publish this analysis on its official website as per date to be stipulated on the SFP Guideline.46

2. An annual analysis of provincial DSDs’ compliance with the minimum funding standards set out in SFP Annexure 4 reflecting comparative provincial information to be set out in the SFP Guideline. National DSD must publish this analysis on its official website as per stipulated date on the SFP Guideline47

3. A five-yearly review of compliance with the Policy with recommendations as to how it might be revised and how each province might strengthen its implementation. National DSD will publish this analysis on its official website before the stipulated date of the fifth year after the implementation date of the Policy, and every five years thereafter48.

9.2 Publication of TPAs and information on transfers

The national DSD and provincial DSDs are required to publish the following information:

9.2.1 Copies of all the TPAs with partner NPOs and other entities

The national DSD and provincial DSDs must maintain a complete database of all TPAs signed with NPOs and other entities on their respective departmental websites. This database must be organised according to the guidelines issued by the national DSD. The database must be open to the public.

All TPAs for a financial year must be listed on the department’s website on the date stipulated on SFP Guideline49 each year. If the department signs new TPAs during the financial year, such TPAs must be published on the department’s website within one month of the signing of the TPA under the heading “TPAs signed in-year”.

46 Exact dates to be moved to guidelines once agreed upon.
47 Exact dates to be moved to guidelines once agreed upon.
48 Exact dates to be moved to guidelines once agreed upon.
49 Exact date to be moved to guidelines once agreed upon.
9.2.2 Summary information on transfers

The national DSD and provincial DSDs must publish on their departmental websites the information on transfers for the following financial year before the date stipulated on SFP Guideline\(^5\):

- Name of NPO or other entity, nature of service and allocations made to it.
- Total allocations by category of social welfare services as agreed by the sector.
- Total allocation for programmes and projects for community development, capacity building, sustainable livelihoods / poverty relief, and disaster relief interventions and
- Total allocations by municipality.

The purpose of publishing this information before the start of the financial year is to inform communities of what public funds NPOs and other entities in their areas will be receiving. This gives both the public and the relevant entities an opportunity to object to or appeal the allocations.

National DSD, after consulting provincial DSDs, will set out a format for the publication of this information based on the list of standard service names and the regional segment prescribed by the national Standard Chart of Accounts.

The summary information published on the departmental website must be updated at the end of each quarter to reflect all new TPAs signed during the quarter and be clearly marked with an identifier “TPAs signed in-year”.

9.2.3 Quarterly reports of all transfer payments

The national DSD and provincial DSDs must publish on their departmental websites the following information on the payment of transfers 30 days after the end of each quarter of the financial year:

- Name of NPO or other entity, nature of service and budgeted allocations made to it.
- Payment schedule as reflected in the TPA with the NPO or other entity.
- Transfer payments with the date of payments made to NPOs or other entities up to the end of the relevant quarter.
- A brief reason if any payment deviates from the agreed payment schedule, is delayed or stopped.

The purpose of publishing this information is to keep NPOs and other entities, as well as the public, updated regarding the timely payment of transfers, and to enable the national DSD to monitor provincial DSDs’ compliance with the transfer payment arrangements set out in the Sector Funding Policy.

National DSD, after consulting provincial DSDs, will set out a format and commencement date for the publication of this quarterly information.

\(^5\) In the proposed new timetable for managing the approval of transfers, departments are expected to give internal sign-off on allocations by 30 January each year and inform NPOs by 10 February. So, it is assumed the departments will have the information available to publish on 15 February. The date to be moved to Guidelines.
9.2.4 End-year reconciliation report of all transfer payments

The national DSD and provincial DSDs will publish on their departmental websites the following information on end-year reconciliation of transfer payments within three months after the end of each financial year:

- Name of NPO or other entity, nature of service and budget allocations made to it.
- Total transfers paid to the NPO or other entity during the financial year.
- Expenditure of transfer funds as reported by the NPO or other entity, showing unspent amounts.
- Amounts the department approved for retention by the NPO or other entity.
- Unspent transfer payments recovered from the NPO or other entity either by way of repayments or deductions from transfer payments.
- Any unspent amount still to be recovered from the NPO or other entity.

The purpose of publishing this information is to ensure transparency and accountability for the use of transfers payments and the fair management of end-year processes. It will also enable the national DSD to monitor provincial DSDs' compliance with the end-year arrangements for managing transfers set out in the Sector Funding Policy.

National DSD, after consulting provincial DSDs, will set out a format and commencement date for the publication of this end-year reconciliation information.

National DSD and provincial DSDs must include a summary of this information in their annual financial statements.
## Chapter 10 – Implementation arrangements

### 10.1 Overview of the component parts of the Sector Funding Policy

The Sector Funding Policy consists of this document, supported by a range of other documents as shown in the following figure.

**Figure 2: The Sector Funding Policy and supporting documents**

<table>
<thead>
<tr>
<th>Sector Funding Policy (SFP)</th>
<th>SFP Guideline on NPO Contributions</th>
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<tbody>
<tr>
<td>SFP Guidelines</td>
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<tr>
<td>SFP Guideline 01</td>
<td>Planning and budgeting for</td>
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<td></td>
<td>developmental social services</td>
</tr>
<tr>
<td>SFP Guideline 02</td>
<td>Managing applications and</td>
</tr>
<tr>
<td></td>
<td>concluding agreements</td>
</tr>
<tr>
<td>SFP Guideline 03</td>
<td>Managing agreements and</td>
</tr>
<tr>
<td></td>
<td>monitoring performance</td>
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</table>

### Key national standards

<table>
<thead>
<tr>
<th>List of standard service names</th>
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</thead>
<tbody>
<tr>
<td>Minimum norms and standards for each service</td>
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</table>

### National DSD

<table>
<thead>
<tr>
<th>National DSD</th>
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<tbody>
<tr>
<td>SFP Annexures</td>
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</table>

### Provincial DSD

<table>
<thead>
<tr>
<th>Provincial DSD</th>
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<tbody>
<tr>
<td>Priority Schedules</td>
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### Tools and templates

<table>
<thead>
<tr>
<th>Tools and templates</th>
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<tbody>
<tr>
<td>Service specifications form</td>
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<tr>
<td>Funding timetables</td>
</tr>
<tr>
<td>Funding application form</td>
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<tr>
<td>Service Level Agreement</td>
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<tr>
<td>Declaration of adequate financial management arrangements</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Tools and templates</th>
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<tbody>
<tr>
<td>Risk-differentiated assessment and monitoring tools</td>
</tr>
<tr>
<td>Income and Expenditure Statement</td>
</tr>
<tr>
<td>Financial management and reporting templates</td>
</tr>
<tr>
<td>Forms and notices related to Management of SLAs</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Tools and templates</th>
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<tbody>
<tr>
<td>Forms and notices related to Objections and Appeals</td>
</tr>
<tr>
<td>Service Provider Contract</td>
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<tr>
<td>Joint Funding Agreement</td>
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<tr>
<td>Transformation Scorecard</td>
</tr>
</tbody>
</table>

As shown in the figure above, the intention is that the national DSD and the respective DSD need to develop a range of documents to support the effective implementation of the Sector Funding Policy.

The national DSD will need to put in place:

- The SFP Guideline which provides more detailed guidance on how different sections of the Sector Funding Policy should be implemented by both the national Department of Social Development and the provincial departments of social development. The development and implementation of the guidelines will be facilitated gradually over a period of time in order to effectively implement policy change and allow for administrative, governance and institutional reforms.

- The SFP Guideline on NPO Contributions which will provide detailed guidance on the processes and procedures for determining what NPOs that are being funded according to
prescribed service funding standards can be expected to contribute from their own resources.

- The *List of standard service names and definitions*
- The *Minimum norms and standards for each service*

The SFP Annexures are attached to this document. The national DSD, in consultation with the provincial DSDs, will need to ensure that these documents are updated as and when required by this *Policy*.

The respective provincial DSDs will need to set up and update Schedules 1, 2 and 3 as required by this *Policy* in line with the Annexures.

It is envisaged that over time, the national DSD, working with the provincial DSDs, will put in place the different tools and templates set out in the lower section of the figure.

### 10.2 Key dates in the management of transfers

The following figure sets out the phases in the management of NPO transfers.

**Figure 3: Three phases in the management of NPO transfers – social services**

The events shown above should adhere to the following annual time frames:
<table>
<thead>
<tr>
<th>Event</th>
<th>Proposed timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General</strong></td>
<td></td>
</tr>
<tr>
<td>Department must publish a timetable setting out the deadlines for all processes related to the management of transfers to NPOs</td>
<td>On or before 15 April</td>
</tr>
<tr>
<td>Department must publish in the relevant Government Gazette the names and allocations made to all NPOs for the current financial year</td>
<td>30 April</td>
</tr>
<tr>
<td>Department must publish on its website all TPAs for current financial year</td>
<td>30 April</td>
</tr>
<tr>
<td><strong>New application processes</strong></td>
<td></td>
</tr>
<tr>
<td>Department must publish requests for proposals and service descriptions within the stipulated date</td>
<td>01 June-15 July</td>
</tr>
<tr>
<td>Deadline for submission of applications by NPOs</td>
<td>01 September</td>
</tr>
<tr>
<td>Internal committees complete evaluation of applications</td>
<td>20 September</td>
</tr>
<tr>
<td>Internal sign-off on applications</td>
<td>15 October</td>
</tr>
<tr>
<td>Notice issued to applicants on the outcome of application process</td>
<td>31 October</td>
</tr>
<tr>
<td>Internal approval of allocations to approved applications</td>
<td>20 November</td>
</tr>
<tr>
<td>Deadline for appeals to outcomes of applications process to be submitted</td>
<td>30 November</td>
</tr>
<tr>
<td>Internal sign-off on allocations to individual NPOs</td>
<td>30 January</td>
</tr>
<tr>
<td>Formal notification of funding to NPOs</td>
<td>10 February</td>
</tr>
<tr>
<td>Deadline for signing of TPAs</td>
<td>31 March</td>
</tr>
<tr>
<td>Prepare and finalise details of new NPOs for upload on to BAS system</td>
<td>31 March</td>
</tr>
<tr>
<td>Make first transfers</td>
<td>30 April</td>
</tr>
<tr>
<td><strong>Renewal application processes</strong></td>
<td></td>
</tr>
<tr>
<td>Review all existing TPAs due to expire at the end of the financial year to consider renewing</td>
<td>20 September</td>
</tr>
<tr>
<td>Inform NPOs that are not going to have their TPAs renewed</td>
<td>01 October</td>
</tr>
<tr>
<td>Deadline for appeals to outcomes of applications process to be submitted</td>
<td>25 October</td>
</tr>
<tr>
<td>Send renewal application forms to NPOs for TPAs to be renewed</td>
<td>1 October</td>
</tr>
<tr>
<td>NPOs submit completed renewal forms and additional information</td>
<td>1 November</td>
</tr>
<tr>
<td>Deadline for signing renewal of TPAs</td>
<td>2 months before existing contract expires</td>
</tr>
</tbody>
</table>

**Confirmation of allocations on existing multi-year TPAs**

Review multi-year TPAs that are still current

Confirm allocations

End January each year

**Management and monitoring processes**

First payment on new TPA

30 April

Make subsequent payments according to payment schedules in TPAs

15 days after end of month

Monthly receipt of financial and performance reports, where applicable

15 days after end of quarter

**End-year processes**

Submission of preliminary end-year income and expenditure statements

30 April

Submission of end-year deviation requests by NPOs

30 April

Approval of end-year deviation requests by departments

31 May

NPOs to return unspent funds

31 May

Submission of final income and expenditure report and final performance report by emerging NPOs

30 June

Submission of annual financial statements and final performance reports by all other NPOs

30 September

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51 All the dates are subject to change and agreed upon during the implementation of the policy.
10.3 Implementation dates for specific provisions

National DSD and provincial DSDs must implement the Sector Funding Policy in a phased-in approach from the start of the 2022/23 financial year, unless later implementation dates for specific sections are set out below.

To facilitate the orderly implementation of the Sector Funding Policy, the following implementation dates apply to specific provisions:

- **Publication of funding timetables**
  - National and provincial DSDs must publish funding timetables from the start of the 2022/23 financial year.

- **Publication of information on transfers**
  - National and provincial DSDs must publish summary information on transfers from the start of the 2022/23 financial year.
  - National and provincial DSDs must publish quarterly reports of all transfer payments from the start of the 2022/23 financial year.
  - National and provincial DSDs must publish end-year reconciliation reports of all transfer payments for the 2022/23 financial year onwards.

- **Publication of TPAs**
  - National and provincial DSDs must publish all TPAs from the start of the 2022/23 financial year.

10.4 Actions to facilitate implementation

To facilitate the implementation of the DSD Sector Funding Policy, the following are critical:

- A training programme on Sector Funding Policy
- Development of the following supporting documents:
  - List of standard service names
  - Service specification forms
  - The SFP Guidelines
  - National DSD Annexures
  - Provincial DSD Schedules
  - Development of tools, template application forms, TPAs etc, and
  - Development of reporting formats
SFP Annexure 1 – Top action areas for prevention and early intervention

Approved by the Social Development MInMEC [fill in date]

Issued by the Minister of Social Development [fill in date]

Planned revision date [fill in date]

Purpose of the action areas

The purpose of the Annexure 1 action areas is to help ensure that funding is prioritised for prevention and early intervention in order to break the cycles of harm, vulnerability and risk.

By setting aside funds for prevention and early intervention, the SFP, through Annexure 1, seeks to ensure that funding for prevention and early intervention is not ‘crowded out’ by the demand for costly crisis (response) services – which are typically or often statutory (required by law). Prioritised funding for prevention and early intervention can help to reduce the long-term demand for more costly crisis interventions and services.

The action areas specifically target the prevention and early intervention activities that have the potential to be ‘game-changers’; those interventions which have the potential to:

- Transform the social landscape by reducing harm, vulnerability and/or risk for a large number of individuals, families and communities;

- Improve national development outcomes; and

- Reduce the long-term demand for crisis services.

The ‘game-changers’ represent highly targeted initiatives (that respond to the action areas) that the DSD may already be providing as part of other services or may be developed as new initiatives.

The proposed criteria for selecting prevention and early intervention action areas are:

- **Number of affected people:** A large number of people are affected, directly and indirectly, by the negative outcomes that arise from the issue that the intervention seeks to prevent. It is considered a wide-scale problem in a province and nationally, one of South Africa’s biggest social problems

- **Prevention reduces demand:** By preventing the issue from occurring, the province will prevent a large number of people experiencing harm, increased risk and/or vulnerability. The demand for crisis services will be reduced in the long term.

- **Mutually reinforcing:** Social issues are frequently interlinked and interdependent – for example, substance use disorder can cause and increase to social crime and social crime can cause substance use disorder. Interventions which build personal capacity, skills and resilience can reduce the likelihood of becoming a perpetrator or victim of social crime and/or substance use disorder. The action areas should work in an integrated manner to help generate multiple positive outcomes.
- **Can be implemented**: Action areas should be considered for ‘ease of implementation’—taking into account a range of considerations such as the level of collaboration required with other Departments and/or the availability of NPO partners to support. Some action areas might be more feasible to implement than others.

The specific interventions chosen should align with legislative and policy frameworks, where they exist, for such prevention and early intervention initiatives.

**Action areas**

The following action areas have been identified based on their potential 'game-changing' impact in terms of reducing harm and improving developmental outcomes.

<table>
<thead>
<tr>
<th><strong>Action area</strong></th>
<th><strong>Rationale</strong></th>
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</table>
| Positive parenting and family promotion, with a particular emphasis on the positive role of men, and teenage pregnancy (both prevention of and skills to develop teenage mothers) | Positive parenting and family promotion are the basis for increased resilience in individuals, families and communities. Interventions help to establish positive values, including gender, social cohesion, respect, self-agency, and a range of positive behaviours, which collectively help to reduce risk of gender-based violence, social crime, substance use disorder and a range of other psychosocial challenges. In particular, advocating the role of fathers, whether biological or social fathers, helps to strengthen family units and child development and has positive benefits for the fathers (men) themselves. The positive parenting and family promotion initiative should also include a specific focus on:
- Prevention of teenage pregnancy
- Support to teenage mothers
| Intimate partner violence, particularly against women | While gender-based violence (GBV) affects more than just women, within total national GBV cases, intimate partner violence (IPV) against women makes up the largest numbers. IPV can also affect children, where women have children and these children witness the violence; in such cases, this perpetuates the inter-generational cycle of violence, meaning that the next generation is at increased risk of becoming perpetrators or victims of violence. Given the scale and the intergenerational nature of IPV, a specific focus on initiatives which prevent IPV against women has the potential to have a significant impact on developmental outcomes. |
**Action area**

Prevention of substance use disorder among young people, including prevention of alcohol consumption by pregnant women in provinces where FAS is high

**Rationale**

Substance use disorder affects a large number of people, both directly those who use the substance and indirectly their families and communities. Young people are most at risk of substance use disorder. Substance use disorder reduces educational attainment, results in negative health outcomes, inhibits the development of positive relationships, reduces the ability to obtain and hold employment, and is a known factor in GBV and social crime in general. Interventions which seek to prevent substance use disorder among young people can significantly reduce risk and vulnerability and prevent multiple harms in the future, and therefore prevent future costs to the state. Such interventions help establish and reinforce positive attitudes and behaviours among young people which can have a multiplier effect by reducing peer pressure to use substances.

In some provinces, FAS rates are particularly high. FAS is a condition in children that results from alcohol exposure during the mother’s pregnancy and is part of the Foetal Alcohol Spectrum Disorders (FASDs). FAS and FASDs cause brain damage and growth problems which are not reversible. While the severity of symptoms will vary, generally FAS and FASDs include a range of physical, intellectual and/or cognitive disabilities. It can reduce the quality of life of an individual, cause challenges functioning and/or with daily life and increase the risk of secondary disabilities. In addition to the reduced opportunities and life outcomes for individuals with FAS, FAS reduces national developmental outcomes and places an additional financial burden on the state as those affected may require ongoing support and assistance.

**Social crime prevention among young people**

Social crime is a large scale issue in South Africa. Initiatives to prevent social crime among young people help to ensure positive values and behaviours and alternative strategies for young people who may be affected by social crime, gender-based violence and substance use disorder in their homes and communities. The intervention targets young people to break the cycle of social crime that is perpetuated in South Africa.

**Nature of prevention and early intervention initiatives to be implemented**

The nature of prevention and early intervention can range from large, community-wide awareness campaigns which focus on information sharing to structured developmental skills programmes with small groups of targeted participants. It is the latter type of initiative which is considered more effective in preventing and reducing harm, vulnerability and/or risk.
The initiatives planned for the action areas above should therefore be developmental in nature. Examples of activities and interventions to be funded under Annexure 1 include:

- Structured developmental programmes (e.g. communication, problem-solving, behaviour change)
- Skills-based (e.g. life skills, safety and protective behaviours)
- Training programmes and group work
- Resilience-based (e.g. family and individual strengthening, identifying positive male role models)
- Psycho-social support and psychoeducation

Provinces will continue to fund the following types of activities; however, they should not be included under Annexure 1:

- Awareness campaigns
- Information sharing (leaflets, posters)
- Vocational skills
- Community events
- Door to door campaigns/ 'knock and drop' distribution of flyers
- Radio talk shows and adverts in newspapers

These are useful interventions, as such, they should be funded as part of the regular funding allocation process for prevention and early intervention services and not funded from the budget for prevention and early intervention action areas (Annexure 1).

**Provincial planning for action areas**

Provincial DSDs are required to plan the delivery of specific prevention and early interventions programmes and projects in these four action areas which they must set out in *SFP Schedule 1: List of priority prevention and early intervention initiatives*. Note that existing, effective prevention and early intervention programmes and projects can be included in the list.

Each provincial DSD must budget to spend at least 5% of its total annual budget on the initiatives set out in SFP Schedule 1. A provincial DSD may choose to spend more than the minimum of 5% of its total budget on these initiatives.

A provincial DSD does not have to fund these services in any particular order. It may allocate the funds to the listed initiatives based on its assessment of their relative priority for the province and the opportunities that exist to implement effective services. These funds may be used either in-house or used to subsidise NPOs or other entities to deliver prevention and early intervention initiatives. The level of these subsidies must be determined with reference to a service delivery plan and budget and what the NPO or other entity can reasonably contribute, if anything.

Where an initiative was previously funded as part of an existing service, the initiative will now be funded under Annexure 1.

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52 The lists of which types of interventions should be funded from Annexure 1 are not exhaustive. DSD should apply professional judgment as to whether a particular intervention achieves the spirit of the approach to Annexure 1. The intention is to prioritise the types of activities that have been proven to have higher impact.
SFP Annexure 2 – Principles to identify services / projects that should be discontinued

Approved by the Social Development MinMEC [fill in date]

Issued by the Minister of Social Development [fill in date]

Planned revision date [fill in date]

Knowing which services should be funded is to some extent clarified by knowing which services / projects should not be funded. The following principles provide guidance to national DSD and provincial DSDs in determining services/projects that should not be funded by DSD. These principles help to ensure that public funds are used appropriately and effectively and they apply to both department in-house delivery and delivery through NPOs and other entities.

**Principle 1: Alignment**

- National DSD and provincial DSDs must not provide or fund services / projects that are not aligned to the DSD’s mandate.

In determining whether a service or project is not aligned to the DSD’s mandate, the DSD should consider whether a service or project is already receiving or is eligible for funding from another government department for the same or similar purpose.\(^{53}\)

**Principle 2: Compliance**

- National DSD and provincial DSDs may partner with and provide transfers to a number of different types of organisations, as described in the Policy:
  - Where national DSD and provincial DSDs provide a transfer to an NPO, that NPO must be registered or conditionally registered in terms of the NPO Act.
  - Where national DSD and provincial DSDs provide a transfer to a cooperative, the cooperative must be registered in terms of the Cooperatives Act.
  - Where national and provincial DSD provide a transfer to a company, the company must be registered in terms of the Companies Act.

- National DSD and provincial DSDs may only fund entities (NPO or otherwise) that are registered or accredited to provide particular services/programmes, where registration/accreditation to provide the service/programme is a specified requirement in the service/programme regulations.

- National DSD and provincial DSDs may not fund organisations where issues of non-compliance or non-performance remain, after reasonable efforts to rectify the issue have been exhausted\(^{54}\).

\(^{53}\) In particular, DSD should seek, where possible, to support cooperatives to apply for start-up funding and working capital from existing government programmes and schemes, rather than fund directly. See SFP Section 7.1.1 for more information on other schemes that can provide capital funding for cooperatives. This does not exclude DSD from entering into a partnership with a cooperative to provide specific services, agreed in an TPA, and funded by DSD. See SFP Section 7.1.2 for more information.

\(^{54}\) The SFP Guidelines provide specific guidance on managing organisations where non-compliance and non-performance is an issue.
Principle 3: Non-Discrimination

- National DSD and provincial DSDs must not provide or fund services / projects that unfairly discriminate, on any grounds of discrimination as determined by law, either by design or due to the manner of implementation.

Principle 4: Undue Influence

- Services and projects funded should not be related to, motivated or influenced by undue influences such as coercion, corruption etc or any activities that are against the principles governing the management of transfers.

National DSD and each provincial DSD must evaluate the services / projects they currently provide in-house or fund NPOs and other entities to provide against the above principles and take steps to discontinue those that are not aligned to the set principles.
SFP Annexure 3 – Services to be funded according to minimum funding standards

Approved by the Social Development MinMEC [fill in date]

Issued by the Minister of Social Development [fill in date]

Planned revision date [fill in date]
Annual review and update required by September of each year

When the state is contracting or partnering with an entity to deliver constitutionally and statutorily mandated developmental social services, the state, within its available resources is responsible for providing funding that covers the reasonable core costs of that service. The department will gradually establish minimum funding standards and progressively increase funding for these services, guided by available resources until all are funded according to reasonable core costs, where they are provided by an external entity.

CONSTITUTIONALLY AND STATUTORILY MANDATED DEVELOPMENTAL SOCIAL SERVICES WHICH ARE REQUIRED TO BE FUNDED ACCORDING TO REASONABLE CORE COSTS (‘CATEGORY 1’ SERVICES)

The table below identifies the services delivered by DSD that government is constitutionally and statutorily mandated to provide. They are presented in the order in which they rank according to the prioritisation method provided in SFP Appendix 2. This is the order in which the DSD will progressively add the services to Category 2 – i.e. establish an irreversible commitment to fund according to minimum funding standards, which will be progressively increased until they equal the reasonable core costs of providing the service.

<table>
<thead>
<tr>
<th>Order to be funded</th>
<th>Service name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>S3.3.3 Integrated child protection and development services</td>
</tr>
<tr>
<td>2</td>
<td>S3.3.4 Foster care services</td>
</tr>
<tr>
<td>3</td>
<td>S3.3.5 Adoption services</td>
</tr>
<tr>
<td>4</td>
<td>S3.3.1 National child protection register</td>
</tr>
<tr>
<td>5</td>
<td>S2.2.3 Residential care for older persons</td>
</tr>
<tr>
<td>6</td>
<td>S3.5.1 Children’s Home – CYCC</td>
</tr>
</tbody>
</table>

55 Services identified as Category 1 are based on consultation and subject to review and verification. More services may be added to this list as legislation changes.

56 Service names and reference numbers are derived from SFP Appendix 1: Standard Service Names
<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>S2.2.4 Protection of older persons from abuse</td>
</tr>
<tr>
<td>8</td>
<td>S2.5.2 Secure Care – CYCC</td>
</tr>
<tr>
<td>9</td>
<td>S2.2.2 Home based care for older persons</td>
</tr>
<tr>
<td>10</td>
<td>S3.3.2 National register of child headed households</td>
</tr>
<tr>
<td>11</td>
<td>S4.2.1 Social crime prevention programmes</td>
</tr>
<tr>
<td>12</td>
<td>S2.2.1 Community-based programmes for older persons</td>
</tr>
<tr>
<td>13</td>
<td>S3.2.1 Care and support services to families (family preservation)</td>
</tr>
<tr>
<td>14</td>
<td>S4.2.3 Social crime reintegration and after care services</td>
</tr>
<tr>
<td>15</td>
<td>S4.2.2 Diversion services for persons in conflict with the law</td>
</tr>
<tr>
<td>16</td>
<td>S4.4.3 Community-based treatment services for substance use disorder</td>
</tr>
<tr>
<td>17</td>
<td>S4.4.2 In-patient treatment services</td>
</tr>
<tr>
<td>18</td>
<td>S4.4.1 substance use disorder prevention programme</td>
</tr>
<tr>
<td>19</td>
<td>S2.5.1 Food security and social relief</td>
</tr>
<tr>
<td>20</td>
<td>S4.4.5 Reintegration and aftercare for substance use disorder</td>
</tr>
<tr>
<td>21</td>
<td>S4.4.4 Halfway houses</td>
</tr>
</tbody>
</table>

**LIST OF ‘CATEGORY 1’ SERVICES WHICH GOVERNMENT HAS COMMITTED TO FUND ACCORDING TO MINIMUM FUNDING STANDARDS (‘CATEGORY 2’ SERVICES)**

Category 2 services are those for which government makes an irreversible commitment to fund according to minimum funding standards, which will be progressively increased until they equal the reasonable core costs of providing the service, based on relevant norms and standards. Once a service has been added to Category 2, it cannot be funded at less than the applicable minimum funding standards. Neither the national DSD nor a provincial DSD may adjust the level of funding provided for by a service’s minimum funding standard downward in order to fit within the available budget.

As frequently as the budget will allow, additional services will be added to Category 2 based on budget estimates of what is affordable and achievable. In time, the list of Category 2 services will mirror the list of Category 1 services, realising the state’s obligation to fund these services according to the reasonable core costs of providing each of the services.

The list of Category 1 services will change as and when new or revised legislation requires additional statutorily mandated developmental social services or where these services are no longer required by statute.

Note that Category 2 services are required to be funded according to current service levels. A case in point is the CYCC services that had been identified as the first Category 2 services. While they rank 6 and 8 in the prioritisation method, DSD Circular 1 of 2019 established minimum funding...
standards for these services. In addition, children who are looked after in CYCC facilities are considered ‘wards of the state’ and this affords the services additional prioritisation, in addition to the ranking determined by the prioritisation method.

**Category 2 services to be funded according to minimum funding standards**

<table>
<thead>
<tr>
<th>Order to be funded</th>
<th>Service name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>S3.5.1 Children’s Home – CYCC</td>
</tr>
<tr>
<td>2</td>
<td>S2.5.2 Secure Care – CYCC</td>
</tr>
</tbody>
</table>

Each provincial DSD must compile and maintain a list of Category 2 services. It must include Category 2 services specified in Annexure 3 and may include additional services in Category 2 (i.e. a provincial DSD may add services to Category 2 provided it commits to funding such services according to applicable minimum funding standards).

Services should be added to Category 2 in the order that services are ranked in Category 1 based on the prioritisation method. Provincial DSDs may provide for a different ordering of Category 1 services based on provincial priorities provided that no service is ranked more than five levels higher or more than five levels lower than its original ranking per the prioritisation method. For example, a service which originally ranked 10th in the prioritisation index above may not be re-ranked higher than 5th or lower than 15th in the provincial ranking.

For any re-ranking of services, the provincial DSD must ensure the changes are well motivated with reference to the provincial context and based on consultations with provincial social development sector role-players. The motivation and rationale and feedback from consultation should be documented in Schedule 3. This schedule should be reviewed every five years.
SFP Annexure 4 – Prioritised list of services

Approved by the Social Development MinMEC [fill in date]

Issued by the Minister of Social Development [fill in date]

Planned revision date [fill in date]

When expanding access to developmental social services (i.e. services in budget programmes 2, 3, and 4), funding should be allocated to services according to their relative prioritisation. The prioritisation method defined in SFP Appendix 2 provides the basis for prioritising developmental social services based on a range of criteria.

‘Developmental social services’ refers to services provided under:

- Budget programme 2 – social welfare services
- Budget programme 3 – children and families (excluding ECD and partial care)
- Budget programme 4 – restorative services

Where services had the same total prioritisation score in the prioritisation model, they share the same ranking and are listed in alphabetical order.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Service name57</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>S3.3.3 Integrated child protection and development services</td>
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<tr>
<td>2</td>
<td>S3.3.4 Foster care services</td>
</tr>
<tr>
<td>2</td>
<td>S3.3.5 Adoption services</td>
</tr>
<tr>
<td>4</td>
<td>S4.3.3 Shelters for victims of crime and violence</td>
</tr>
<tr>
<td>5</td>
<td>S3.3.6 Community child support centres</td>
</tr>
<tr>
<td>6</td>
<td>S3.3.1 National child protection register</td>
</tr>
<tr>
<td>7</td>
<td>S2.3.6 Day care programmes for persons with disabilities</td>
</tr>
<tr>
<td>8</td>
<td>S4.3.2 Victim empowerment services</td>
</tr>
<tr>
<td>9</td>
<td>S2.2.3 Residential care for older persons</td>
</tr>
<tr>
<td>10</td>
<td>S3.5.1 Children’s Home - CYCC</td>
</tr>
<tr>
<td>11</td>
<td>S2.2.4 Protection of older persons from abuse</td>
</tr>
<tr>
<td>11</td>
<td>S3.5.2 Secure Care - CYCC</td>
</tr>
<tr>
<td>13</td>
<td>S2.3.5 Residential and supported living facilities for persons with disabilities</td>
</tr>
</tbody>
</table>

57 Service names and reference numbers are derived from SFP Appendix 1: Standard Service Names
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<th>Rank</th>
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<td>14</td>
<td>S2.2.2 Home-based care for older persons</td>
</tr>
<tr>
<td>15</td>
<td>S4.3.1 Gender-based violence prevention and support programmes</td>
</tr>
<tr>
<td>16</td>
<td>S2.3.2 Community-based rehabilitation programmes for persons with disabilities</td>
</tr>
<tr>
<td>16</td>
<td>S3.2.2 Promotion of healthy family life (family promotion)</td>
</tr>
<tr>
<td>18</td>
<td>S2.3.4 Home &amp; community-based care &amp; support for persons with disabilities</td>
</tr>
<tr>
<td>19</td>
<td>S2.3.7 Disability mainstreaming</td>
</tr>
<tr>
<td>20</td>
<td>S3.3.2 National register of child-headed households</td>
</tr>
<tr>
<td>21</td>
<td>S3.6.1 Community-based care services for children</td>
</tr>
<tr>
<td>22</td>
<td>S4.2.1 Social crime prevention programmes</td>
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</tr>
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<td>24</td>
<td>S2.3.3 Socio-economic empowerment for persons with disabilities</td>
</tr>
<tr>
<td>24</td>
<td>S2.3.1 Social work and prevention programmes for persons with disabilities</td>
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</tr>
<tr>
<td>27</td>
<td>S3.2.1 Care and support services to families (family preservation)</td>
</tr>
<tr>
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<td>S2.4.1 Home and community-based care HIV and AIDS programme</td>
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<td>33</td>
<td>S4.4.1 Substance use disorder prevention programme</td>
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<tr>
<td>34</td>
<td>S2.5.2 Work opportunities for vulnerable groups</td>
</tr>
<tr>
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<td>S2.5.1 Food security and social relief programme</td>
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<td>S4.4.4 Halfway houses</td>
</tr>
</tbody>
</table>

Each provincial DSD must compile and maintain a prioritised list of services, taking into account the ranking above based on the prioritisation method. This should be documented in Schedule 4. Provincial DSDs may provide for a different ordering of services based on provincial priorities providing that no service is ranked more than five levels higher or more than five levels lower than its original ranking per the prioritisation method. For example, a service which originally ranked 10th in the prioritisation index above may not be re-ranked higher than 5th or lower than 15th in the provincial ranking.
For any re-ranking of services, the provincial DSD must ensure the changes are well motivated with reference to the provincial context and based on consultations with provincial social development sector role-players and experts. The motivation and rationale and feedback from consultation should be documented in Schedule 4. This schedule should be reviewed every five years or as required.

When expanding developmental social services, the department must seek to build up a balanced range of services, taking into account the priority ranking of services set out in its Schedule 4. When expanding access to any service listed in Category 2 the new services must be funded according to the applicable minimum funding standard.