Management (Monitoring and Evaluation) of NPO's

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CLUSTER: SOCIAL DEVELOPMENT

PROVINCE: FREE STATE

Summary

The Department of Social Development is committed to its mission to enhance the quality of life of people by delivering developmental social services in the Free State. This is achieved through programmes that focus on addressing the needs of special groups that are poor and vulnerable or disadvantaged including Children and Families, Youth, Women, Older Persons and Persons with Disabilities.

The department is experiencing serious challenges with regard to Monitoring and Evaluation of its service delivery partners, the NPO's. This manifests in the poor quality of performance information which suggests that our services to beneficiaries are highly compromised. Findings of the Auditor General during the 2018/19 audit on performance information also gave a bleak picture.

The following can result in quick wins to address the situation:

- The Institutional Capacity Building and Support Directorate which is at the forefront of monitoring and capacity building of NPO's needs to be capacitated in order to address these shortcomings.
- Policies and guidelines are readily available, however there is a need to workshop these, not only with our officials but also with the NPO sector.
- We need to ensure that officials in the unit are supplied with tools of trade (laptops, cell phones, GG-vehicles).
- There need to be clear role-clarification in terms of the different role-players in the management of NPO's.
- Improved coordination between different role-players, re-deploying of officials, re-skilling should be explored to address the current staff shortages (in the absence of appointing new officials).
- A definite need is an Information Management System. Initiatives at a National DSD level and benchmarking with other provinces should be explored.
- In the absence of additional funds from our Provincial Treasury, efficiency savings and re-prioritization of funds needs to be considered to realize quick wins in addressing this dire situation.

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1. Introduction

The Department of Social Development is committed to its mission to enhance the quality of life of people by delivering developmental social services in the Free State. This is achieved through programmes that focus on addressing the needs of special groups that are poor and vulnerable or disadvantaged including Children and Families, Youth, Women, Older Persons and Persons with Disabilities.

The Non-Profit Organisation Sector is a crucial service delivery partner of the department.

The Department transfers a substantial amount of money to NPOs. Approximately R506million (37 %) of the total budget allocation of R1.3billion for 2019/20 will be transferred to NPO's.

Monitoring and evaluation plays a crucial role to ensure:

- a seamless and transparent NPO funding- and disbursement cycle;
- support to NPO's in terms of registration, capacity building, expectations by the department;
- services are delivered to our beneficiaries, the most vulnerable and poorest of the poor in line with service delivery norms and standards, in the most efficient and effective manner;
- effective and efficient management and use of funds in line with the Memorandum of Agreement between the NPO and the department.

2. Policy and Institutional Information

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

Framework legislation

The framework legislation creates an enabling, non-restrictive environment for the funding and management of transfers to entities outside of government. It include Constitution, PFMA and Treasury Regulations, Promotion of Administrative Justice Act, 2000 Non-Profit Organisations Act, 1997, Companies Act, 2008

Funding legislation

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. Funding legislation in the sector include:

National Welfare Act, 1997 Probation Service Act, 1991 Children's Act, 2005 Child Justice Act, 2008 Older Persons' Act, 2006 Prevention of and Treatment for Substance Abuse Act, 2008 National Development Agency Act, 1998

The PFMA and Treasury Regulations

The PFMA and Treasury Regulations set the minimum legal requirements an accounting officer must adhere to when making transfers to an entity inside or outside of government. In terms of the PFMA, an accounting officer has a general responsibility to ensure that processes and systems for managing transfers to entities within or outside government are effective, efficient and transparent, and that there are appropriate systems of financial and risk management and internal control in place to safe-guard public funds and ensure that they are used for their intended purposes.

National Treasury Guideline for Management of Transfers (draft)

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, will be taken up in the Sector Funding Policy of the DSD.

Policies, Guidelines and Structures

The policy landscape regarding funding of NPO's as well as monitoring have been through different reviews 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.

Sector Funding Policy (Policy on Financial Awards to Service Providers)

The policy seeks to address amongst others challenges of the previous Policy on Financial Awards and the impact of the NAWONGO court judgement on the issue of funding services for the most vulnerable.

The overarching goal of the Sector Funding Policy is to facilitate the provision of developmental social services to people who need them, especially those who are most vulnerable. It does so by setting the policy parameters for 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 (national DSD) or a provincial department of social development (provincial DSD).

The Policy was presented to and approved by MANCO in March 2019. The MANCO also recommended that the Policy be presented at the Heads of Social Development Sector (HSDS) Forum as the next forum of approval and granted approval for phased-in implementation of the Policy realizing its critical nature.

Management Plan for the NPO Funding Cycle 2020/21 – 2022/23

(Free State Social Development)

The Management Plan for the NPO Funding Cycle outlines the process to be followed for the new funding cycle in terms of activities, responsible persons and timeframes.

The plan is primarily based on the draft Treasury Guideline for Management of Transfers.

The following role-players play a pivotal role in the overall management, monitoring and evaluation of NPO's:

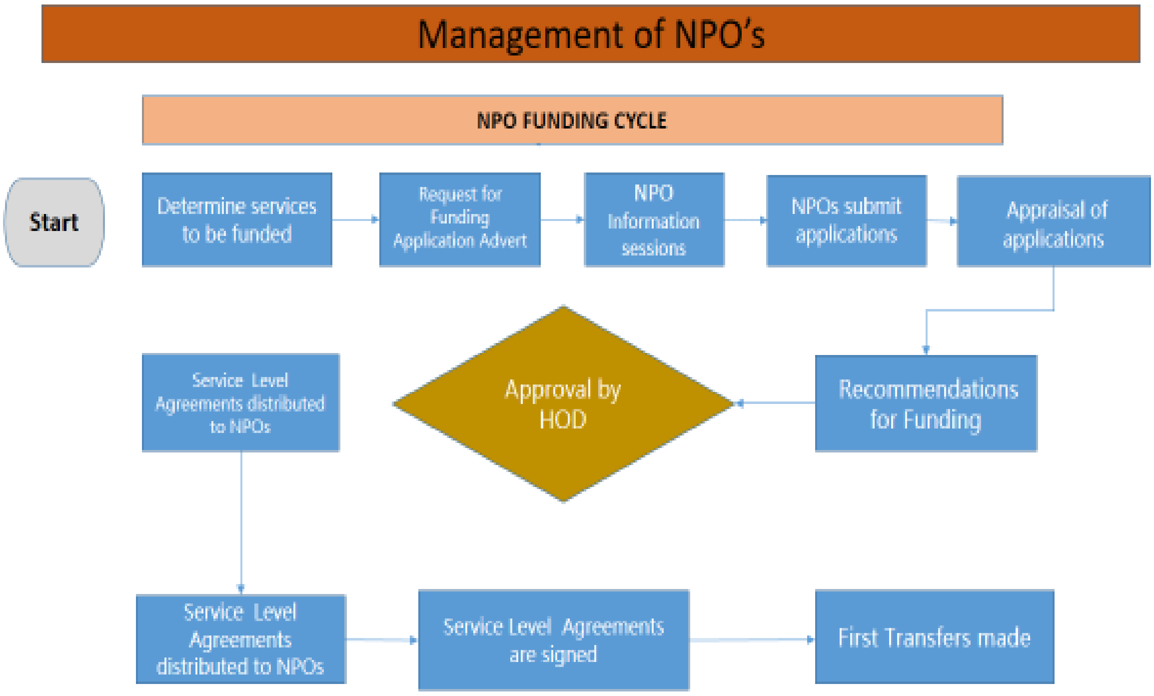
- Programme Managers and Coordinators.
- Community Development Practitioners in the districts.
- NPO Officials: Provincial and at District level.
- Social Workers in the different programmes at a Provincial and at District level.
- Internal Audit
- Risk Management

3. Programme Chain of Delivery

The NPO Funding cycle

Improving the management of transfers to NPO's starts with the NPO funding cycle.

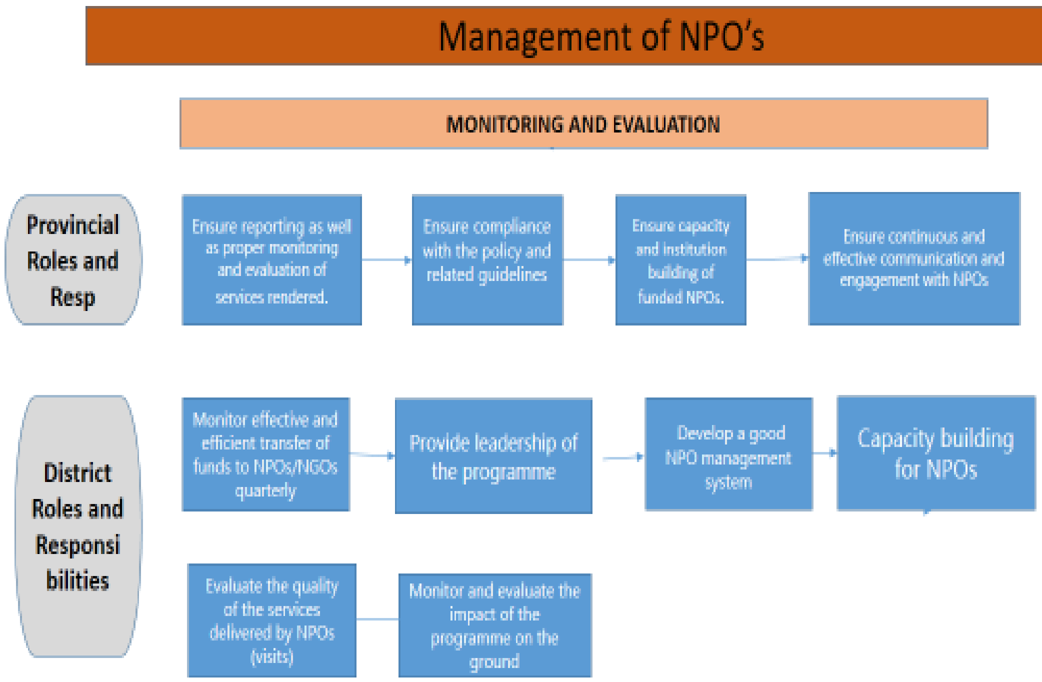
- The programme kicks off with planning meetings with different stakeholders in order to develop the Management Plan and develop/review service specifications for approval by the Head of Department (HOD).
- This is followed by an invitation to apply for funding through an advert. NPO Information sessions must be held at a provincial and district level. NPO's will submit applications by a certain date.
- District appraisal teams and facilitators will appraise and cost applications at a district level and compile the necessary annexures. Consolidation and compilation of submissions with recommendations for funding for HOD's approval takes place at provincial level.
- Memorandum of Agreements will be distributed to qualifying NPOs for sign-off before the beginning of the new financial year.
- Signed MOA's will be submitted to the Finance Section to prepare Payment Advices to enable the department to make the first transfer of funds on a quarterly basis.



Monitoring and Evaluation

Monitoring and Evaluation officials (NPO officials, Community Development Practitioners, and Social Workers in the different Programmes) must:

- Arrange and facilitate capacity building for NPO's in terms of expectations of the MOA's
- Ensure NPO's comply in terms of reporting (financial reports and performance reports) and delivery of services as per the MOA.
- Ensure Monthly/quarterly visits to ensure regular reporting and monitor and evaluate the quality and impact of service delivery.



Please refer to the Log frame that explains how the activities in the programme contribute in the chain of results that produce the intended outcomes and impacts. (attached as Annexure 1)

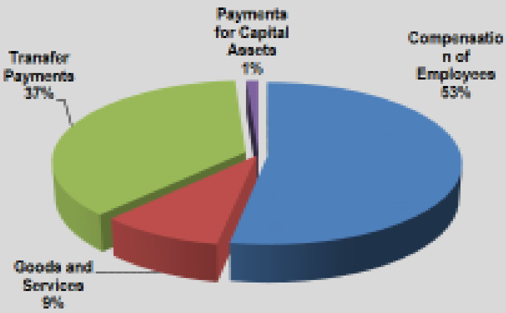
4. Expenditure Observations

The department spent R506million on transfers to NPO's; this represents. 37% of the budget allocated towards NPO's for delivery of services to vulnerable groups.

52% of the budget is allocated towards Compensation of Employees, 9% to Goods and Services and 1% to Capital Payments.

BUDGET ALLOCATION: 2019/2020
PER ECONOMIC CLASSIFICATION

	R'000
Compensation of Employees	R 727 838
Goods and Services	R 126 637
Transfer Payments	R 505 626
Payments for Capital Assets	R 15 223
TOTAL	R 1 375 324



The allocation towards institutional capacity building and support is R13.632 million, less than 1% of the departmental allocation.

This allocation has seen no significant increase over the last 5 years even though the departmental budget has increased. **(Please refer to Annexure 2 – Trend and Growth Analysis)**

More than 90% of the expenditure of the unit goes towards Compensation of Employees. Needless to say, the operational budget does not enable the officials in the unit to discharge their duties as best as possible. **(Please refer to Annexure 2 – Share and Pareto Analysis)**

Considering the poor performance of the department when it comes to the service delivery arm, which was confirmed by the Auditor General, the department needs to make a concerted effort to strengthen the monitoring and evaluation capacity.

5. Performance

The challenges faced by the department at different levels include, but is not restricted to:

- Challenges with management of the funding cycle, NPO's refusing to sign MOA's, late payments to NPO's affecting service delivery and reporting.
- Lack of capacity building of NPO's that result in non-compliance by NPO's
- Insufficient capacity to manage and monitor the partnership arrangements with NPO's.
- Inadequate funding of NPO's

The Auditor General of South Africa who made the following comments in the 2018/19 Management Report of the department:

- "The department transferred R446 234 000 (2018: R416 808 000) to approved NPI's that provide social services in the province. The department did not effectively monitor the spending of the transferred funds to ensure it is used for its intended purpose."

- In addition, with regard to the audit on performance information of service delivery programmes the following statement was made:

  "I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the indicators listed below. This was due to inadequate systems and processes that enable reliable reporting of actual service delivery."

The above statements are a clear indication that the department is found wanting in terms of the monitoring and evaluation of NPO's, our service delivery partners.

This is also evident in the following observations:

- Lack of role-clarification and coordination between the different role-players in the department
- Capacity constraints of M&E personnel.
- Capacity constraints in terms of number of officials - currently fourteen NPO officials at a provincial and district level are expected to monitor 1 783 organisations, 738 if 1045 ECD's are excluded. Minimum number of NPO officials needed is calculated at 38 considering the size of a district, number of NPO's and their risk profile. **(Please refer to Annexure 3 – NPO Information sheet)** A workstudy exercise will be commissioned to confirm the numbers.
- Non-existence of a Management Information System.
- Poor record keeping.
- Lack of capacity building of NPO's
- Failure of the department to improve communications and relationships with NPO's.

6. Options

The National Treasury Guidelines on Management of Transfers (NTGMT) and the Sector Funding Policy (which is also a response to the NAWONGO Court Judgement) affords the department an opportunity to streamline and align its internal processes, even though the roll-out of these documents are still at an infant stage.

The current resource constraints poses an additional challenge, but nothing prevents us from working smarter to realize efficiency savings.

We are at the start of rolling out the 2020/21 – 2022/23 funding cycle. Utilizing the guideline and timelines as set out in the NTGMT will already translate in an improvement of the funding cycle. A Management Plan for the Funding Cycle based on the NTGMT is compiled and already in the process of being rolled-out.

- Coordination of district information/capacity building sessions by strategic M&E, NPO M&E officials and Programme Managers.
- Facilitating capacity building workshops with NPO's.
- Filling of critical vacant funded positions already advertised.

A costing model indicating the cost implications is attached as **Annexure 3**

The following principles were applied in building the costing model:

For the purpose of this exercise the model includes:

- An assessment of the baseline expenditure of the M&E function located in Institutional Capacity and Support Directorate with a footprint in each of the five districts.
- The current demand for services based on the number of NPO's per district, the number of NPO's excluding ECD's, and the current number of NPO M&E officials needed at provincial level and district level – Because of future migration of most ECD's to Department of Basic Education, NPO's excl ECD,s were considered, please refer to sheet with pie charts indicating proportional allocations per district.
- The model quantifies:
    - The minimum no of officials needed for monitoring the number of NPO's which include but is not limited to: assisting NPO's to register, facilitating the funding process, capacity building, analyzing Income and Expenditure Reports, visits to NPO's
    - Tools of Trade and other labour saving devices needed
    - Training Sessions of NPO M&E officials as well as training of NPO's.
    - Travelling expenses

The estimated costs of a Management information System still need to be determined.

The model include a cost estimate over the MTEF.

For purpose of this exercise, the total sheet contain the calculations for the entire unit (provincially and per district). The Policy Scenario is projected over the 2020MTEF period. In-as far as capital is concerned, provision is made for procurement of laptops but not projected over the MTEF.

Summary of Costing Model

Costing Total					
	Current Year Budget Allocation 2019/20	Policy Scenario 2019/20	Scenario 1 2020	2021	MTEF 2122
Cost by item					
Personnel	11,909,000	16,629,387	17,627,150	18,684,779	19,805,866
Goods and Services	1,086,800	2,654,800	2,790,195	2,929,705	3,070,330
Machinery and Equipment	98,000	550,000			
Households (Leave Gratuity, etc.)	500,000	0			
TOTAL	**13,593,800.00**	**19,834,187**	**20,417,345**	**21,614,484**	**22,876,196**

The scenario presented represents the minimum funds required to enable the directorate to effectively discharge their duties.

For the current financial year, the department need to re-prioritize an additional R6.2million to the unit. A pro-rata calculation can be made for the remaining months of the financial year. For the 2020 MTEF the necessary inflationary adjustments were calculated.

7. Recommendations

Based on the severity of the situation regarding non-compliance by NPO's, the following recommendations should be considered by the department:

- As we embark on the rolling out the 2020/21-2022/23 funding cycle, utilizing the guideline and timelines as set out in (NTGMT) will already translate in an improvement in the funding cycle.
- Coordination of district information/capacity building sessions by strategic M&E, NPO M&E officials and Programme Managers.
- Facilitating capacity building workshops with NPO's
- Prioritizing the filling of critical vacant funded positions already advertised.
- Procuring the necessary tools of trade for officials in the section
- Quarterly communication to NPO's to keep them abreast of all the developments.
- Role-clarification in terms of the different role-players in the management of NPO's.
- Improved coordination between different role-players.

- Re-deployment of officials and re-skilling should be explored to address the current staff shortages (in the absence of appointing new officials).
- Implementing the risk-based approach to monitoring.

8. Action

The following actions can result in “quick wins”:

- The department need to kick start the funding cycle as a matter of urgency.
- The Management Plan for the Funding Cycle based on the NTGMT is compiled, expedite the rolled out process.
- The advert needs to go out, information sessions need to be held internally with all role-players and externally with NPO’s.
- Capacity building workshops which will focus on:
    - Monitoring and Evaluation checklist s already been developed (Annexure 4.1)
    - The strategy for M&E processes (Annexure 4.2)
    - Data collecting tools which serve as source documents (Annexure 4.3)
- Ensure the current staff have the necessary tools of trade.