

NON-PROFIT ORGANISATION AND SOCIAL WELFARE REGISTRATION PROCESSES

1 Introduction

The current model of social welfare delivery is largely based on non-profit organisations (NPOs). These provide a range of services, including residential services for older persons, partial-care facilities for children, child protection facilities, child- and youth care centres, as well as early childhood development centres. In 2008 (the most recent year for which data was available), there were 6 210 early childhood development centres and 2 705 other social welfare facilities. Of the latter, 98% of the facilities were operated by NPOs, providing services to 72% of the sector's clients.¹

Government partly funds the provision of these services. In 2013/14, the national Department of Social Development (DSD) budgeted R59 million for transfers to NPOs, while the nine provincial DSDs collectively budgeted R5 billion. A survey of 680 NPOs in 2011/12 found that 80% of them had seen significant funding cuts from non-government sources (e.g. the National Lotteries Board and corporate and individual donors). As government also reduced its funding, NPOs have been compelled to cut back on services to their beneficiaries, with 43% reporting having retrenched staff.

An extensive registration and monitoring regime has been put in place to ensure that social welfare organisations adhere to minimum quality and safety standards and that they spend government money appropriately. Although the cost of the registration processes is low relative to other government priorities, it is critical that these processes are efficient and effective, since they lay the foundation for government's service delivery relationship with NPOs in the social welfare sector.

This PER assessed the NPO and social welfare registration processes in the national and provincial spheres by examining the procedures for registration, conditional registration (where applicable), monitoring of compliance, enforcement and closure. It was conducted between August and December 2013 by Cornerstone Economic Research. Some of its key outputs, insights and recommendations are summarised here. The full report and the costing model are available at www.gtac.gov.za/programmes-and-services/public-expenditure-and-policy-analysis.

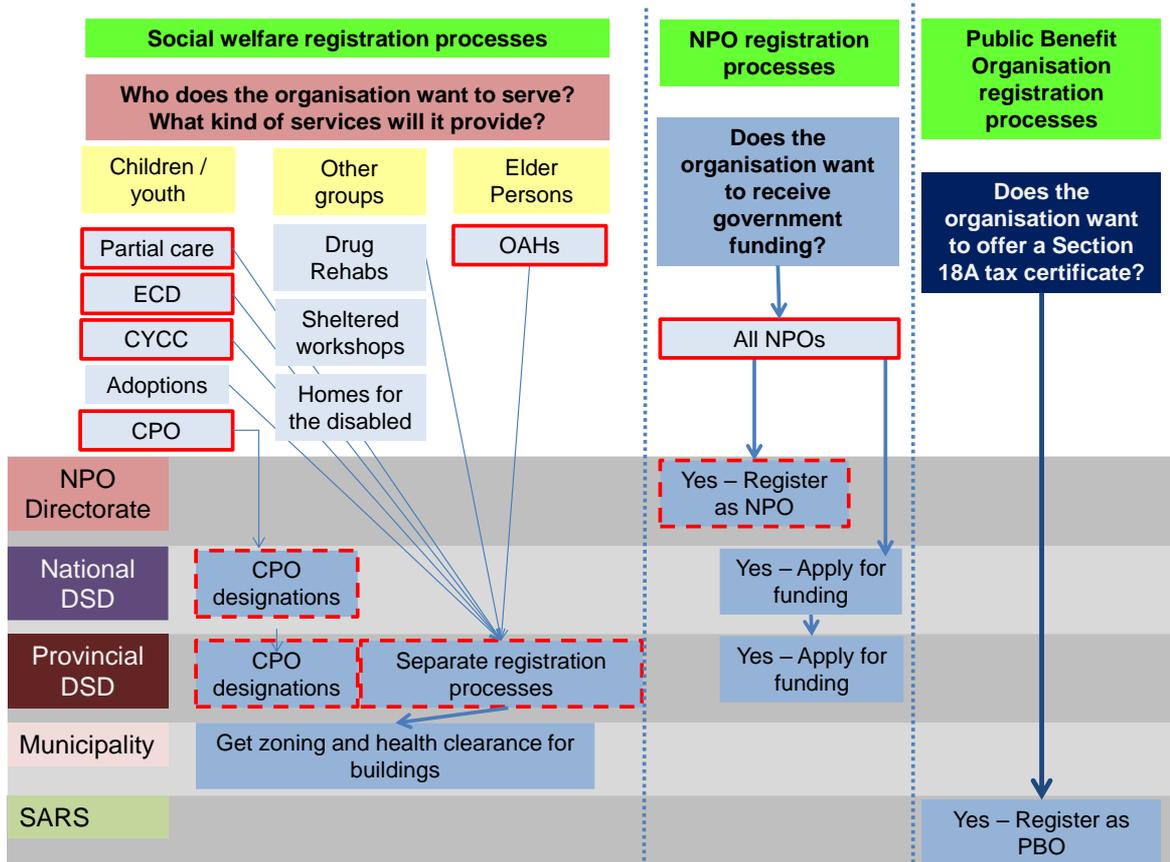
2 Institutional context

With a few exceptions not yet covered by legislation, any organisation seeking to deliver social welfare services is required, in terms of the Children's Act of 2005, the Older Person's Act of 2006 and other legislation, to register their social welfare facilities, programmes and organisations. This is a mechanism for maintaining safety and quality standards in the interests of children and other vulnerable groups, and facilitating the planning and provision of welfare services. If the organisation wishes to access public funding, then it must register in terms of the Non-profit Organisations Act of 1997. If it further intends to solicit donations from individuals and corporates, it can register as a public benefit organisation with the South African Revenue Services; this enables it to issue section 18A certificates to its donors, which allow them to deduct any donations from their taxable income. The national and provincial DSDs have also put in place onerous processes for managing financial transfers to NPOs, which aim to ensure that such funds are used for their intended purpose and also to prevent possible corruption.

¹ Provincial Budget and Expenditure Review 2009, pp. 22 & 84

Figure 1 illustrates the institutional complexity of the different registration processes with the provincial DSDs, the national DSD, the South African Revenue Services and the municipalities in which social welfare organisations are located.

Figure 1: The multiple registration processes facing social development NPOs



The national DSD is responsible for the regulatory frameworks for the registration of various social welfare services, maintaining a national database, and processing appeals around NPO registration applications. The nine provincial DSDs implement the registration processes; these are delegated to district office level, where service offices provide practical assistance to applicants.

The NPO directorate in the national DSD is responsible for establishing processes and systems to manage the registration and oversight of NPOs. The directorate serves all NPOs in all sectors, not just welfare services. Organisations wishing to register as NPOs may do so via an online registration system or by submitting applications directly to either the directorate or the provincial DSD office.

These separate, complicated processes impose a substantial compliance burden on social welfare organisations, especially emerging ones in marginalised communities without the necessary administrative or governance infrastructure. Figure 2 demonstrates this by showing the detailed requirements for registering a child- or youth care centre.

Figure 2: Detailed process for registering a child- and youth care centre



Source: Centre for Child Law's 'Guide to the registration of child and youth care centres in terms of the Children's Act (No. 38 of 2005, as amended)', p. 24

3 Performance analysis

The social welfare registration process was superimposed on existing NPO registration processes that cater for all sectors, including health and housing. This process fragmentation lends itself to duplication and reduces administrative efficiency. The NPO registration process and the social welfare registration process are discussed separately below.

3.1 NPO registration process

The NPO registration process functions relatively well. The introduction of an online registration system has significantly reduced turnaround times. There is, however, considerable variation among provincial DSDs in the processes of assisting NPOs with registration and ensuring compliance. To reduce this variation, the NPO directorate should agree with provincial DSDs on their roles and responsibilities in assisting emerging NPOs with registration or annual submissions. The directorate should then issue standard operating procedures based on this understanding. Provincial DSD head offices need to provide leadership in implementing these procedures and overseeing the compliance of service offices.

Service offices' capacity to support emerging NPOs should be strengthened through training and online access, to allow them to upload applications and annual submissions without having to travel to district offices.

Processes to manage and oversee the annual submissions of NPOs (as required by the NPO Act) should also be strengthened, and the necessary checks and balances for curbing funding fraud put in place. To facilitate this, the NPO directorate should adopt a risk management approach that focuses on NPOs in high-risk categories. It should also consider exempting NPOs with incomes below a certain threshold from making the annual submissions.

The sector categories used by the NPO directorate to classify NPOs are aligned with international standards but are not adequate for local information needs. The directorate should consider the introduction of a secondary set of classifications aligned with the terminology used by the social welfare and other sectors in South Africa.

3.2 Social welfare registration process

The social welfare registration processes are intended to ensure minimum norms and standards in the care and support of vulnerable groups. However, non-compliant facilities continue to operate. Provincial DSDs should either help these facilities to meet the requirements or close them down.

Operating procedures and requirements for the various social welfare registration processes also differ markedly between and within provinces. The national DSD should issue standard operating procedures for each social welfare registration process, and oversee their implementation by provincial DSDs. Almost all of the performance indicators for the social welfare sector focus on the delivery of core services and outputs to clients. Performance indicators that measure whether the production and regulatory systems are in place and function effectively are also necessary.

Provincial DSD district and service offices are poorly resourced and understaffed relative to their service delivery obligations. They face serious constraints in terms of the availability of workstations, telecommunications, computers and transport.

The national DSD does not maintain a consolidated database of social welfare registrations, and most provincial DSD registers are in a very poor state. Thus information on the number, size and location of social welfare facilities, programmes and organisations is unreliable and inaccessible. There is little evidence of population-level planning for services. This has hampered progress in the roll-out of social welfare services, including the social welfare registration processes.

Any organisation registering to work with children must submit applications for clearance certificates for all staff, volunteers and governing body members to ensure that none of their names appear on the child protection register. However, due to delays in the clearance certificate process, registration applications are lodged and approved without the organisation ever receiving these certificates (proof of application is regarded as sufficient).

All social welfare facilities are required to submit an environmental health inspection report with their application in order to demonstrate that the facility complies with the building and health and safety standards of the local municipality. Social workers responsible for approving the applications frequently accept the mere submission of these reports as indicating compliance, even if their content is not in line with the required norms and standards.

The Children's Act allows for partial-care facilities, early childhood development programmes and child- and youth care facilities to obtain conditional registration. This gives the facilities time to upgrade to the prescribed norms and standards required for full registration. However, provincial DSDs are either not implementing or adopting very different approaches to conditional registrations, thereby potentially allowing varying standards of early childhood development.

There do not appear to be any formal appeals or complaints procedures for applicants to query registration delays or decisions made, despite this being a requirement of the Children's Act.

Monitoring and inspection activities tend to focus on governance and fund usage, with too little emphasis on the quality of services; this should be the main focus of the provincial DSDs' oversight.

Most of the registration functions are purely administrative. The use of social workers to fulfil these functions is a misallocation of scarce skills. Shifting administrative functions to auxiliary social workers or other para-professionals would reduce costs and enable social workers to focus on the delivery of the core services for which they are responsible.

4 Costing model

The PER developed a costing model that captures the key cost drivers in the registration process: the number of NPOs requiring registration, the activities involved in registration and oversight, and the staff required to perform them. It shows that when registration and inspection processes are correctly implemented, registration processes should comprise only 15% of the total cost, with 66% of the costs related to inspections, quality assurance and enforcement, which are essential for protecting vulnerable groups against the risk of abuse.

The 2012/13 budget for the NPO directorate was R22.9 million, while the provincial DSDs spent an estimated combined total of R227 million on managing the social welfare registration processes. The costing model was used to test the financial implications of implementing policies governing registration processes at current levels of demand. It found that the overall cost would rise considerably – to R1.12 billion, of which R62 million would be associated with national DSD functions and R1.06 billion with the functions of the provincial DSDs.

To explore the implications of policy changes to reduce costs, a *pragmatic scenario* was developed, which requires R428 million, of which R58 million would be allocated to the national DSD and R369 million to the provincial DSDs. The scenario is based on a number of cost reduction measures:

- Combining the registration processes for partial-care facilities and early childhood development programmes, since the cost of separate registration processes is about R217 million;
- Abolishing the requirement to renew social welfare registrations every five years, since the cost of renewals is about R102 million;
- Targeting only the 5% most-at-risk facilities for development quality assurance assessments, since the cost of assessing all institutions every three years exceeds R60 million;
- Targeting only the 20% most-at-risk facilities for four inspections per year, while the rest get two, as requiring all social welfare institutions to be inspected four times a year costs R75 million; and
- Using auxiliary social workers to perform a range of tasks currently performed by social workers, since requiring social workers to perform these tasks costs R54 million.

5 Findings

The social welfare registration process should draw on the information collected during the NPO registration process to eliminate unnecessary duplication and reduce the cumulative administrative burden on social welfare organisations (and on provincial DSDs as well).

The NPO registration process functions relatively well, and the new online registration system has significantly reduced turnaround times. However, more attention needs to be given to improving access to online registration facilities (which may also reduce fraud) and supporting emerging NPOs.

The PER highlights a number of areas where the social development registration process should be streamlined and implemented better by provincial DSDs and their service offices (which are often poorly resourced) to achieve their primary purpose of protecting vulnerable groups against the risk of abuse. The national DSD also needs dedicated capacity for establishing standard operating procedures for each registration process (thus eliminating duplication), monitoring and supporting provincial DSD compliance with the standard operating procedures, and creating comprehensive national and provincial databases.

If fully implemented, the existing legislation on the registration and monitoring of NPOs that provide social welfare services would cost about R1.1 billion. By combining the currently separate registration processes, eliminating forced reregistration, and being more pragmatic about inspection processes (e.g. using auxiliary social workers), the study proposed savings of R614 million, and suggests that a combined budget of R427 million would be sufficient to ensure proper oversight.

