
**Contracting NGOs for Development: Lessons and Experiences for
NGO-Government Collaboration in South Africa -A Case Study of the
Association for Rural Advancement (AFRA)**

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Declaration

I declare that this dissertation is my own unaided work. It is submitted for the degree of Masters in Development Studies in the University of Natal Durban. It has not been submitted before for any other examination in any university.

_____ day of ____ 2002

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Abstract

The practice of contracting out services to non-governmental organisations (NGOs) has spread worldwide during the 1990's, and has significantly reshaped the relationship between government and NGOs. Within this dissertation, I explore the trend towards contracting at the international and South African levels. I argue that with the outsourcing of support services becoming an important performance strategy at an international level, there is no reason why NGOs in South Africa cannot start to perform a similar role. However, conclusions drawn from the experience of developed countries in relation to contracting should be treated with caution in South Africa. The continuing reform of the public sector in South Africa since 1994 has opened the window of opportunity for NGOs which have a record of valuable achievement in undertaking development work, and can demonstrate their capacity to establish contractual relationships with government and communities. The case study of the Association for Rural Advancement (AFRA) suggests that the practice of contracting NGOs in South Africa is still relatively new and therefore imperfect, because of severe capacity constraints. The major finding of this research is that evidence is mixed on the effects and outcomes of involving NGOs in contracting, but if used carefully contracting is a viable palliative for the existing fundraising shortage facing NGOs and can, more importantly, extend services to the majority of South Africans.

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Abbreviations

AFRA	Association for Rural Advancement
ANC	African National Congress
BOTT	Build Operate Train Transfer
CBO	Community Based Organisation
CAF	Charities Aid Foundation
CORE	Cooperative for Research and Education
CSO	Civil Society Organisations
DLA	Department of Land Affairs
DWAF	Department of Water Affairs and Forestry
GDP	Gross Domestic Product
GEAR	Growth Employment and Redistribution
IDASA	Institute for Democracy in South Africa
ILO	International Labour Organisation
KZNAU	KwaZulu Natal Agricultural Union
MoU	Memorandum of Understanding
LFA	Logical Framework Analysis
LRAD	Land Redistribution and Agricultural Development
NCAR	National Committee Against Removals
NLC	National Land Committee
NGO	Non Governmental Organisation
NNP	Non Profit Partnership
PAPSCA	Programme for the Alleviation of Poverty and Social Costs of Adjustment
PSC	Public Service Contractors
RDP	Redistribution and Development Programme
RLCC	Restitution of Land Claim Commission
RWSP	Rural Water Supply Programme
SANGOCO	South African Non Governmental Organisation Coalition
SMME	Small Medium and Micro-Enterprises
OECD	Organisation for Economic Cooperation and Development
ZOPP	Zielorientierte Projektplanung

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Chapter One - Introduction

Contracting out on a large scale is dependent on the capacity of the government to effectively monitor and coordinate the activities of different service providers, which is lacking in many African countries (Robinson, M. 1996: 73).

1.1 Introduction

Internationally, the concept of contracting out,¹ and the increasing role of non-governmental organisations (NGOs) as contractors to official donor and government programmes has long been prevalent in development discourse and practice. For more than thirty years, donors and developed countries have been using contracting out in the provision of services. Donors have been contracting out services to northern and southern hemisphere NGOs to support emergency relief projects. Contracting out in the United States and Britain was introduced as a means of expanding welfare provision (Lewis, Billis, and Harris, 1996:98). The underlying principle of contracting out is that the government should transfer those functions that can be better performed by NGOs, and through working in partnership, both parties can achieve their objectives better than by working alone. The idea of contracting out to NGOs grew out of the recognition by governments and donors that NGOs are an effective and often inexpensive way to undertake development work.

In the context of post-apartheid South Africa, contracting has presented and continues to present challenges and possibilities for change. An enabling environment is being created, aimed at improving the existing relationships between the government, NGOs and community groups. Recent experience suggests that existing legislation in South Africa seeks to provide this enabling environment for contracting to take place and that the government is now keen to develop partnerships with NGOs and community groups. At the same time, the process of working in partnership has been slowed down by a range of NGO and government capacity constraints, tense relationships between government and NGOs, and complicated tendering procedures (Oakley, 1999; Morojele; 2000; Motala and Husy; 2001; Smith 2001).

¹ The terms 'contracting', 'contracting out' and 'outsourcing' are used interchangeably in development discourse although precise definitions are difficult. For the purpose of this dissertation, the usage of the term 'contracting' is essentially to do with transferring or contracting out specific activities that normally fall within the competence of the state to external providers, particularly the private sector and non-profit sector (Domberger, 1998:8).

One of the challenges facing government and NGOs in South Africa today is that of locating themselves within the 'new contractual relationship.'

In this dissertation, I shall explore contracting at the international and South African levels. At the international level, primary focus will be placed on contracting experiences of international donors and developed countries and how they have influenced the current trends towards contracting out to NGOs in the developing world. At the South African level, I shall briefly look at the dynamics of the spread of contracting at the level of central government and at the lower, regional levels and then turn to a more detailed look at the impact of contracting on NGOs, government and community relationships. In the conclusion of this dissertation, I hope to be able to recommend a suitable policy of delivery partnerships between government, NGOs and communities.

The debates in this dissertation are centred on commentators who argue for and against the promotion of NGO contracting for development work as a way to influence government policy and to render NGOs financially sustainable. Some commentators such as Domberger (1998:172) argue that contracting strengthens accountability in three ways. First, contracting promotes a review of current service levels and the drawing up of revised and improved service specifications. Second, it introduces performance-monitoring systems that would not have been put in place in the absence of contracting. Third, it focuses attention on mechanisms for redress in cases where the public, individuals or organisations have suffered loss or damage. Meer (1999) contests this widely held view and cautions that there are inherent risks for NGOs in working closely with the state, such as being co-opted or excluding the communities from policy-making processes. As Habib and Taylor argue, the danger in NGOs' limiting their role to service delivery is that they come to be "seen as agents of control, of being co-opted to neo-liberal agendas, becoming the "community face" of neo-liberalism" (Habib and Taylor, 1999:80).

My central argument in this dissertation is that the idea of contracting out in South Africa needs to be considered within the broader context of the changing environment in which government is attempting to ensure that NGOs are legally protected and that the relationships between government and NGOs are not conflictual. NGOs in their

turn are providing constructive partnership. I argue that the continuing reforms of the public sector in South Africa since 1994 have opened a window of opportunity for those NGOs and Community Based Organisations (CBOs) that have a record of achievement and capacity to establish and sustain stable contractual relationships with government and community groups.

The dissertation also highlights for further research those contracting initiatives that are recognised as having been unsuccessful or as having had limited success. My research in this area is aimed at improving the performance of NGOs contracted to do development work. I argue that with the outsourcing of key functions becoming an important performance strategy on an international scale, there is no reason why NGOs in South Africa cannot start to perform a similar role. I recognise, however, that South African NGOs cannot simply initiate the practices used elsewhere.

I advocate the idea of ‘new delivery partnerships’ or ‘new contractual relationships’ between the government, NGOs and communities in the development and implementation of policies and in the drafting of legislation. I further argue that the exchange of information between these three parties, consultation, sharing of expertise and advice, as well as the voicing of community needs and interests, are important preconditions for successful contracting to take place.

In an attempt to determine the effects and outcomes of contracting on the partnerships between the government, contracted NGOs and communities, the dissertation begins below (section 1.2) by exploring different concepts and understandings of terms such as NGOs, contracted NGOs, grant, contract, contracting/contracting out, outsourcing, tender, competitive tendering, competitive bidding, performance-based contract, public service contractors and public sector.

1.2 Definition of key terms

The contracting of NGOs do development work constitutes a relatively new phenomenon in the South African context and therefore an understanding of key concepts and terms is important.

Non-Governmental Organisation (NGO)

The term NGO is broad and encompasses many different types of organisations. In the field of development, NGOs range from large northern hemisphere based charities, such as CARE, Oxfam and World Vision, to community-based self-help groups in the southern hemisphere. The term also includes research institutes, churches, professional associations and lobby groups. It was in 1949 that the term NGO was first used by the United Nations to differentiate voluntary non-governmental agencies from governmental and inter-governmental organisations (Fernando and Heston, 1997:10; Otto, 1991:7). During this early period, the term was widely applied to a spectrum of organisations. Since then, terms used to identify these organisations have multiplied. Some of these include voluntary organisations, non-profit organisations, southern NGO, northern NGO. Such organisations are categorised collectively as the voluntary sector, non-profit sector or third sector. In spite of the growth of NGOs, an exact understanding of their function and the nature of their relationship to the state and one another has been problematic for many scholars.

The World Bank defines NGOs as “private organisations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development”(Smillie *et al* 1999:279). In wider usage, the term NGO can be applied to any non-profit making organisation, which is independent of government and characterised by humanitarian rather than commercial objectives.

In the South African context, a working understanding of NGOs is provided by the definition accepted by the National Coalition of NGOs (SANGOCO):

NGOs are independent, self-governing, voluntary, non-profit distributing organisations operating not for commercial purposes but in the public interest for the promotion of social well-being and development, religion, charity, education,

research, human and environmental rights. Specifically excluded are organisations that promote the interests of specified individuals. This definition defines NGOs in a broad inclusive manner, while recognising that the sector is not homogenous and that the variety of institutions which make up the sector have common as well as divergent characteristics (SANGOCO, 1994:1).

From the above definition, it is clear that NGOs are typically value-based (as opposed to profit-based) organisations that depend, in whole or in part, on charitable donations and voluntary service. The terms ‘non-profit organisations’ and ‘voluntary organisations’ are used interchangeably to refer to NGOs.

Contracted NGOs

The term contracted NGOs is used to denote non-profit organisations that are contracted to do development work.

Grant

A grant refers to the transference, in terms of an agreement between a donor and a recipient of services, of anything of value to the recipient in order to accomplish a public purpose. The purpose of a grant is material assistance. The recipient has to have substantial freedom to pursue its stated programme (Connor and Barnett, 2001: 4). A grant need not be legally binding.

Contract

The concept of contract means a legally binding agreement. Connor and Barnett (2001:4) define a contract as a legally binding agreement between a purchaser (e.g., the government) and a contractor (e.g., the NGO) to acquire services or property for the direct benefit or use of the purchaser, in exchange for payment to the contractor. They argue that, unlike a grant, the objective of a contract is to acquire something, not to provide assistance. The contract may have more than two parties. For example, a donor may be responsible for making contract payments and a government agency may be identified as the recipient of the services and responsible for judging their adequacy. The following elements are recommended to be included in a contract:

- Each party's role and responsibilities.
- What the contractor is expected to do or deliver (i.e., Terms of Reference or Scope of Work).
- Payment terms.
- What insurance the contractor should have.
- How non-compliance with the terms of the contract will be resolved (Connor and Barnett, 2001:4).

Contracting /Contracting Out

'Contracting' and 'contracting out' refer in this dissertation to a process whereby service provision is put out to tender. Abramson (2000:1) defines contracting out as a tool used by the public sector to employ private providers to deliver specified services in exchange for payment. Contracting out is defined by Domberger (1998:159) as the application of competition to a set of economic activities which were previously immune from it. In most cases, contracting out involves selecting a provider and negotiating an agreement about the services that would be provided in return for payment. The provider of services could therefore be an individual or institution that undertakes to provide the service according to the specification of the contract.

Outsourcing

Outsourcing refers to the process whereby activities or services traditionally internally rendered are contracted out to external providers (Domberger 1998: 12).

Tender

A tender refers to the bid put forward by an organisation for a contract.

Competitive tendering

The term competitive tendering refers to the process of calling for and receiving submissions (tenders) from prospective service providers, and choosing one or more of these on the basis of a formal evaluation (Domberger, 1998:12).

Competitive bidding

The term competitive bidding refers to a competitive process used by the purchaser to select the contractor(s), using technical and cost criteria. The process entails announcing the contract opportunity, which could be open to all, or an invitation to a select number of NGOs, issuing the request for proposals (also known as the bidding or tender documents). The tenders are evaluated by a process of scoring their technical and cost proposals according to criteria, and selecting the winner(s). (Connor and Barnnet, 2001:4).

Performance-based contract

As Connor and Barnnet pointed out, a performance-based contract is a form of contract in which some portion of the payment is based on the contractor's achieving measurable results. For example, if an NGO contracted to work with commercial sex workers to prevent the transmission of HIV/AIDS through education and distribution of male and female condoms, it would receive a financial reward for meeting or exceeding a targeted number of commercial sex workers who reported using condoms regularly (Connor and Barnnet, 2000:5).

Public Service Contractors

Korten (1990:102) uses the term public service contractors (PSC) to denote those NGOs that function as market-oriented non-profit businesses serving public purposes.

Public Sector

National, provincial and local government.

1.3 Research Questions

The central question addressed in this dissertation is how contracting has affected the relationships between government and NGOs in improving service delivery. Key questions raised by the literature and addressed in this dissertation are:

- Is contracting out to NGOs the best way of achieving government development objectives?
- Is contracting consistent with the independence of NGOs?

- Who is accountable when services are supplied under contract?
- What is the nature of the contracting or funding relationships between government, communities and contracted NGOs?
- What sorts of organisations are likely to be contracting with government?

1.4 Research Methodology

In this dissertation I have used three main research methods: literature review, a qualitative study of the relationships between government and NGOs involved in contracting, and a detailed case study of one NGO, Association for Rural Advancement (AFRA). A second NGO, Mvula Trust, has been discussed more briefly, for purposes of comparison. Although I found that a quantitative approach was useful in this study, a qualitative and selective approach was found more appropriate, under the constraints of time and space. Three NGOs (AFRA, Non-Profit Partnership and National Land Committee) and two government representatives participating in contracting relationships were contacted.

Interviews with the director of AFRA and informal discussions with two government representatives in the Gauteng provincial office of the Tender Board were conducted. They were asked about the dynamics of the spread of contracting out to NGOs in South Africa and their impact on the delivery of services. Furthermore, interviews, questionnaires and reviews of NGO literature were also conducted. The logic behind the use of a qualitative approach is that it is open, flexible, and inductive and allows the researcher to begin with specific observations of a particular case and build towards more general patterns which may be found in similar organisations or relationships. As Torkington (2000:210) claims, although a qualitative approach encompasses issues that people raise, as well as capturing perceptions and interpretations of those issues, it is nevertheless sufficient as a basis for meaningful generalisations.

In addition to a qualitative approach, an extensive review of international and South African literature on contracting and NGOs was undertaken. The aim of the literature review was to identify the evolution of contracting and its growing use in development discourse and practice. The literature to which reference was made

reviewed two types of contracts, classical and relational, and focused on theoretical frameworks of contracting.

Time limitations meant that covering a whole range of NGOs was not possible. Due to time and financial constraints, an NGO, AFRA was selected as a case study, because of its commitment to the land rights struggle over the last twenty years, and its established record in contracting with the provincial Department of Land Affairs (DLA) and working closely with communities in KwaZulu Natal. Information from the case study was obtained from interviews with the Director of the organisation, on the assumption he was well informed about the history and objectives of the organisation. The following questions were asked: where does AFRA locate itself in the emerging trend towards contracting? What are the opportunities and constraints of collaborating with government? I am indebted to AFRA and other organisations for kindly allowing me to make use of their annual reports, project documents and newsletters for the purpose of the research.

1.5 Structure of the Dissertation

The dissertation is divided into five chapters. Chapter One lays out the research problem, defines key terms and research questions and announces the methodology that was used for the research. Chapter Two provides a wider theoretical framework and literature review for understanding concepts such as contract, contract approach, and classical and relational contracts, and explores the role of contracted NGOs in the provision of essential services. In this chapter we draw from the work of theorists and scholars who have conducted empirical studies reflecting on the economic, political and social factors that have influenced the evolution of contracting. Chapter Three discusses the emerging global trend towards contracting out and how such lessons may help South African NGOs in their efforts to forge 'new delivery partnerships' with government and communities. Chapter Four provides an overview of the contracting environment in South Africa and sets out the case study. The case study of AFRA is used to reflect the challenges facing NGOs contracted to do development work. Chapter Five provides a summary of findings, the lessons learned from the international experience and some general conclusions, including policy recommendations arising from the case study.

Chapter Two – Literature Review

Nobody forced NGOs to take government funds; nobody forced them to become contractors (Smillie, 1999:10).

The aim of this chapter is to provide a conceptual and theoretical framework for understanding and analysing the challenges South African contracted NGOs face in undertaking development work. The first section (2.1) explores conceptual understandings of the terms ‘contract’ and the ‘contract approach’. The second section (2.2) discusses contracting in theory and practice. The third section (2.3) reviews the international literature on contracting models and the contractual relationship between government and NGOs. The fourth section (2.4) identifies two types of contracts, classical and relational contracts. The fifth section (2.5) discusses the case for involving northern hemisphere NGOs in contracting. The sixth section (2.6) provides an overview of the effects and outcomes of involving South African NGOs in contracting. The seventh section (2.7) discusses the advantages and disadvantages of contracting as a strategy to improve service delivery and challenges for South African NGOs. Clarity on these issues is necessary because the process of forging ‘new contractual relationships’ between the government and NGOs needs to be understood at both theoretical and practical levels.

2.1 Key Theoretical Concepts

Before an analysis of ‘new contractual relationships’ is undertaken, a clear conceptual understanding and definition of the terms ‘contract’ and ‘contract approach’ needs to be explored. This is based on the assumption that the same terms can mean different things in different contexts.

Contract

Webster’s English Dictionary (1993:494) defines the word contract as “to draw together, bring about or enter into a legal agreement”. A clear example of where a contract exists is a situation where instead of a state institution providing goods or services itself, a legal agreement is entered into with a private or public sector agency to supply those goods and services. Many NGOs in South Africa, however, are not

used to contractual relationships and have reservations about entering into contracts with the public sector or the private sector.

The shortage of funding since 1994 has affected NGOs negatively and many have been closed down. As Stober (quoted in Smith 2001, 43) argues, only those NGOs which can deliver services efficiently and are able to compete with the government and the private sector can expect to survive in the new South Africa.

The problem of the balance of power is evident in the contractual relationships between government and the non-profit sector. As Smith and Lipsky (1993:45) note, “although contracting between governments and non-profit organisations may be understood as a relationship involving reciprocity, it is by no means a relationship among equals”. Contractual relationships between two or more parties in any type of development programme constitute a difficult exercise, the strains of which will inevitably affect the outcome of contracting. Thus, as Evan and Panter (quoted in McCoy, Buch and Palmer, 2000:1) warn, “contracts are of great benefit if used carefully, but if applied inappropriately or with an overly zealous hand, they have the potential to become an obstructive mess”.

In a contractual agreement, non-profit organisations are not the recipients of grants, rather they are hired to provide specified services in exchange for payment. For example they sign a contract the terms of which they are legally obligated to fulfill. Historically, NGOs’ relationships with the private sector in South Africa have differed from those which they have maintained with the public sector. NGOs often find themselves competing for government contracts with the private sector and because of their organisational characteristics and close links with communities, they may often have a comparative advantage over the public and private sectors. An example of this might be a contract to supply different forms of medication to a group of rural clinics. Compared to services within the public sector, those of an NGO might be more flexible and able to adapt more easily to different needs. Compared to commercial services within the private sector, they may be freer, less profit orientated and more willing to report on their activities. While the government is likely to remain the most

important provider of social services, attempts by NGOs to improve services through contracting can be made possible by the creation of an atmosphere in which mutually beneficial contracts can be negotiated.

Contract Approach

At the level of development programmes the term 'contract approach' has been tested in the International Labour Organisation (ILO) projects where the contractual arrangements are recognised as legally binding between different parties and able to serve as a mutual reference with regards to a specific action (Oakley, 1999:16). The strengths and weaknesses of the contract approach have often been tested, at the community level, particularly in representing the interests of communities in the negotiation process and contract agreements. As Oakley notes (1999:17), "the contract approach proposes establishing a negotiated relationship between excluded groups [usually the communities] and those who are able to provide resources for development, on a basis of a formal agreement between the community and the providers of resources".

2.2 Contracting in Theory and Practice

Some commentators such as Boston (quoted in Domberger, 1998:177) suggest that in theory at least all the functions of the state can potentially be contracted. This argument is based on the perception that governments need to have at their disposal in-house, non-partisan policy advisers capable of providing expert advice across the range of policy issues.

However, there are those who question this in practice:

Contract funding deprives those working in the voluntary sector of control over their work. It places the distinctive ethos and voice of individual voluntary organisations with the stifling official ideology of "efficiency" and effectiveness, bringing with it a creeping commercialisation of service provision and internal management, and an increasing craven approach to campaigning. (John Garner, quoted in Gann, 1996: 10).

Furthermore, the collection of case studies by the Organisation for Economic Cooperation and Development (OECD, 1997) reviewed lists of inherently governmental functions that are increasingly contracted out, such as policy-making, advice, planning, regulation and law enforcement. The OECD study poses two important questions. First is the question of whether there are any inherently

governmental functions remaining uncontracted. The second question is, if so, what are they and what are the criteria by which they are defined. (OECD, 1997). Such questions have encouraged debates on the relative merits and demerits of contracting as a strategy to improve service delivery. Donahue raises important questions about possible consequences of relying on contractors to improve service delivery:

Whom would you trust to provide a service required by the public and funded by taxation, a profit-motivated contractor or a civil servant committed to the public service? The public business becomes much easier to accomplish if agents display a combination of informed fidelity to the public interest, initiative, integrity that can be summarised by the word honour, a term that is admittedly complex, but is also too important to neglect (Donahue, 1998:86).

2.3 International Literature on Contracting Models and the Contractual Relationship between Government and NGOs

Already numerous contributions on contracting have appeared in development discourse, particularly on prescribing models of development partnerships between governments and the non-profit sector. Tandon (1989), Bratton (1989) and Jones (1993) have developed models to understand the nature of the relationships between the state and civil society organisations. Tandon's model identified three different relationships:

a) Dependent and clientelistic

At the most basic level the non-profit sector is dependent on the state for funding and there is a risk that entering into a client relationship may result in NGOs' losing their independence and autonomy. There is also a concern that the state may co-opt NGOs, leading to a situation of dependency and client relationships.

b) Adversarial

The adversarial relationship between the state and civil society organisations occurs when there is emphasis on the role of NGOs as watchdogs and opposition to government policies. It is inevitable that contracting will contribute towards the development of an adversarial relationship that may undermine the coordination and collaboration needed between the government and the non-profit sector.

c) Collaboration

In a collaborative relationship the state and NGOs are likely to share similar goals and strategies. This type of relationship enables both parties to participate in the planning and implementation of development programmes.

Bratton's model identified two key issues in the relationship between the state and the non-profit sector:

- a) The issue of the political tension between the state's quest for order and control.
- b) The issue of NGO's quest for organisational autonomy.

The nature of the relationship between the state and NGOs might be conflictual when the state has a weak, defensive or limited power base and when the NGOs are working to mobilise communities in marginal and insecure areas (Bratton, 1989).

Jones's model has arisen from three broad areas:

- a) The first area involves the failure of 'top down' development to provide sustainable improvements in the lives of the poor.
- b) The second area is the interdependent nature of complex problems, which requires collaborative problem solving approaches.
- c) The final area is the recognition by the international community of the growing leadership capacity of southern hemisphere NGOs and their involvement in development initiatives (Jones, quoted in Tredeau 2001:24).

The different kinds of models prescribed by Tandon, Bratton and Jones each represent a valuable contribution to the understanding of the relationship between the state, NGO and community and offer a basis for understanding contracting at both the theoretical and practical levels. Their contributions, however, have been strong on prescription and weak on analysis. For example, each model ignores some important aspects of contracting while exaggerating others.

The question of whether contracting serves the interests of the poor and vulnerable is not explicitly addressed by their models. Experience has shown that lack of consultation with beneficiaries at the selection stage and the neglect or lack of

involvement of popular organisations are common shortcomings of government initiatives or donor-dominated micro-projects (Egger, 1992: 45). The other area that needs attention relates to political, organisational, cultural and professional constraints that have far reaching implications for NGO contracting.

The following discussion provides a critical analysis of contracting and lessons to be learned from studies of international experience. Hodge (2000:1), a researcher at Monash University in Australia analysed the economic performance measurements from 245 case studies in the United States, Britain and Australia in which government services were contracted out. The case studies found no 'hard evidence' of efficiency gains for service providers or benefit to the public. The four-points summary of the report is outlined below.

- Part-time workers, ethnic minorities and women were among those most likely to be affected by job losses resulting from contracting out, particularly in rural areas.
- Contracting out could open the way for corruption through increased pressure for 'cosy deals'.
- When extensive use is made of service delivery by NGOs, local government operations can be closed off from public scrutiny and accountability.
- Authorities could use contracting out to distance themselves from responsibility for local service delivery (Hodge, 2000:1).

In terms of South Africa, the problem of establishing contractual relationships between the government and the NGO sector is that contracting may turn attention away from the people who need the services.

Abramson, of Abt Associates Incorporated, undertook a study focusing on forging public sector-NGO partnerships through contracting. The study revealed two important considerations. The first is the importance of carefully examining the responsibilities and the capacities of both the public sector and NGOs before entering into contracts. The second indicates that government agencies and NGOs believe that both sectors need to have years of preparation and institutional strengthening to prepare for contracting (Abramson, 2000:1).

As these two studies of international experience outside South Africa show, many commentators are highly critical of the role of NGOs in contracting. In deed, as Fowler (2001) points out, there appear to be three preconditions for a successful contractual relationship between the state and civil society organisations, preconditions absent from Tandon, Bratton and Jones discussions of contracting.

The first precondition is the degree of goal coherence between the state and the NGO. For example, a complementary relationship is more likely to succeed if the state and the NGO share goals but are not equally involved in the strategies to achieve them. The second precondition is the room for manoeuvring concerning contract conditions. These manoeuvres will involve methodologies to be utilised or processes to be facilitated towards achieving the goal. Finally, there needs to be clear purpose in terms of who is trying to co-opt whom in a contractual relationship. For example, it is assumed that NGOs which are involved in consulting work are more likely to co-opt the community into their approaches (Fowler, quoted in Motala and Husy, 2001:80).

2.4 Towards an Understanding of Classical and Relational Contracts

Given the nature of contracting as a lengthy, high risk and complex practice, understanding different types of contracts appears necessary. Different groups of contracting parties interpret contracts in different ways. It is therefore important to provide a conceptual overview of different types of contracts and their principles. McCoy, Buch and Palmer note that one way of looking at contracts is by thinking of a spectrum ranging from classical to relational contracts:

Classical contracts are designed to govern exchanges of a highly discreet and specific nature where monitoring contractual obligations is straightforward. An example of this type is the written contract between a pharmaceutical company and government to purchase a drug. The contract would specify in clear and unambiguous terms the volume, price and quality of the drug, all of which will be relatively easy to monitor.

Relational contracts are those where the details of the expected exchange between the parties of a contract are subordinate to the need to avoid conflict and to ensure a good relationship in the long term. A harmonious relationship is especially important when one is locked into a relationship of mutual dependency, or when the relationship is expected to last a long period of time. Contracts for service delivery, where the concerned parties to the contract have no choice but to work with each other therefore tend to be relational. Health care is possibly the most complex of all possible services and goods, the most difficult to monitor and therefore most likely to be a candidate for relational contracts (McCoy, Buch and Palmer (2000: 4-5).

The idea expressed above is that different forms of contracts are appropriate to different situations. However, the difficulty in real terms is how to transfer the benefits of contracts to service users or beneficiaries. As Harden writes:

The new element introduced by contracts is not consumer sovereignty, however, nor greater rights for individuals. Rather, it is the fact that the parties to the contract have separate interests. In this sense, competition is inherent in the contractual approach; not competition between different purchasers or different providers of services, but in the contractual relationship (Harden, 1992:33).

One of the potential risks of contracts relates to the self-interest of contractors, which at the end may lead to the exclusion of beneficiaries in the policy-making processes. Domberger distinguishes between two forms of contracts from a much broader perspective:

Classical contracts are formal, legally binding and can be of short or long duration. Classical legal contracts remove flexibility by building in as much legally enforceable control as possible. They protect both parties against short-term opportunistic behaviour but provide little incentive for parties to share information in a way which could ultimately benefit them both. What legal theorists call relational contracts and economists refer to as implicit contracts are more commonly known in commercial circles as partnering or alliance contracts. Its major advantage over classical contracts is that it creates an environment where trust can be built up and information shared (Domberger, 1998:128-129).

As noted above, there are clear advantages in using relational contracts. For example, relational contracts encourage factors such as trust, common vision, and exchange of information and shared values to a greater extent than classical contracts, which are legally binding and not flexible. An interesting table by Domberger (1998: 131) outlines the main characteristics of classical and relational contracts with the principal advantages and disadvantages of each option.

Table 1: Characteristics of Classical and Relational Contracts

Contract Characteristic	Classical	Relational/Partnership
Contract Duration	Variable depending on activity, but generally between 3 and 7 years.	Variable, but generally longer than classical contracts. Duration of 10 to 15 years is not unknown.
Contract Document /Specification	Detailed, formal (legally binding) and highly specific. Documentation may be lengthy in cases of complex services.	Agreement between the parties spells out general purpose and objectives of the relationship.
Control	Contract contains detailed performance provisions including monitoring systems, penalties and guarantees.	Control is achieved through a high level of cooperation which may include monitoring. Penalties generally omitted but provision is made for sharing of benefits.
Flexibility	Limited, but contract may specify that additional services may be required based on agreed schedule of rates.	Flexibility is the hallmark of the relationship, based on rapid and full sharing of information. Adjustments in scale or scope of activities are negotiated in this spirit.
Dispute Resolution	Mechanisms spelled out in contract document, including the provision of special arbitrators.	Expectation is that potential disputes are resolved before they reach adversarial level. No formal mechanism specified.

Source: Domberger, 1998:131

The above table shows how the choice of contract will affect the contractual relationships between purchasers and providers of services. Furthermore, the table also illustrates the similarities between the two types of contracts as well as their differences. By their nature, contracts are problematic, with potentially detrimental consequences for the relationship between the purchasers and providers. The table shows various forms of contracts and how they can be utilised in practice.

2.5 The Effects and Outcomes of Involving northern hemisphere NGOs in Contracting

In the northern hemisphere in recent years there has been a growth of interest both in the NGO sector and in the idea of contracting services to NGOs. It is clear that the non-profit sector has the capacity to promote participatory development and can be required to be accountable in using funds.

As Muir (1992:12) points out, the comparative advantage of NGOs is in the quality of the relationships they create. Edwards and Hulme maintain that NGOs have become the 'favoured child' of official donors because of their capacity to target the specific needs of the poor and their people-centred approach (Edwards and Hulme, 1995:849). The relationships between donors and governments are coinciding with an increasing emphasis on involving NGOs in development efforts. The World Bank has required cooperation between the NGO sector and the state so that NGOs can complement government provision of public goods without replacing or destabilising the state (Smillie *et al*, 1999:6). As early as the 1980's the United Nations High Commission for Refugees was contracting NGOs to work in refugee camps (Muir, 1992:13). Furthermore, the NGO approach has had an important role in pushing gender and environmental concerns, the promotion of local participation and a more people-centred approach on the agenda of bilateral and multilateral aid in government development programmes (Muir, 1992:12).

As Smillie (1999:279) notes, the World Bank tends to interact with two main categories of NGOs. The first category includes operational NGOs whose primary purpose is the design and implementation of development-related projects. The second category includes advocacy NGOs whose primary purpose is to defend or promote a specific cause and who seek to influence the policies and practices of governments or donors. These two categories are not mutually exclusive. A growing number of NGOs engage in both operational and advocacy activities. Some may focus entirely on advocacy and may not be directly involved in designing and implementing projects, while others focus on specific project-related concerns.

The idea of involving northern hemisphere NGOs in contracting grew out of the recognition that NGOs are an effective and often inexpensive way to undertake development work. As Lewis (1996:108) points out, contracting out is emerging as a trend because development funds are being diverted to non-state agencies. Some commentators have questioned the perception that NGOs are cost-effective and cheap. Robinson (1992:33), among others, noted "targeting the poor is a costly exercise". Despite this criticism NGOs have a major role in influencing government policy and representing the interests of communities. One of the most important contributions the NGO sector can make is the delivery of essential services.

Lindsay identified two major tendencies in the northern hemisphere NGOs. Since there is a growing willingness amongst international donors and governments to involve NGOs in service delivery, it is already the case that a major part of the NGO sector has become dependent on state contracts. Thus, as Lindsay cautions:

The sector might end up being used as a cheap option with an insecure and fragmented labour force or they might find themselves responsible for a substantial increase in service delivery which requires them to become too large and highly bureaucratised, in the process losing some of those valuable qualities of responsiveness and participation that have characterised the best of services (Lindsay, 2001:117).

NGOs, particularly those with an obligation to advocacy, must retain the ability to oppose government when appropriate. But if these NGOs depend entirely on government funding, their role as critics of policy may be compromised. It is therefore desirable that they access non-government funding sources where necessary. As Lindsay (2001:117) points out, the reality is that many organisations encompass the roles of deliver of services and advocacy, and therefore cannot afford to be solely dependent on government funding.

Robinson (1997:60) identifies three different categories of NGOs that are involved in contracting. The first category is the highly specialised non-profit consultancy, which is experienced in advisory work and implementing donor projects. This category is also known as that of public sector contractors (PSC); such contractors are usually based in the United States and other advanced industrialised countries. The bulk of their funding is derived from competitive aid contracts, and they focus their attention on infrastructure projects, such as rural electrification, small-scale construction and road building.

The second category is that of the larger international NGOs, which focus their attention on implementing large-scale development projects. These organisations are valued for their participatory approach and ability to operate on a large scale at a relatively low cost. Unlike the PSC, these organisations tender selectively for aid contracts in countries where they are already working, most commonly where the projects are consistent with their broader development objectives. As Robinson (1997:66) has pointed out, donor contracts are generally not their principal source of funding, and such organisations are primarily value-based rather than market-driven. Examples include CARE, World Vision and ACTIONAID.

The third and final category of NGOs involved in contracting includes indigenous or local voluntary organisations, which are working in partnership with government agencies in the delivery of public services. Morojele of Kagiso Trust Consultancy made some key observations on local experiences of involving NGOs in contracting:

First, local NGOs have been able to justify their local existence through their delivery of programmes formulated through local participatory processes. Secondly, they have been able to acquire resources. Thirdly, they too have acquired resources for the capacity building of their own staff through a discrete funding arrangement designed for this purpose. Fourthly, they have remained free to pursue their erstwhile, possibly “supply driven” programmes and agendas and to answer to their boards and funders (Morojele, quoted in Lyons, Smuts and Stephens, 2000: 32).

Recent research suggests that the NGO sector in South Africa is a major contributor to employment growth and gross domestic product (GDP), as well as being a contributor to economic growth (Swilling and Russell, 2001:1).

In summary, the three categories discussed in this section provided background information on the current trends towards contracting and the increasing role of NGOs in the delivery of services.

2.6 The Effects and Outcomes of Contracting NGOs in South Africa

What NGOs have achieved in terms of contracting out on the international scale raises important questions for South Africa, such as, is contracting out occurring here? If so, how does contracting out affect the relationships between NGOs, government and communities in relation to the delivery of essential services? Since 1994, NGOs that work in specific sectors, particularly health, welfare, education, land reform and housing, have been involved in accepting contracts from national government departments. Contracting with provincial and local government has also been an option for some organisations. For example, some NGOs, such as the Association for Rural Advancement (AFRA) have been undertaking land rights work on behalf of the Department of Land Affairs. Other initiatives include health education on behalf of the Department of Health. A typical example of an NGO working in the health sector is the National Progressive Primary Health Care Network (NPPHCN), which is currently deriving most of its revenues from contract work with the government and private sector. However, there has been tough competition with private profit making

agencies for government tenders and many NGOs see the tendering process as problematic.

In South Africa, the role of NGOs in contracting is a new phenomenon, but when drawing on local literature, certain trends can be perceived. As Smith argues:

There are reasons to suggest that serving government through contracting may jeopardise the role NGOs can play in promoting the participation and interests of poorer and marginalised communities (Smith, 2001: 45).

Everrat, Greenstein and Hudson undertook a study on the access of civil society organisations to the government tendering system. Their study is set against a background that has seen donor funds diverted from the NGO sector in the aftermath of the 1994 elections and it explores the experiences of NGOs in tendering for government contracts. The study describes NGOs' views of the tendering system as closed, debilitating, hostile, confusing and plagued by corruption (Everrat, Greenstein and Hudson, 1998:1). Another interesting study by McCoy, Buch and Palmer (2000:2) covers some of the international experience on inter-departmental and public-private contracting for health care and suggests lessons for South Africa.

Swilling and Russell conducted a remarkable study on the South African Non-Profit Sector and maintain:

The total operating expenditure of all South Africa's non-profit organisations was R9.3 billion in 1998/99. There are 98 920 non-profit organisations across all sectors. The largest numbers of NGOs are culture and recreation (20 586), social services (22 655) and development and housing (20 382). Government grants and contracts, including grants from abroad, are the major sources of non-profit income in the country, followed by service fees, dues and investment income (Swilling and Russell, 2000:99-100).

The challenges facing South Africa in relation to involving NGOs in contracting include developing competitive mechanisms for providing social services and maintaining equality of access for non-profit organisations to compete for government contracts. Bornstein provides two perspectives of the effects of contracting out on both government and NGOs. From the government's side, the inability of many government line departments to meet the delivery needs of the poor, together with the ideological commitment to rightsizing and public-private partnerships, justifies decisions to contract out service delivery. For NGOs, increased self-sufficiency

allows staff to focus their energies on delivery of specific outputs (Bornstein, 2000: 195).

The Minister of Social Development was quoted in PRODDER:

The basic twin expectation of government is that NGOs will firstly, continue to act as monitors of the public good and safeguard the interests of the disadvantaged sections of society. The performance of this social watch role requires both transparency and accountability on the part of NGOs. The government's second expectation is that NGOs will assist in expanding access to social and economic services that creates jobs and eradicates poverty among the poorest of the poor" (PRODDER, 2001:12).

In view of what other countries have achieved during South Africa's years of isolation, much attention has been focused on government initiatives and whether new policies are able to deliver services. In order to understand the effects and outcomes of contracting in South Africa, an overview of the shift from the RDP to the GEAR strategy is necessary.

2.6.1 Brief Overview of RDP and GEAR

As the election manifesto of the African National Congress (ANC), the Reconstruction and Development Programme (RDP) was conceived to meet the socio-economic needs of communities that have come to be termed the 'previously disadvantaged'. It further identifies the basic development needs which government policies and programmes should address. The RDP was the basis for policy developments before and after the first democratic election of 1994. The RDP identified the need for a framework to guide government and civil society relationships, and to involve NGOs in development initiatives. The Office of the RDP was assigned the task of looking at how a relationship could be fostered between government and NGOs. As a development policy the RDP emphasised that government, the private sector and the NGO sector have a contribution to make in the development and reconstruction of South Africa. The RDP has further opened funding opportunities to NGOs based on a partnership in delivery.

As Dollery and Wallis (1999: 4) point out, the RDP represented a highly interventionist microeconomically-oriented policy of physical and social infrastructure development targeted at the poorer sections of the South African

society. Simkins (1996: 85) has argued that the RDP appears to have failed at least in part because the South African state did not possess the requisite administrative capacities. Clearly, the RDP was unable to meet all of its objectives and was later replaced in June 1996 by the neo-liberal macro-economic strategy known as Growth, Employment and Redistribution Strategy (GEAR).

Nomvete, Maasdorp and Thomas (1997:3) maintain that in contrast to the microeconomic focus of the RDP, GEAR is a macroeconomic strategy based on the premise that job creation is the way to address poverty and that to increase job employment opportunities higher economic growth is required. Key elements of GEAR include fiscal policy, savings and investment, monetary and exchange rate policy, consolidation of industrial reforms, public sector restructuring, structured labour market flexibility and social compact (Mokate, 2000: 59-64). However, the problem is that GEAR has failed to live up to its promises of job creation and real growth. As Marais (1997: 89) argues, GEAR estimated the creation of 400 000 new jobs a year by 2000, yet in 1996 alone 130 000 jobs were lost. From the government perspective, the surviving policies of the RDP and GEAR remain the basic policy objectives of the new government to achieve sustainable growth and improving the standard of living. Critics argue that the logic of GEAR is unknown, particularly in isolated communities. They consider it to be good for the modern and formal sector and bad for the poor (Blake, 1998:54).

This calls for the role for CBOs and NGOs in bridging the gap between government and communities. The challenge facing these organisations is to ensure higher levels of participation that will inform communities about government policies: As Meer (1999:67) has noted, “South African NGOs have generally spent relatively little time on supporting or catalysing grassroots initiatives to engage with government policy or implementation strategies.”

The South African government has come under harsh criticism from a growing number of voices in civil society since 1994. For example, during this time of increasing unemployment and slow growth, the government has been criticised for its adherence to tight management of the state budget in the hopes of attracting foreign direct investment. Most civil society organisations are still sceptical as to whether

budget allocations will ever reflect government's commitment to the poor. Nevertheless, in his opening address at Parliament on 25 June 1999, President Mbeki said:

We are on course... the government commits itself to working in partnership with all our people, inspired by the call Faranani to ensure that we draw on the energy and genius of the nation to give birth to something new, good and beautiful (Mbeki, 1999:13).

This speech raised the hopes of many rural people who had been waiting patiently for government to deliver essential services such as housing, electricity, provision of clean water and sanitation. However, the slow bureaucratic machinery of the state frustrated any hopes of speedy delivery of services. As Bornstein (2000: 174) writes:

Thus far the national government has not succeeded in ensuring that the administrative apparatus is equipped to cope with its new responsibilities towards the poor.

The constitutional and legal framework has so far established the rational for a participatory approach to development. There has also been a shift away from mere service delivery to a more integrated development approach to overcome legacies of the apartheid policy, which has deprived the majority of the population of access to development resources. Furthermore, the legal and enabling environment of the 1996 Constitution places specific developmental duties on local government with regard to (a) giving priority to meeting the basic needs of communities and (b) promoting social and economic development. Many NGOs have participated in policy formulation for local government. In the context of capacity constraints, the challenge facing the government and the NGO sector is to move beyond policy formulation into implementation. However, the question remains, will contracted NGOs improve service delivery and who is likely to benefit? Finally, it is the communities that both the government and NGOs aim to serve who must derive benefits from a new delivery partnership.

Since the implementation of the RDP in 1994 analysis of NGO-government collaboration has focussed largely on service delivery. The RDP promised state-led policies to ensure that resources would be redistributed and meet basic needs of South Africans. The development priorities of the GEAR strategy are different, with a shift from encouraging pro-people centered development to international competitiveness,

outsourcing of services and subcontracting. What this shift means is that the environment in which NGOs operate is complex and the expectation that the GEAR strategy would address the needs of the vast majority of South Africans has not been met. Meer (2001:11) explains the implications of the shift from the RDP to the GEAR as follows:

Rural incomes are believed to be declining, and while increase services are being provided many people are too poor to afford them. State spending on health has been drastically reduced, making it difficult to implement new health policies at benefiting the poor. As far as land reforms goes, only 0.06% of agricultural land has been transferred to black communities, a minuscule proportion of the RDP target of 30% by 1999.

Clearly, expectations of the government macroeconomic strategy has far reaching implications for service delivery because of the technocratic approach to delivery, budget cuts in education, health and housing. With their involvement in contracting NGOs have made and will continue to make a significant contribution in providing service delivery. In the light of the changing environment, the value and contribution of NGOs in contracting are not only assessed by beneficiaries and individual donors, but by government, the media and the general public. As NGOs have entered into delivery partnerships with government and communities, sometimes as implementing agents or contracted service deliverers, they are faced with challenges. The greatest challenge that NGOs face is the high pressured contractual environment to which they have to adapt. Not all NGOs in South Africa are equipped with such capacity. Nchabeleng (2001:3) argues that it is naïve to believe that engaging in the “simple” matter of contracting out services will leave NGOs broadly unchanged, unscathed, and simply financially better-off.

Given the shift from RDP to GEAR strategy, there are tensions and contradictions that needs to be investigated in improving NGO-government collaboration. As Nchabeleng (2001:3) warns starting down the road of contracting, like any evolutionary process, has wide ranging implications for NGO. For example, the dramatic increase in contracting with NGOs has enforced more formal accountability mechanisms, budget cuts, performance management and financial reporting.

Government has to strike the balance between social needs and GEAR strategy. Both RDP and GEAR recognises the fact that NGOs and government do not always share a

common agenda. Nonetheless, common ground exist with regard to addressing development needs such as the provision of basic water and sanitation services to the poor, and providing access to land to those who have been dispossessed.

In summary, it is desirable that the role of NGOs in contracting as discussed above should have a significant effect on every locality in the country. Without a concerted effort on the part of national government to reform the tendering system, it is clear that little will change as far as service delivery is concerned.

2.7 Advantages and Disadvantages of Contracting

Contractual relationships create several advantages for non-profit organisations that are worth noting. First, recent trends have seen the relationships between governments and the NGOs move from confrontation towards consultation, partnership and collaboration. This has created a situation where, because NGOs were involved in all aspects of the project, they were able to bring about more consultation in communities into a project design and improve project implementation (Robinson, 1997: 76; Jones, 2001:5). Secondly, additional funding from government contracts also enabled NGOs to increase their geographical coverage and enter into previously unknown areas at a reduced cost to them. As Jones points out, in the partnership between Mvula Trust and the provincial Department of Water and Forestry the skills, time and money that the Mvula Trust has brought to the partnership has shown a commitment which has increased its credibility over time (Jones, 2001:5).

A double function was attributed to the NGO sector during the anti-apartheid struggle since the early 1980's. NGOs were seen as agents of development in marginalised areas by attempting to meet the development needs of local communities, which the state was unable or unwilling to address (Beck, 1997:6). Among the active and effective organisations were the South African Council of Churches, the South African Bishops Conference, the Mvula Trust and the Kagiso Trust. NGOs also played an active role as organisational and personal base for the anti-apartheid opposition.

Because of this role in the anti-apartheid struggle of the 1980s and early 1990's, international donor agencies directed their funds to build and support the capacity of these NGOs. Bratton and Landsberg note, between 1970 and 1993 Sweden contributed more than \$ 400 million to the anti-apartheid cause, which was used to assist trade union movements and groups providing legal assistance. An estimated R50 million between 1979 and 1990 was further contributed by the United Kingdom through community groups (Bratton and Landsberg, 2000:259). A shift in donor funding in recent years has significantly affected funding to NGOs, leading to a decrease in resources. This is evident in the closing down of many NGOs as funding was re-directed to government.

A number of disadvantages for NGOs were also identified and these related to an unequal or tense relationship between them and government. One important constraint is that involvement in project implementation and service delivery can distract NGOs from their primary objectives and compromise their autonomy. As Jones (2001:2) points out, not being part of the contractual arrangement early in the partnership formation may hinder the power of NGOs. For example, the Mvula Trust was not an initial partner or part of the contractual arrangement in the Durban/Pietermaritzburg project. This initially put Mvula Trust at a disadvantage in the power balance of the relationship (Jones, 2001:3). The most commonly identified weaknesses of the NGO sector are that: "they do not have the financial and human resources, they lack the legitimacy or authority of government, they are self-selected and not representative of all people"(Muir, 1992:18). Clearly, NGOs cannot replace the state although they may have a major contribution in contracting by supplementing or complementing some activities of the state. .

In the case of Mvula Trust a memorandum of understanding (MoU) was entered into by Mvula Trust itself, the Department of Water Affairs and Forestry (DWAF) and the provincial authorities. This MoU differs from a contract in that it explores obligations and relationships in greater detail, asks for a higher degree of accountability and attempts greater flexibility. Such a MoU and ongoing dialogue between the parties should help to define long-term relations within the partnership (Jones, 2001:4).The Department of Waters Affairs and Forestry and the Mvula Trust has in fact promoted

local ownership of projects, encouraged participation in project planning and improved accountability.

Despite difficulties, the contractual relationships entered into by NGOs have had some notable achievements. As pointed out by Jones, “from an NGO standpoint, partnership is attractive for a number of reasons; it allows them to influence public policy from the inside, gain access to external resources to pursue their mission and gives them an acknowledged role in the project which they may not otherwise be afforded” (Jones, 2001:2).

Chapter Three: Emerging Global Trend Towards Contracting

The increased amount of service provision by charities, together with the shift from grant-aid to contract payment, has prompted the emergence of the so-called contract culture. (Morris, 1999:1)

This chapter discusses the emerging global trend towards contracting briefly mentioned in chapter two, and how the experience of other countries may help South African NGOs in their efforts to forge new delivery partnerships with government and communities. I explore within it the political and economic factors underpinning the emergence of the 'contract culture' and how the growing use of contracting has impacted on the capacity of both government and NGOs to deliver services. I further review the experiences of contracting in developed countries in relation to what was found to be workable and what could be improved in a contractual relationship. The experiences of Brazil and New Zealand are especially relevant to South African needs and are therefore selected as case studies. This is because their system of contracting NGOs ensures equitable, transparent, competitive and cost-effective tendering processes. From a consideration of these issues, it is hoped that a suitable policy to improve service delivery in South Africa will be found.

3. 1 Contracting in Historical Context

The contracting out of public services at the international level is not a new phenomenon, of the twentieth and twenty first centuries. However, the increased use of contracting is a well-documented trend. Domberger provides historical and comparative perspectives of contracting which can be attributed to economic and political developments of the developed countries:

Contracting was commonplace, albeit not without its problems, in eighteenth and nineteenth century England. Services provided by the private sector under contract included prison management, road maintenance, the collection of public revenue, and refuse collection. Street lamps were made, fixed, cleaned, and lit under contract. Early convict fleets, excluding the First Fleet to Australia, which left Portsmouth in 1689, were also operated by private contractors. Similarly, in early nineteenth century France, the rights to build and operate railways and water storage and distribution facilities were auctioned by competitive tender. Contracting of mail delivery and postal services in Australia goes back over 150 years (Domberger 1988: 8-9).

A focus on the historical context of contracting is important, in view of the substantial contribution of private contractors in the last decade in the supply of goods and services. At a broader international level, the increasing use of contracting stems from the recognition that the state is incapable of delivering services alone and needs to be complemented by the private sector and non-profit organisations. The success attained through contracting out is already visible in countries such as England, France, Australia and the United States.

According to Gann (1999:11) "the NGO sector is presumed to have many characteristics in common with the private sector, because it is responsive to needs, and quick to respond to market forces: Governments throughout the world have been contracting out those functions that can be better performed by non-profit organisations. The 1997 Open Society Report maintains, "various services previously provided free by the state are now being provided by NGOs for a fee, with continuing support from the state budget" (Open Society Institute, 1997: 12). The growing use of contracting in development programmes should therefore be viewed within the broader context of the rapidly changing global environment which tends to expand the role of NGOs in the provision of essential services. As Smillie (1999:14) argues, "contracting has become more prominent, in part because it has become available, but for some organisations it has become essential". However, contracting in Africa and other Third World countries is not fully developed, given the lack of a vibrant civil society and the ineffectiveness of the public sector that is unaccountable to the needs and aspirations of the majority of the people. Contracting models have been developed for areas of special needs such as Mozambique at the end of the war in 1994, the Phillipines after Marcos, Brazil, India, Bangladesh and South Africa (Brown; 1994, Smillie et al, 1999:9, Oakley; 1999:1, Trudeau, 2000:73).

The global trend towards contracting stems from a move away from aid-grants to what has been characterised as a 'contract culture'. As Morris notes, "the common feature of the contract culture is the likelihood that charities are subsidising the costs of service provision from their own charity funds through contract"(Morris, 1999: iv). This has been evident in Britain and the United States since the 1960s. Morris estimated that between 1991 and 1995 charities' contract income from the British government increased by over 50% in real terms, and that government contracts now

account for 14.9% of general charities' gross income (Morris, 2000:7). Smillie (1999:9) argues, "the practice of contracting has been common in the United States for years, in which NGOs were responsible for the delivery of over 15% of all official development assistance."

The 'contract culture' has been received with mixed feelings by both the NGO sector and the public sector. There is concern about NGOs' state of preparedness for the 'contract culture' and the question becomes that of whether NGOs are ready to take up a collaborative role with governments and donors without losing their independent voice. According to Morris NGOs are caught between two powerful forces:

On the one hand, contracts enable individual charities to clarify their own roles, and some have provided a greater degree of certainty and financial security, allowing organizations to plan for the future. On the other hand, charities have had to cope with the complexities of contractual relationships as well as the increased service provision with which they are now involved (Morris, 1999:1).

Contractual relationships may constrain the operation of NGOs and may make their dealings with government problematic. Under the terms of most contracts, government has a right to expect accountability and the highest level of service delivery. For example, governments are not expected to enter into any contractual relationship with organisations that are not aware of their legal responsibilities and have no system of monitoring the services they provide.

Experience from developed countries with a longer tradition of contracting has shown that NGOs can benefit from competition for contracts, which force them to enhance their performance and efficiency, improve their management, be innovative and find new solutions (Robinson, 1997: 60). While contracting may often result in better outcomes, "in the United States contracting results in the poorest being served least" (Robinson, 1997: 63).

Governments need to identify what it wants when it contracts with NGOs, because problems of tendering such as efficiency and standard of service have to be maintained.

3.2 Contracting by Aid Donors

In discussing the experiences of contracting from the donors' perspective, it is interesting to examine the dynamics of partnerships between donors and NGOs. With the emerging influence of the neo-liberal agenda, development thinking has shifted from the emphasis on state provision of social welfare to contracting out the financing and delivery of social welfare services to non-profit organisations (Smillie, 1999: 6). Most donor agencies and international development organisations refer to their relationships with NGOs as partnerships. Donors are therefore interested in working with NGOs whose mission and development objectives are supportive of donor-driven development programmes. For example, the United Nations High Commission for Refugees (UNHCR) sees its relationship with its implementing agents as one of partnership and draws a clear distinction between such partnerships and contractual relationships (Smillie 1999:12). By the early 1990's, 75% of British food aid to developing countries was being channelled through NGOs and 40% of Swedish spending on emergencies and refugees was going through Swedish NGOs (Smillie, 1999:9). It is further estimated that between 1992 and 1997 the United States Agency for International Development (USAID) spent over 60% of its budget distributing food aid through NGOs (Smillie, 1999:9).

According to Smillie (1999:10), the form of collaboration between donors and NGOs has been through grants, cooperative agreements, and participation in strategic planning and provision of technical assistance. More recently, however, there has been a shift from grant-aid towards contracting relationships, in which funding agreements constitute legally enforceable agreements. As a result of this shift, NGOs are being encouraged to bid against each other and against the private sector if they want contracts. This shift has transformed NGOs into contractors, service providers and inexpensive instruments for donor and government implementing agents. Such relationships may expose them to the risk of being co-opted.

Considerable changes may have to be made in the values held by many NGOs, because they have to adapt to the 'contract culture' and redefine their roles when they deliver services. It is a major change in ethos for many NGOs that they have to devote much of their time and energy to service provision and may ultimately lose their

independent voice and power of advocacy. The following table illustrates the common features that donors look for when seeking to involve NGOs as implementers of projects, such as a competent management committee, well-developed funding system, and concern with cost-efficiency (Gann, 1996: 13).

Table 2: Stages of Development of Voluntary Organisations

Area of operation	Stage of Development		
	Immature	Adolescence	Mature
Management Committee	Subordinate to its national headquarters or to a dominant individual.	Aware of legal responsibilities and generally participating in decisions.	Individual functions shared out, a full partnership with staff.
Funding	Dependent on one source, probably initiated by the source	Some fundraising and variation of sources.	A variety of sources, including contracts.
Service	A single service with no development plans	Some development of service and some development ideas.	Strategic and action plans are in place.
Quality of service	Static	Some development ideas.	Quality of service a key notion.
Staffing	Staff dependent on management committee, or dominant	Some interchange of ideas, and some partnership.	Management committee and staff in partnership with each, given appropriate responsibilities.
Employment	Loose informal arrangements.	Some terms and conditions and job description/some reviews.	Job descriptions regularly reviewed and negotiated. Long-term employment conditions.
Financial controls	Dependent on one member of management committee or of staff.	A partnership with some financial planning.	Financial controls appropriately distributed, with regular reporting.
Development	Static user profile.	Some attempts at growth and or diversification.	Detailed plans for development of the user profile.

Source: Gann,1996: 13

As shown in the above table, mature NGOs are more likely to receive contract funding because of their capacity and willingness to assume the responsibility of delivering services. However, the acceptance of contracts by aid donors must not result in a situation where donors and governments relegate their responsibilities to NGOs; dynamic partnerships between the parties should be established. Such dynamic

partnerships require a wide range of complementary activities, some of which are best undertaken by NGOs and others by donors (Gann,1996: 13).

The change to contracting has had some side effects on the relationships between donors and NGOs. One of the effects facing most contracted NGOs is the issue of monitoring. As Oakley (1999: 4) argues, “NGOs have to ensure that responsibilities and obligations are being met and they should monitor the outcomes of the activities undertaken in the contract”. Smillie (1999:14) maintains, “NGOs are pressed from all sides to become more professional, to do more evaluation, to work more with the private sector, to do more capacity building of their southern counterparts and to become more financially independent”. Clearly, this has major implications for NGOs, as individual donors require their own specific reporting and monitoring which are difficult to meet at times.

Korten (1990:103) predicts that there will be a substantial increase in demand from donors for legitimate, qualified public service contractors (PSCs) to manage large-scale implementation of social projects that governments are incapable of handling. Donors such as USAID and the World Bank have employed PSCs to undertake donor projects. On the one hand, USAID increasingly favours contracts as a principal means of project implementation; under these contracts NGOs tender for the procurement and delivery of food aids, the implementation of development projects and advisory services. On the other hand, the World Bank appears less confident that contracts bring about the best relationship with NGOs. For example, out of 218 World Bank projects involving NGOs in the period of 1973-1988, only about 68 (31%) were through contracts (Robinson, 1997: 65).

As Robinson points out, towards the end of 1990 the World Bank contracted ACTIONAID and World Vision into the Programme for the Alleviation of Poverty and Social Costs of Adjustment (PAPSCA) in Uganda. The intention of PAPSCA was to provide quick relief to those most at risk from the effects of structural adjustment programs, namely widows and orphans. The projected cost of the project was estimated at four million American dollars over three years, 73% of the cost was to be met by the World Bank, 8% by the Government of Uganda and 19% by ACTIONAID (Robinson

1997: 68-69). However, there were unintended consequences in which the objectives of the project were compromised.

One of the constraints was the delay caused by international competitive bidding procedures employed by the World Bank, which required at least twelve months, but in practice took eighteen to twenty-four months (Robinson, 1997: 69). The other problem was caused by the Government of Uganda's Central Tender Board procurement procedures. One of the requirements of the Tender Board was that all items of expenditure in excess of thousand American dollars go out to tender (Robinson, 1997: 70). In addition, NGOs employees and the staff in the government programme-monitoring unit were unfamiliar with the tendering procedures, which were complex and time consuming (Robinson 1997:71). The implications of procurement delays meant a serious blow to the work of the contracted NGO, as it could not manage to implement infrastructural projects that met community needs. The experience of ACTIONAID and World Vision reflects some opportunities and constraints facing NGOs in the implementation of projects. In a situation where 'quick relief' was essential, the delays caused by the tendering were likely to be fatal.

The partnership and contractual relationships between donors and NGOs as discussed in this section brings up important policy issues for South Africa. A major area is that one mechanism for establishing delivery partnerships is through government agencies opening up opportunities to NGOs and CBOs for participating in policy formulation and planning. As mentioned in Table 2, donors will require 'maturity' from NGOs. Nevertheless, the examples of ACTIONAID and World Vision demonstrate that donors and government should be willing, where necessary, to rethink their requirements and regulations.

3.3 Contracting by Governments

As Barrell (2000:1) argues, using an NGO to get something done is invariably cheaper than if permanent employees had to be retained on the state payroll to do the same thing. Similarly, Morris (1999:12) points out that non-profit organisations are often the best choice to carry out public tasks as they function on the basis of cost reduction and efficiency, and can match public funds with funds from private or foreign sources. It

can therefore be argued that the use of contracted NGOs amounts to a strategy is, increasingly an important element of public sector reforms.

In recent years, tendering processes accompany government procurement goods and services from NGOs. The table that follows clarifies some of government's procedures in selecting NGOs for contracting, and identifies the principal advantages and disadvantages of each option (Domberger, 1999:102).

Table. 3 Contractor Selection Processes

Type	Process	Advantages	Disadvantages
Open tender or Single stage tender	Invitation to tender widely advertised.	No restrictions on competition. Maximum number of potential contractors from whom to choose. Maximum transparency.	Highest contractor selection cost. Time consuming process. Maximum total tendering costs. Low perceived probability of success may reduce number of bids. Under-bidding may occur in response to strong competition.
Selective tender or multiple stage tender	Invitations to submit expressions of interest is followed by shortlisting of those who meet the pre-qualification criteria. In the second stage, those who are shortlisted are invited to submit bids.	Lower costs of contractor selection. Lower total tendering costs for contractors. Restricted dissemination of contract information. Greater certainty about suitability of contractor.	Some restriction on the degree of competition, possibly higher prices. Limited transparency, application of pre-qualification criteria may be challenged. Possible barriers to new competition.
Negotiated contracts	One or more contractor(s)/ supplier(s) contracted to specify requirements and negotiate terms.	Economises on resources and time if restricted number of contractors have required expertise. Greater flexibility in negotiations.	Very limited competition. Lack of transparency. Depends on purchaser having accurate information about suppliers.

Source:Domberger,1992:102

As shown in the above table, the process of tendering is time-consuming and costly to the contractor. This is the area where the public sector faces challenges in contracting out to NGOs. One of these challenges is the difficulty in determining which NGO will make a good partner, given their diversity and uneven capacity in contracting.

As Stark (1991:120) points out, “contract formulation and contract management are skilled arts without which public service organisations should pause before rushing into competitive tendering”. Clearly, this suggests that the selection of a contractor should be done with care and the responsibilities and liabilities of the parties involved in contractual arrangements should be spelled out. Competitive tendering is not a simple process, and it requires a considerable investment of management time and training, which are lacking in most southern NGOs.

As mentioned earlier, Brazil and New Zealand have been selected as examples of contracting by governments, as they are countries of the developing and developed worlds respectively, and they have been relatively successful in contracting with NGOs. Brazil has been one of the success stories in dealing with government contracting NGOs which work against HIV/AIDS. Connor explains why government contracting has been successful in Brazil:

The story of Brazil’s experience with contracting HIV/AIDS NGOs is principally the story of AIDS I (1994-1998) and AIDS II (1998-2002), the projects that were co-financed by the World Bank and Government of Brazil and implemented by the Ministry of Health. Through the implementation of approximately 800 contracts since 1993, NGOs have demonstrated a capacity to deliver a wide range of services including IEC and behavior change, social assistance (psychological counseling, group therapy, family therapy, patient advocacy, visits and care packages for patients in the hospital), medical assistance (outpatient and inpatient services), training of health professionals, teachers, others, legal aid (e.g., to prevent or recover damages in the event of job loss, eviction, etc.), and distribution of products (e.g., condoms and syringes). NGO’s have also played an important role in linking at-risk individuals to government testing and treatment services through referrals, accompanying individuals to government facilities, and lobbying government providers to attend HIV/AIDS patients (Connor, 2000:7).

The experience of Brazil has been selected as one of the ‘best practice’ examples by UNAIDS. However, Connor warns that one obstacle to expanded partnerships with NGOs is the lack of information on successful procedures for selecting, contracting and monitoring NGOs. It is documented that experience of contracting NGOs in Brazil ensures transparent and cost effective tendering processes (Connor, 2000:7).

The government of New Zealand has identified the need for substantial improvements in the management of contractual relationships between government departments and NGOs. As Bollard (2001:1) points out, the Ministry of Economic Development produced a document entitled “*Guidelines for Contracting with NGOs for Services Sought by the*

Crown”, which was intended to encourage the use of better contracting practices and promote better relationships between government agencies and NGOs. Issues contained in the guideline include: planning, selecting a provider, negotiating a contract, managing a contract, and review and evaluation (Bollard, 2001:1). An important issue to consider is at which stage an NGO should be involved in contracting. In fact, a contract involves an on-going relationship between two parties and it is in the best interests of the two parties to work constructively from design to implementation of the project.

It is increasingly clear that governments need to play their part in ensuring that appropriate changes take place in the tendering process to allow NGOs to contribute in the achievement of government development objectives. Contractual relationships between governments and NGOs should be consistent with the particular needs of communities. This implies that the contractual relationship should not be used to prevent NGOs from commenting on public policy matters; NGOs are accountable to their stakeholders and this has to be reflected in policy developments. The experiences of Brazil and New Zealand are valuable for South Africa, because their system of contracting NGOs ensures equitable, transparent, competitive and cost effecting tendering processes.

3.4 Questions for South Africa

NGOs in South Africa are under increasing pressure to learn from other countries’ experience with contracting and to clarify their development roles in the new political dispensation. While contracting will undoubtedly continue, a question facing South Africa is whether the NGO sector has the capacity to manage contract work for government and at the same time embark on the advocacy of community needs. The experience of other countries has been documented and suggests that the process of tendering for government contracts is time consuming, but developing guidelines and strengthening partnerships can benefit both NGOs and governments. Developing a viable culture of contract work is a long-term exercise and therefore it is important for South African NGOs to have realistic expectations about their capacity to manage a contract and how flexible they can be in delivering services.

The NGO sector should also exercise caution in seeking and accepting contracts, for contracts may often compromise beneficiaries and require them to sacrifice NGO development objectives. As far as South African NGOs are concerned, tendering for government contracts may weaken their ability to engage in the interactive development processes that are often needed in grassroots capacity building.

The responsibility transferred contractually to NGOs is a serious one in that it entails the need for properly formulated standards, enforced through monitoring and accountability requirements. Before the government and the NGO sector are involved in any contractual relationship, the following questions need to be borne in mind:

- What are the motivations of the purchaser and contractor for contracting?
- Are the objectives of the contract clearly defined?
- Is the political environment and legal framework conducive to contracting?
- How prepared is each party to meet its responsibilities?
- How complex is the contract?
- Does it call for service contracts or performance-based contracts?
- What is the level of risk involved in contracting?
- Are there adequate information systems, monitoring and evaluation plans in place to measure performance? (Bollard, 2001: 27-28).

In the light of the questions raised above, it is clear that the political and legal frameworks within which contracting occurs are key factors that need to be considered in achieving a successful contractual relationship between governments and NGOs. As shown in this section, without a concerted effort on the part of national government to reform the tendering system, it is clear that little will change as far as service delivery is concerned. Under the terms of a contract government has the right to expect accountability and the highest level of service delivery.

Chapter Four: The Environment for Contracting NGOs in South Africa- Case Study of the Association for Rural Advancement (AFRA)

I begin this chapter by providing a brief overview of the environment for contracting NGOs in South Africa. A detailed case study of one NGO, AFRA, that has been involved in multiple contracting processes with the Department of Land Affairs (DLA) and communities in KwaZulu Natal, will be used to exemplify some of the challenges that other contracted NGO are likely to encounter. A more limited case study of Mvula Trust is drawn from literature to try and place the experience of contracting NGOs in the South African context and extract the advantages and disadvantages of entering into contractual relationships with government and communities. I will also report on interview findings with government representatives and NGO staff concerning their experience of contracting and compare them with what was found in the contracting literature.

4.1 Overview of the Contracting Environment in South Africa

Contracting out to NGOs in South Africa is a relatively new phenomenon by the standards of developed countries. However, in the developing world, South Africa is by no means alone in facing the challenges of contracting out to NGOs. With the transition to democracy and the inauguration of the new government in 1994, the country was not only politically transformed, but joined the global trend towards contracting out. Several factors have influenced the spread of contracting out in South Africa. First, the decline in government spending on social services and infrastructure has raised concern for improving service delivery. This has brought about the spread of contracting in health, education, water delivery, land reform and housing. Secondly, the declining numbers of experienced personnel in the public sector has led to an awareness that services may often be most efficiently delivered by contracting out. Within this context, NGOs can extend service delivery to areas which government is unable to reach.

As mentioned in Chapter Two, Tandon, Bratton and Jones identified different relationships between government and civil society organisations among which are: clientelistic, adversarial and collaborative. These types of relationships can be identified on a case-by-case basis, to specific NGO and government agencies.

In the South African context the clientelistic relationship is not fully developed. However, adversarial and collaborative relationships between NGOs and government are occurring in South Africa. In an adversarial relationship NGOs push governments for policy changes and accountability. At the same time government attempts to influence NGOs through regulation and responses to NGO advocacy. Collaborative relationships occur when NGOs operate independently in fulfilling the societal demands not met by government. Different NGO-government relationships as discussed above has shown that societal problems cannot be solved by governments acting on their own. I argue that NGO-government collaboration have the potential to make a significant contribution and impact on improving the efficiency and effectiveness of public service delivery.

Hassen (2000:20) looks at the South African contracting model and explores NGO-government collaboration and the problems each partner is experiencing in a contractual relationship. International experience suggests that the management of contracts requires skilled regulators, adequate legal frameworks and effective monitoring systems. In South Africa, however, government and NGO capacity in these areas is at present limited. At both provincial and local government level institutional capacity is lacking and service delivery, especially to the poor, is slow. According to Hassen, outsourcing and contracting out constitute a paradigm, which he labels the contracting model, that marks a definitive shift in strategies to transform the public service in South Africa. A significant feature of the South African experience of contracting is described as follows:

The most fundamental problem with the contracting model is its impact on democracy. The model transforms citizens into clients. The interaction between government and its clients is largely seen as a transactional one. A wider conceptualisation of citizens as active participants in delivery is absent. Contractors usually view elected officials, as opposed to users, as their primary clients. Officials are after all, the ones who could terminate a contract” (Hassen, 2000: 22).

Among the obstacles to NGOs’ ability to accept or perform satisfactorily in government contacts in South Africa are funding uncertainties, lack of experience in contracting, and the difficulties of collaborating with rather than opposing government (Motala and Hussy, 2001). A further problem has been the steady loss of experienced personnel to government and the private sector. AFRA, for example has lost considerable numbers of experienced people in this way. Recognising that the NGO-government collaboration is significant in achieving development priorities, government has encouraged NGOs to tender for contracts as a measure to explore partnership in the delivery of services.

The initiatives towards contracting out are nevertheless unlikely to be successful unless the environment and quality of relationship between NGOs and government is made more enabling. The following table summarises the tender media used by provincial governments² to provide clarity on tendering procedures and dissemination of tender opportunities.

Table 4. Tendering According to Media Type and Province

Province	Provincial Tender Bulletin	Local Newspapers	Notice Boards (Tender Board Officer)	Provincial Government Gazette	Radio	State Tender Bulletin
Free State	✓	✓ <i>Express</i> <i>Volksblad</i> <i>Sowetan</i> <i>Goldfields</i> <i>Tribune</i>	✓			
KwaZulu Natal		✓ <i>The Natal Witness</i>		✓		
Northern Cape		✓ <i>Diamondfields Advertiser</i>	✓			
Mpumalanga	✓				✓ Radio Swazi Radio Ndebele	
Northern Province	✓	✓ <i>Mirror</i> <i>Bosvelder</i> <i>Northern Review</i> <i>Noord-Transvaler</i> <i>Letlhaba Lebowa Times</i>	✓			
Western Cape		✓ (Provincial newspapers)				✓
Gauteng		✓ <i>Sowetan</i> <i>City Press</i> <i>Citizen</i>		✓		✓
Eastern Cape		✓ <i>Evening Post</i> <i>Sunday Times</i> <i>Daily Dispatch</i> <i>Eastern Province Herald</i> <i>Kei Mercury</i>		✓		
North West	✓	✓ <i>Sowetan</i> <i>City Press</i> <i>Beeld</i> <i>Potchefstroom Herald</i> <i>Klerkorp Record</i> <i>Kuruman Bulletin</i> <i>West News</i> <i>Mirror</i>				

Source: Tustin, 1999:23-24

² This table was extracted from a document published in 1999 by University of South Africa Bureau of

It is clear from Table 4 above that the South African government uses various means of communication to promote tender opportunities, such as advertisements in the *Government Gazette* or tender bulletins, notice boards in offices, local newspapers and radio stations. As Tustin (1999) points out, the purpose for advertising tenders is two fold. Firstly, it aims to get maximum exposure of the requirements for tendering. Secondly, it offers equal opportunities to as many organisations as possible to submit tenders, thereby promoting fair competition (Tustin, 1999: 22). As mentioned in Chapter Three, the tendering process is used internationally as a basis for procurement, where governments contract out to the private or non-profit sector in providing goods or services. The State Tender Board (ST36: 1994) broadly defines tendering as a written offer forming part of an invitation to tender. The South African government's current procurement policy is stipulated in the Green Paper on Public Sector Procurement Reform (Government Gazette: 1997), which is aimed at improving access to tendering information. In the past, the tendering system favoured established private companies and it was very difficult for non-profit organisations to enter the public tendering system.

Currently, there are ten tender boards, each of which acts independently of the others. The functions of these boards are to regulate and channel public sector procurement. For example, the State Tender Board (central government) and nine provincial tender boards advertise tenders in the state tender bulletin, on tender notice boards, and in local and national newspapers as shown in Table 4. The current procurement policy has made NGOs, CBOs and small, medium and micro-enterprises (SMMEs) aware of government contracts. These organisations are responding to invitations to submit new proposals for contracting. However, tendering is a new field for many NGOs, CBOs and SMMEs as most of them are relatively inexperienced.

According to Fagan (1997:1), only 40% of SMMEs in South Africa are ready to compete for tenders, while the balance need additional skills and capacity. Tendering opportunities and partnerships with government departments are a means to enable NGOs, to become involved in delivering essential services. In this way they can contribute to the improvement of living conditions of previously disadvantaged communities. In recent years, NGOs that work in specific sectors, particularly health, land reform, housing and

Market Research on strategies to promote affirmative small business tendering (Tuskin, 1999:23-24).

education, have been involved in contracting with national government departments. Contracting with provincial government and local government has also been an option for some organisations.

The following section discusses the experience of AFRA in its contractual partnership with the DLA and with rural communities in KwaZulu Natal.

4.2 AFRA and the Future Challenge for NGO Contracting

AFRA was selected as a case study because of its commitment to the land rights struggle over the last twenty years, and its established record in contracting with the provincial DLA and in working with communities in KwaZulu Natal. The following are relevant questions: where does AFRA locate itself in the emerging trend towards contracting? what are the opportunities and constraints of collaborating with the government?

AFRA is an independent land rights non-governmental organisation based in Pietermaritzburg and was established in 1979 to fight evictions ordered by the apartheid government in KwaZulu and Natal. Harley and Fotheringham summarised the early work of AFRA as follows:

AFRA's main areas of activity have been in collecting as much information as possible, both detailed and general, on removals and resettlement in Natal, and in providing various forms of legal assistance to rural communities (Harley and Fotheringham, 1999:87).

As an organisation committed to the land rights struggle, AFRA's work throughout the period 1980 to 1990 was that of preventing land removals and increasing resistance to the apartheid government. As part of its work to end removals, the organisation became a founding member of the National Committee Against Removals (NCAR), set up in 1985. The early work of NCAR involved participation in national campaigns against removals and for the return of communities who had already been removed from their land. NCAR was renamed the National Land Committee (NLC) in 1990 and the focus shifted towards restitution, redistribution and land tenure (NLC Annual Report 1999:1). As an affiliate of the NLC, which is a network of eight NGOs involved in land reform and rural development, AFRA has been able to adopt new strategies of influencing government policy, including contracting. AFRA continues to receive tenders from the DLA to

implement land reform projects. As appears in the annual report of the organisation, AFRA in conjunction with the Regional Consultative Forum, Loots Attorneys, and the Transvaal Rural Action Committee were awarded the Mobile Communications and Advice Campaign tender in 1999. The objective of the contract work was to publicise broadly the existence and content of the Land Reform Act No 3 of 1996 (AFRA Annual Report 2000:19). The organisation undertook community workshops and community meetings and organised field trips to selected areas and consultation with community representatives.

To date (2002) the outcomes and effects of AFRA’s contracting activities are mixed. First, the relationship between the DLA and AFRA seems difficult, since no adequate relationship with communities is established because of lack of institutional support to deal with community needs. Following the appointment of Thokozile Didiza as Minister of Land Affairs, new policies were put in place under the programme known as Land Redistribution and Agricultural Development (LRAD). The aim of this policy is to provide grants to black farmers. Although grant were made, rural tenants farmers continued to be evicted and had no means of obtaining more land. Some land-related NGOs, such as AFRA and NLC, have criticised government’s lack of consultation around the formulation of this policy. Secondly, the processing of land claims has been much slower than the community expected, as a result affecting the community and the future role of AFRA in contract work. The following table provides an assessment of AFRA’s capacity for contracting and can be used as a comparison to highlight some of the many challenges that other NGOs are likely to encounter.

Table 5. Assessment of AFRA’s Capacity for Contracting

Capacity/ Area of expertise	Little/no capacity	Some capacity	Strong capacity
Available personnel with specific expertise			✓
Prepare/write funding proposals			✓
Prepare budgets			✓
Participate in competitive bidding-tendering for government contract			✓
Networking			✓
Negotiate a contract			✓

Capacity/ Area of expertise	Little/no capacity	Some capacity	Strong capacity
Fundraising to the corporate sector		✓	
Implement a program under contract			✓
Monitoring and evaluating programs		✓	
Accounting for funds under contract			✓
Empowering rural communities			✓
Assisting communities with capacity building & community development			✓
Contractual relations with provincial government			✓
Delivery of effective services		✓	
Influencing government policy			✓

It is clear from the Table 5 that AFRA possesses the capacity to work in partnership with government and communities. Through its involvement in contract work, AFRA has been able to assist communities to submit their claims to the DLA and also to encourage communities to approach and communicate with government departments. Attempts to maintain good relationships with and to assist both the DLA and the communities have not always been successful. Delays in payment by the DLA have impeded efficiency, and communities feel that training in skills of leadership and financial management need to be provided for them. Changes in the socio-political environment in the period 1990 to 1994 have had major implications on the operational focus and development of the organisation.

4.2.1 Operational Focus and Organisational Development

In recent years, AFRA has gone through major changes and restructured its programmes to be in line with a project approach to service delivery³. During the period 1990-1994 the role of AFRA was changed in terms of this restructuring. The organisation also became increasingly involved in development work and joined debates about future land policies in post-apartheid South Africa. Because of these changes the organisation began to redefine its role. Staff felt that AFRA's focus should shift from crisis and resistance work to long-term advocacy and community training. The organisation also suffered the loss of

³ Since 1995 AFRA has implemented a project delivery approach which allows the organisation to enter into multiple contracts and implement land reform projects. Examples of the types of projects that the organisation could tender for include eviction monitoring, implementation of Extension of Security

staff, many of whom left to join the DLA at either provincial or national level. Harley and Fotheringham (1999: 170) mention the following staff that AFRA lost to government since 1994:

- Richard Clacey became Provincial Director in the KwaZulu Department of Land Affairs and Restitution Unit co-ordinator.
- Jean du Plessis became Chief Director, Restitution, in the national department.
- Michael Worsnip replaced Richard Clacey as director in 1995 and moved into a senior position in the DLA in Pretoria in 1997, as Director of Restitution Research.
- Mduduzi Shabane, Redistribution Co-ordinator, left AFRA in 1995 to join DLA as a Deputy Director and
- Sithembiso Gumbi left in 1997 to become a senior planner in the Provincial DLA.

Currently, the organisation has fifteen staff members, five of whom are in the administrative system, while the rest are project managers and fieldworkers.

AFRA, like many other organisations, is faced with enormous changes both internally, such as competing for South African funding sources, including government contracts, and externally, in terms of the changing political environment in which NGOs operate. Perceived obstacles facing the organisation include finance and budgetary constraints as well as limited human capacity. John Aitchison, Chairman of the organisation reports these constraints as follows:

We do not live in a comfortable NGO environment any more. We have to become efficient and effective; if we do not deliver, if we are not productive, AFRA will disappear sooner rather than later and join the other NGOs which did not face reality. We also live in a competitive environment in which tendering and contracts are the order of the day and we have to adjust to this too. We have to strive, through service and excellence (AFRA Annual Report, 1997:7).

As Harley and Fotheringham (1999:181) point out, project or programme implementation is the work that AFRA is contracted to do. For example, AFRA has offered support to the Department of Land Affairs in dealing with Labour Tenant and Farm Occupier claims. In undertaking contract work, AFRA agrees that a clear set of selection criteria would need to be developed including consistency with mission, organisational priority, staff

Tenure Act, information dissemination and developing methods for implementing tenure legislation (Aitchison, 1998: 5).

capacity, development and earnings (Harley and Fotheringham, 1999:182). Between 20 April and 5 May 2000 AFRA conducted a three-yearly evaluation of specific issues currently relevant for the operational focus of the organisation. As a result, AFRA employed the external evaluators, Participative Solutions Africa, to look at the following issues: the organisation's contract posts, its relationship with the NLC, efficiencies and competencies within AFRA, and issues which staff wished to consider as part of the strategic planning process (AFRA 2000:12).

Issues identified by the evaluators include AFRA's relationship with its clients, its relationship with other external organisations and external stakeholders, such as the DLA and KwaZulu Natal Agricultural Union (KZNAU), and its internal functioning (AFRA, 2000:12). Recommendations were taken up in June 2000 at the organisation's strategic planning exercise, through which AFRA would tackle the period 2001 to 2003 with "renewed focus, clarity of purpose and appropriate internal changes"(AFRA, 2000:13). As a result of the strategic planning exercise, five key areas of focus were identified: (a) strengthening civil society; (b) land resettlement to ensure tenure security on farms; (c) land records pilot project; (d) livelihood improvement; and (e) restitution work. Each of these five projects will allow the organisation to review the current land reform programmes on behalf of the DLA and improve service delivery to the communities with which the organisation is working.

4.2.2 Funding

AFRA, like most NGOs, relies on overseas donors and local funding. With regard to international donor funding, the Director of AFRA, Sihle Mkhize, maintains, "it is becoming very clear that AFRA is no longer going to enjoy the same levels of support that we have had in the past" (Interview, 17/10/2001). This statement in itself is an acknowledgment of a general decline in donor funding. Many NGOs have either closed or have had to rationalise their operations due to diminishing funding. ✓

AFRA's current donors are the Interchurch Organisation for Development Cooperation (ICCO), Christian Aid, Broederlijk Delen, Open Society Foundation and National Capacity Building Programme, which is a local funding source, managed by the NLC. Individual donors require their own planning and reporting methods. To meet these requirements AFRA has standard six monthly and annual reports, which it sends to

donors. This, however, is not always sufficient: when asked about reporting requirements of donors, Sihle Mkhize, Director of AFRA commented:

Some donors, like Broderlijk, have the strictest reporting requirements and we have to submit about 4 to 5 pages plan based on the logframe, which is separate from our own annual report (17/10/2001).

Due to declining donor funding, it has become important for the organisation to investigate and develop sustainable sources of funding. As indicated by Harvey and Fotheringham (1999: 182), AFRA developed a number of strategies to ensure the sustainability of the organisation, which include the following: attempts to secure loans and endowments from existing and new donors, tenders for contract work, better investment strategies, cuts in unnecessary expenditure, and the encouragement of contributions from communities.

To implement these strategies, a Section 21 company known as Ditikeni Investment Company was set up in October 2000 under the directorship of Mary Kleinberg. AFRA has invested about R500 000, which has been held in the NBS sustainability account and this allows use of the funds after two or more years (AFRA, 2000:7). With regard to the question of financial sustainability, the organisation is involved in commissioning profit-making projects to supplement the core of donor funding and makes efforts to access funding from the corporate sector (AFRA, 2000:11).

Local fundraising is a noticeably underdeveloped component of current strategies for financial sustainability of many local NGOs in the country. Furthermore, fundraising has also been difficult in poor and remote rural communities, leading some NGOs to withdraw their activities in such areas. One way of surviving is to be involved in contract work, for which government funding is available, and which is often crucial for NGOs to become financially sustainable.

4.2.3 Contract Work and Forging Delivery Partnerships with Government and the Community

On the issue of how to ensure successful partnerships between the state and NGOs, Motala and Dufy noted:

A 1998 report (Bench and Lipietz 1998) commissioned by the then Deputy Minister of Finance, Gill Marcus, on the structuring of effective relationships between the state and civil society, identified a number of successful partnerships between the state and

NGOs in South Africa. These included those between CSOs and the then Department of Welfare and Population Development, and the Department of Works, Water Affairs and Forestry and Health. Factors leading to successful partnerships included having common objectives and strategies for a particular intervention; agreement on the means for achieving these objectives; and a shared commitment to principles of mutuality, respect co-operation and collaboration (Motala and Dufy 2001:79).

With regard to issues of land distribution and land restitution, the DLA often contracts out some services to AFRA. In receiving government contracts the staff at AFRA noted that the organisation has to ensure that its ability to oppose, criticise and initiate is not compromised or undermined. Furthermore, they noted that it is important to point out that the mere contracting out of services to the NGO sector does not necessarily lead to a better service delivery. As a result a contracted NGO needs to adhere to the legal conditions of contracts carefully and must be aware of penalties attached to failure to deliver services. It is widely acknowledged that the government's land reform programme is in crisis and rural communities are becoming increasingly impatient with delays in official processes. In this regard AFRA has an obligation to lobby for more progressive land reform policies and to see that it participates in the implementation of the government programme.

As a land rights organisation, AFRA has developed work contracts to provide support to community structures in the form of capacity building, campaigns, and information sharing in the following community projects. AFRA has been constrained by contracting relationships between government and communities; as the director put it:

We have jointly managed projects with the DLA. However, we have had some difficulties because we were like government employees. It created a sort of master-servant relationship. When we go to communities we had to introduce ourselves as DLA consultants and it was very difficult for us, because in the province we are known to be AFRA, which is very critical of government. After the project people still come to us because they have seen us in the field so they wanted a follow-up (Interview with the director of AFRA, 10/17/2001).

It is clear that the contractual relationships between AFRA, DFA and the community are not always successful. Tensions have also arisen between the government and the NGO sector with regard to development contracts. A key concern shared by most land rights NGOs, such as AFRA and the NLC, has been the lack of support from government. According to the director of AFRA, the reluctance of NGOs to be firmly linked to government structures has little to do with not wanting to be accountable. Rather the NGOs raised concerns regarding the tendering system, which was viewed as already

crippled by a culture of bureaucratic incapacity and characterised by problematic tendering procedures between national, provincial and local governments.

An important finding from a rights-oriented perspective indicates that rural communities are often unaware that, in terms of the Bill of Rights, they possess actual and enforceable rights (Greenstein, 1999: 1). The challenge facing AFRA is to integrate lobbying and education in an effort to realise the socio-economic rights of communities with which they work.

In 2000 AFRA conducted research on the eviction of occupiers and labour tenants in KwaZulu Natal to assess the impact of the Legal Aid Board tariff reductions. The research has two important findings (AFRA, 2000:19). One of the findings is that there were considerably fewer lawyers available to support occupiers and labour tenants than previously, with serious implications for labour tenants' negotiations. The other finding is that there are a number of common law evictions taking place, which may be illegal, and that some of the court orders issued by magistrates are not sent to the Land Claims Court (AFRA, 2000, 19). University of Natal Law School students have been working, and continue to work, with AFRA staff on the Eviction Monitoring Project. AFRA also assisted communities in the establishment of the Tenure Security Coordinating Committee and the Farm Eviction and Development Committee (AFRA, 2000:15).

With regard to restitution, AFRA met with problems, as some communities opted for land and some for cash. Despite these problems, AFRA has successfully assisted communities with both forms of compensation. For example, about twenty-four families who opted for land restoration were assisted with detailed planning in terms of the DLA settlement requirements (AFRA, 2000: 16). AFRA has also faced problems in the redistribution project due to the fact that the transfer of land took longer than the community expected. Despite this problem, AFRA assisted the Amahlubi community to plan and spend a R17 000 agricultural development grant that was made available by the Ford Foundation. This is one of the successful projects that the organisation has undertaken in the land rights struggle, which resulted in the ceremony attended by President Thabo Mbeki to formally handover the title deed to the AmaHlubi community (AFRA, 2000:17).

AFRA has undertaken tenure research to assess the land settlement option available to the Impendle community. The director's report indicated that the project is progressing well and meetings have occurred with various stakeholders, including the Surveyor-General and officials from the Deeds Registry Office and Local Government and Traditional Affairs (AFRA, 2000: 18). The experience of AFRA reflects its commitment to the identification of community needs and making land and development resources available to poor rural communities.

4.2.4 Community Projects

Two of AFRA's community projects, (a) Gijini Restitution Project and (b) Ennersdale Redistribution Project, have been selected to explore the outcomes and effects of contract work in the field of land reform. These are discussed below.

AFRA has been involved in contract work with the provincial office of the DLA since 1995. As recorded in the organisation's Annual Report (2000), the Gijini Project is a contract with the provincial office of the Restitution of Land Claim Commission (RLCC). The project involved about 165 claimants currently residing in Gijini, a rural community in KwaZulu Natal. The activities of AFRA included taking the whole group through the process of restitution, establishing the socio-economic status of claimants, helping claimants to choose the best options, conducting a feasibility study of the claimed land, and preparing claimants for negotiations with the land-owners (AFRA, 2000: 19). One of the constraints identified in this project was bureaucratic procedures, which meant that the minister had to give approval to the community's chosen options; this approval took about four months. The other constraint is that AFRA was faced with the problem of unavailability of financial resources as the commission ran out of funds. As a result, an evaluation workshop was held to consider the work already done and whether AFRA should continue assisting the claimant groups, using its own financial resources.

At the workshop AFRA decided that it did not have the human resources or financial resources to continue with this project (AFRA, 2001:19). However, the process of explaining and getting communities to enter into working agreements was challenging for AFRA. This challenge was mainly caused by the reluctance of the communities, which grew out of the perception and fear that the development of contracts was AFRA's

strategy of “getting rid of them”(AFRA, 2000: 16). The communities with which AFRA works were informed about how organisational changes might negatively or positively affect them. Despite these fears and uncertainties, AFRA reassured communities of its commitment to working together around issues of common interest. Although the project could not be completed as per contract between the RLCC and AFRA, it was reported that:

The only outstanding task for AFRA is to provide the community with quick but effective training in negotiations and then help with the facilitation of such discussions and signing of the agreement between relevant parties (AFRA, 2000:16).

The experience of this project shows the difficulties that are likely to be encountered in a contractual relationship.

In the Ennersdale Redistribution Project AFRA was sub-contracted by an independent evaluator, Maseko Hlongwa & Associates, to provide facilitation to a redistribution community situated outside Escourt, in KwaZulu Natal. The activities of AFRA included conducting socio-economic surveys and establishing a legal entity (AFRA, 2000:8). A major constraint was identified as the delay caused by the DLA, which meant that the project had to be put on hold. The success of a project depends on cooperation between different stakeholders, which was lacking in the Ennersdale Redistribution Project.

4.2.5 Comparison of the two AFRA Projects

In the work of the two projects, it seems clear that forging delivery partnerships between AFRA and government has serious capacity constraints. With regard to government capacity, there is a tendency for government to be slow and delay delivery. Furthermore, the issue of lack of participation from the affected rural poor was raised. AFRA believes that a successful land reform program consists of planned, state-driven legal processes, geared towards equitable land redistribution for the purpose of improving the quality of life for the rural poor. However, it is unfortunate that the organisation lacks the necessary resources to support the land redistribution, outside of the government process.

As indicated from the two projects discussed above, AFRA has internal and external constraints in forging delivery partnerships with government and communities. Internal constraints involve limited financial and human resources, which have impeded the

activities of AFRA in implementing projects. Externally, government capacity constraints have made it difficult to deliver efficient services to communities.

4.3 Mvula Trust and Contracting Experience in Water Delivery Partnership

Mvula Trust was established in 1993 as an NGO which focuses on rural water supply and sanitation, but the organisation has also taken on other activities, including capacity building of local government and poor communities, as well as influencing policy at the national level. The initial contracting encounter was in 1995 when the organisation signed an agreement with DWAF to collaborate on rural water and sanitation supply (Oakley, 1999: 56). Mvula Trust is one of the few NGOs that has experience in contracting with the public sector since 1995, and because of its established record in community-based development approaches, the organisation continues to work on behalf of DWAF. As Stavrou (1999:148) points out, Mvula Trust has delivered water supply to over 350 000 people and sanitation to almost 50 000 people.

The report by the Charity Aid Foundation has described the contractual relationship between Mvula Trust and Department of Water and Forestry as follows:

Mvula Trust is an NGO that initiates and monitors water and sanitation projects and researches and develops policy. It targets poor and disadvantaged South Africans in rural and peri-urban communities. The organisation budget ranges between R40 million and R55 million a year. About 70% of its funding comes from the Department of Water and Forestry Affairs. The Trust has a contract with the Department to deliver water services, mainly in rural areas. It works closely with local governments to try to ensure that they take water provision seriously (Charity Aid Foundation, 2000: 98).

Mvula Trust has the potential to forge water delivery partnerships, which have been identified as necessary to improve the relationship between government, NGO and communities. The Rural Water Supply Programme will shed some light on the effects and outcomes of contracting on beneficiaries, as demonstrated below.

4.3.1 The Rural Water Supply Programme (RWSP)

The Rural Water Supply Programme (RWSP) is one of the successful contracting initiatives between the DWAF, Mvula Trust and communities. The RWSP is a community-managed programme aimed at providing support to people living in

marginalised rural settlements who do not have access to clean water and sanitation. The RWSP has created three sets of contractual relationships and can thus be used as an example against which the contracting capacity of other NGOs can be compared. For each set of contractual relationships the contract is described, and advantages and disadvantages mentioned. Issues and challenges arising from the RWSP contracts are mentioned at the end of the section.

The first set of relationships is embodied in a contract between Mvula Trust and DWAF. In this contract Mvula is required to assist with policy developments and capacity building of local government, water boards and DWAF (Oakley, 1999: 57). On its part, DWAF funds a series of Mvula projects that require financial accountability. The potential risk in such a contractual relationship is the exclusion of other stakeholders in project design and implementation, particularly community groups.

The second set of relationships is embodied in a contract between Mvula and the community. In this regard, community groups are required to set up a committee assigned to undertake duties and responsibilities. Such duties and responsibilities include making decisions during project implementation and ensuring community control of service provision after the project is completed. One of the case studies that is considered successful and was funded by Mvula Trust is the Zamimphilo Water Committee in KwaZulu Natal:

The community identified water as a need and each household paid R130, 00 before the application to Mvula was approved. It took five years before project began, primarily because the committee was concerned about issues of sustainability. It was decided that the community should perform as much as of the labour as possible. The community opted for communal standpipes. An operation and maintenance system is in place, which appears to prevent the problem of free riders, and on the whole the project is considered successful (Oakley, 1999:62).

As indicated in the above case study, community-managed projects may take time to deliver, but the involvement of communities in project planning and implementation is deemed important. If communities are actively involved in the project cycle as in the above case, chances are that they will be more committed to the outcome of the project. However, in as much as water committees are involved in the project, there is the likelihood that major decisions about the implementation were made by the contracted NGO. One such example is negotiating for a contract, which is a skill that communities lack and which can only be done via technical assistance from NGOs or the private

sector. As legal frameworks, contracts are complex, and community groups should have access to legal advice and be made aware of legal implications.

The third and final set of contracts as created by the RWSP involves community groups and private contractors. The role of the private contractor is to provide technical, management and administrative advice to the water committee. As the private contractor, Build Operate Train Transfer (BOTT) was required to take a range of activities, such as transferring skills to the committee and ensuring that water projects are sustainable (Oakley, 1999: 59).

A further issue that has reduced the prospects for a constructive partnership between the government and contracted NGOs is the 'client relationship' as described by Habib and Taylor:

NGO's dependence on state funding and their newly formed "client" relationships with government must lead one to question their autonomy and whether they can avoid being mere appendages of state institutions. Working as "private subcontractors" of government and with funds from overseas governments, NGOs are increasingly no longer non-governmental (Habib and Taylor, 1999:79).

This relationship has major implications on the outcomes and effects of contracting. In a recent evaluation of the water delivery partnership between DWAF and Mvula Trust and community groups, Oakley maintains:

The Mvula Trust has been involved both in government policy formulation and project implementation. In spite of a positive relationship with DWAF, Mvula is ultimately at the mercy of DWAF both in terms of money and reputation. A major problem with Mvula's contract is that the lines of accountability are blurred. The funding in KwaZulu Natal has shown in turn how valuable communities are in these contracts (Oakley, 1999:75).

As indicated above efforts to promote collaboration should come from both government and NGO. The move by Mvula Trust towards collaborative relationship with the DWAF needs to be applauded. Some advantages and disadvantages emerged in the RWSP and those that are seen as important are isolated.

4.3.2 Advantages and Disadvantages for RWSP

Advantages for RWSP include community empowerment and training, as well as community-managed projects that are cheaper and more sustainable. There is a need for

capacity building in financial management, leadership and negotiations skills among local communities if they are to work efficiently with other stakeholders. Because of its commitment to community needs, the RWSP remains legitimate in the eyes of beneficiaries and has instilled a sense of participation among community members.

One of the disadvantages for the RWSP is the possibility of users not paying for services. Any potential problem needs to be considered as a normal part of relationships among contracting parties. While a community-managed project such as the RWSP undertakes to improve service delivery, it must guard against losing its legitimacy. An NGO such as Mvula Trust has a great deal of influence in government policy formulation and project implementation, and therefore provides lessons that other NGOs can learn from. Even though the example of Mvula is brief and limited, it symbolises the need to forge delivery partnerships with both government and communities.

4.4 Issues in Contracting

The question of NGO involvement in contracting deserves far more attention from scholars working in stakeholders analysis, policy analysis and public sector reform. The involvement of NGOs in contracting with government can play a central role in helping the national, provincial and local governments to increase the pace of service delivery and mobilise communities. This has resulted in the formation of NGO-government partnerships in which communities are identified as beneficiaries. NGO-government collaboration can allow the parties to know each other and to embark on productive longer-term partnerships.

It is clear that a number of issues need to be considered if a realistic attempt is to be made to forge delivery partnerships between government and communities. Significant factors are classified under six sections: (1) complicated tendering procedures, (2) tense contractual relationships, (3) bureaucratic delays, (4) lack of government capacity or even incapacity, (5) lack of NGO capacity in planning and implementing projects, and (6) lack of community participation. Each is described below. Information on these issues is derived from interviews and discussions with two NGOs (AFRA, NLC) were conducted as well as an informal discussion with the Non-Profit Partnership. Two officials in the provincial government of Gauteng, working with the Tender Board, were consulted.

My analysis of research results, as I mentioned in section 1.4, is largely of a qualitative nature. Due to time and financial constraints, the sample size was small and I opted for a case study approach and analysis of contractual relationships in the sectors of water supply and land reform. It is therefore difficult to provide an estimate of how many NGOs are involved in contracting, but it is evident that a considerable number have been contracted by various government departments to deliver essential and social services since 1994.

4.4.1 Complicated Tendering Procedures

Despite the fact that tendering can secure government funding for NGOs, their involvement in contracting has been problematic. A number of NGOs representatives mentioned that their organisations often lack the necessary capacity to compete successfully for government contracts. In informal discussions with the Non-Profit Partnership, it emerged that in most cases tender documentation is lengthy, difficult to complete and not always equally available to all. Furthermore, most NGOs lack a detailed understanding of contract requirements and tendering procedures. One government representative in the provincial office of the Tender Board pointed out that the tendering process can be viewed from the perspective of the buyer (government) and of the supplier (NGO or SMME). For example, in the case of the buyer, the government uses State Tender Boards to identify and publicise tender opportunities to prospective tenderers (Interview with government representative 17 July 2001).

From the perspective of the NGO, the director of AFRA put it this way:

There are procedures when coming to contract work such as advertising and you have to tender just like anybody else. At the beginning we used to get calls whereby government would come and work with us, but it would be a contract that is less than R30, 000 because the provincial director would have powers to approve without having to go through tender procedures. But for contract work over and above that amount we have to go through tender procedures (Interview with the director of AFRA, 17/10/2001).

This clearly indicates that contracts with relatively low monetary value do not go out on tender. For example, in the public sector it is mandatory to invite tenders for purchases of an estimated value of over R100 000. Below this amount, provisioning administrations

have the power to select a supplier on the basis of three written quotations⁴(Tustin, 1999:11). Tustin further points out that for specialised contracts, invitations to tender by the government may be restricted to prequalified tenderers who are included on a list of approved tenderers (Tustin, 1999:24). It therefore appears that only those NGOs that have a record of valuable achievement, and can demonstrate their capacity, are invited.

To facilitate the involvement of NGOs and CBOs in tendering for government contracts. Tender forms should be written, as far as possible, in a language which is simple and exact. Guidelines might be offered for the completion of forms, and where necessary, local or central government departments might offer workshops on tendering practices. Furthermore, these organisations should be encouraged to enter into delivery partnerships with other partners, particularly in the private sector, that is firms and other private donors, which will help to overcome the capacity problem and help to secure funding.

The problem of delays in government payment is also common. Two possible reasons for these delays exist: one, that an NGO's system of accountability is unsatisfactory and does not fulfill government requirements for payment. The other lies within government itself. It may be that procedures for government payment are inadequate and take too little account of the needs of NGOs.

The constraints of complicated tendering procedures are addressed in the Green Paper on Public Sector Procurement Reform. The Green Paper proposes that the tendering process should be made more accessible by ensuring that tender documentation is user-friendly and more widely distributed (RSA, 1997:1).

In the study entitled '*Working with the Non-Profit Sector in South Africa*' the Charity Aid Foundation (2000: 99) has described the process of tendering as follows:

Contracted civil society organisations (CSO) argued that the lengthy budget approval procedures often wreaked havoc on their budgeting programmes, let alone their ability to deliver services in the end. Government departments found it difficult to argue the case for a dedicated budget line for CSO engagement with their treasuries.

⁴ A quotation, for the purpose of this research, is a round figure for which a service in its entirety may be provided. A tender is a detailed and itemised assessment of the costs of each component part of a service.

I take this to mean that government departments at present are unable or unwilling to devise special (and presumably rapid) means of payment for services received from NGOs. A few other NGOs mentioned that their relationships with the government departments they work with were difficult. The Institute for Democracy in South Africa (IDASA) describes the experience of contracting, in which NGOs complained that once tenders were secured, it was difficult to receive payments for services rendered. When asked to rate the ease or difficulty of tendering for government contracts, respondents were quite pessimistic. In terms of percentage, 21% said it was difficult and 31% said very difficult, whereas 12% said it was easy (IDASA, 2001:12).

In light of what has been discussed so far, it is important to identify specific terms and conditions of tendering for government contracts. Abedian *et al* (1998: 125) identified the following conditions as critically important when undertaking contract work:

- The duration of the contract
- Financial arrangements for purchasing
- Defined needs and services that the contract covers
- Defined objectives, activities, outcomes and costs in budget forms
- Agreed variation procedures – that is, terms on which the contract may be modified if unforeseen difficulties occur
- Arrangements for dealing with unexpected conditions or occurrences
- Procedures for resolving problems or disputes
- Default arrangements
- Details of subcontracting
- Agreed monitoring and review procedures.

The main reason for specifying the terms and conditions of contracts is to guard against the possibility of default by the contractor, in which case the government may be held responsible if the contractor fails to ensure service continuity. Contracting in itself is a risky business and requires the highest level of professionalism and accountability. However, internal factors such as lack of human resources, lack of managerial skills and weak financial accounting have contributed substantially to the failure of some NGOs to qualify for government contracts. As Tustin (1999:7) suggests, training in the field of tendering should be as broad as possible and should include training initiatives in contract law, claims procedures, procurement policies, adjudication systems and tendering procedures.

Once these skills are acquired, the NGO sector will stand a better chance of competing effectively. However, most NGOs have a long way to go before they become competent in the field of tendering.

4.4.2 Tense Contractual Relationships

The involvement of NGOs in contracting has often created tense relationships with government and communities. As Jones (2000:3) points out, this problem arises from “fears of dual accountability” (downwards to community and upwards to contractual partners) and the NGO’s fear of loss of autonomy. The Director of AFRA stated that “the type of government that we have at the moment is very sensitive to criticism; hence we have a relationship that is not good at all, because of the mobilisation work that AFRA has been involved in” (Interview with the Director of AFRA, 17/10/2001). Contracting out to NGOs is more than filling in service gaps; rather it requires the commitment of government and NGOs to improving the lives of the communities with which they work. This may oblige an NGO to offer constructive criticism of government policies.

As mentioned in Chapter Three, the delivery partnership must not result in a situation where government relegates all its duties and responsibilities to contracted NGOs. Tustin points out that “contracts put out to tender are related to those goods and services that do not form part of operational functions of the contracting institutions, but are required on an ‘needed basis’ or over a contract period”(Tustin, 1999:4). In order to assess the nature of the contractual relationship, the question of what factors should be considered in building delivery partnerships was asked. The director of AFRA responded as follows:

The very first step to build partnership will be to clarify the roles and responsibilities of both parties. And also to put the interest of the organisation and that of government upfront, we must determine what is our interest in this partnership and have a clear objective of the partnership. We do not have to partner for the sake of partnership. There is a need to have clear objectives like you are partnering for a, b, c and d. Partnership must be transparent, based on very sound moral principles between the two parties (Interview with the Director of AFRA, 17/10/2001).

Clearly, it is important to distinguish the functions and duties of each party involved in a contractual relationship to avoid future conflict. Equally important is the fact that contracting must be placed in the broader context of Government-NGO partnerships,

which should include the exchange of information, consultation, sharing of expertise and advice, and voicing of community needs and interests.

Through its Rural Social Movement initiative, AFRA has been influential in strengthening the voice of the community. However, AFRA's relationship with the government at the moment is not particularly cordial, and AFRA has not been getting many contracts. Since 2001 the organisation has only received one government contract. This seems to be a trend among other NGOs that are critical of government – their critical attitude ultimately creates a tense relationship between themselves and government.

4.4.3 Bureaucratic Delays

The respondents mentioned that one of the constraints for NGOs involved in negotiations concerning land rights, if they contract with government, is bureaucratic delays and political infighting. For example, in 1994 the ANC-led government set a target to transfer 30% of farmland to black farmers by 1999 through the land restitution programme. To date (2002) the target has not been reached. The Director of AFRA believes that the DLA is slow in assessing land claims and delivering land to the rural poor. For example in 1999 the number of households receiving project approvals dropped to from 17, 243 to 5, 692. A further decline was recorded in 1998, in which land was transferred to 1 513 households against 14 250 in the previous year (AFRA: 2000: 8).

The other constraint raised by NGO respondents is bureaucratic delays caused by the formulation of new policies without consideration of how they can be implemented. This is revealed in AFRA's report:

AFRA has offered support to DLA in dealing with Labour Tenants and Farm Occupier claims but we are still waiting for their response. It is these kind of delays that are unnecessary and unacceptable (AFRA, 2000: 21).

In his State of the Nation address on February 2002, President Thabo Mbeki recognized the government's shortcomings and stated that the government is willing to complete land restitution within the next three years.

4.4.4 Lack of Government Capacity

In addition to the severe constraints imposed by bureaucratic delays, the involvement of NGOs in contracting out was further hindered by the lack of government capacity in policy implementation and the monitoring and evaluation of projects. Government must expect to play the role of regulator and therefore assess the contract performance of service providers. Robinson (1997: 63) earlier identified lack of performance monitoring as a problem experienced by service providers in African countries. The problem of lack of performance monitoring means that government has had, on occasion, to hire independent experts to assess the work of NGOs. Dollery and Wallis (1999:2) argue that in South Africa the scarcity of administrative capacity represents a recurrent problem for developmental policy making. They further maintain that 'state incapacity' could threaten the very basis of political stability in South Africa (Dollery and Wallis, 1999:16).

Simkins identifies three dimensions of state incapacity. Firstly, there exists 'program incapacity' that is the difficulties involved in implementing specific programs in a complex, evolving and uncertain policy environment. Secondly, the reconstruction of the South African civil administration at the provincial and local levels from the former provincial and homeland bureaucracies has created a structure incapable of efficient policy implementation. Thirdly, the establishment of the structure of regulations essential to good government takes time and is not always adequate (Simkins, 1996: 86). The effects of these constraints have had damaging effects on the contractual relationships between government and NGOs.

The case studies and literature review within this dissertation indicate that contracting out to NGOs is a new practice in South Africa and that government urgently needs to inform itself as to what services it may advantageously contract out. This implies that all areas of government need to understand accurately their own capacities and incapacities. The release of the *Provincial Review Report* by former Public Service and Administration Minister, Zola Skweyiya was aimed at restructuring the public sector. The 1997 report was prepared under the personal direction of Public Service and Administration Director-General Paseka Ncholo (referred to as the Ncholo Report), and is seen as the most important official initiative into the problem of government incapacity in South Africa thus far.

The stated intentions of the Report were as follows:

To inform the wider public, Public Servants, Parliament and Cabinet on the state of the administration and progress of reform in South Africa's provinces; identify key problems and issues which require attention so that provincial administrations may improve the quality of the services they deliver to the public; identify problems experienced in provinces which drive from the national level; and stimulate development, remedial programmes and the building of capacity in the Public Service (Ncholo Report, 1997:10).

It is clear that the Ncholo Report was an attempt to strengthen government capacity in improving service delivery to the public. The new obligations of the post-1994 government often implied that tasks would be undertaken in which government had little expertise. The 'new delivery partnership' between government and NGOs is a necessary means of redressing the evils inherited from apartheid. South Africa has a network of NGOs, such as AFRA and Mvula Trust, which are able and willing to be involved in providing services now recognised as essential, provided they are given sufficient support and resources. AFRA, an important part of this network, has experience in multiple contracting and can assist government in evaluating projects, given its capacity in working with donor agencies.

4.4.5 Lack of NGO Capacity in Planning and Implementing Projects

As indicated in the case study of AFRA (section 4.2.1), the loss of experienced staff seems to have reduced NGO capacity in monitoring and evaluating projects. However, the organisation has been undertaking self-evaluation as part of a process of strengthening its internal capacity. Clearly, NGOs such as AFRA can be required to have proper management capabilities in identifying community needs and undertaking development work.,

The international literature on NGOs suggests three project management that can be used in development work. The first is the problem tree, which is a method of analysis and classification system of problems. At a problem tree seminar, the group moves from a negative view of the problems with which it is confronted to a positive view of objectives to be attained, which in turn allows it to think in terms of priorities. (Beaudox *et al*, 1992: 45). Some organisations, such as AFRA, seems to be aware of this method, and

undertakes a strategic planning exercise every three years to evaluate what has been done. The Director's report illustrates:

Our strategy of assisting rural communities to develop their annual plans at the beginning of each year is proving to be useful and empowering. This was evident early in 2001 when we reviewed the work that was done by communities over the year. Our major allies still remain the rural poor (AFRA, 2000: 21).

The second method is the logical framework analysis (LFA) which is used widely for planning development projects. The strength of LFA as Auge (2000:690) argues, lies on the operationalisation of the project such as who is doing what to who, when, why and how. Beaudox *et al* (1992: 46) describe the LFA as "the ancestor of all methods" used for identification, programming, follow-up and evaluation of development action. This method was first applied to overseas development programmes about twenty years ago by USAID in order to assist in the planning, management and evaluation of development activities (Auge, 2000:687). The aim of the logical framework is to determine in a scientific and standardised way which actions are to be undertaken, and how to programme them (Beaudox *et al*, 1992: 46). International donors, particularly USAID, introduced the logical framework method to AFRA, but it has not been easy to use it at the community level, where the language of management, in which this method is couched, is inappropriate.

The third method is the Zielorientierte Projektplanung (ZOPP) translated as Goal-Oriented Project Planning, which was prepared by a German development aid agency, German Technical Cooperation (GTZ). The ZOPP method is a tool to aid the decision making process in planning and managing projects. It allows for three partners to take part in the elaboration of the action, through sharing their experiences, questions, ideas and suggestions. Many bilateral development agencies use this method to programme their projects (Beaudox *et al* 1992: 48). However, this method works best in partnerships between northern hemisphere NGOs and a southern hemisphere government, as compared to NGO-Government collaboration of the kind which occurs in the South African context, and which generally is augmented by input from communities which are beneficiaries.

All three of these project management methods are, however, difficult to implement at the community level because they take time, and further, require training of staff and

financial means which are not always available to small-scale NGOs. With the increasing role of NGOs in contracting out, particularly for those involved in delivery of essential services, the question of their capacity in project planning and delivery becomes a major concern. Such concern has been addressed in the literature. As Hailey (2000:407) notes: “if NGOs can identify and build organisational capacities in their core values, they will not only have a strategic advantage when attracting funding, volunteers and staff, but they will also best serve the needs of their members, their supporters, and the communities in which they work”. It is clear that NGOs need to expand their role and invest in building their organisational capacity. Priorities include strategic planning skills, training in financial management, meeting deadlines, and monitoring and evaluating skills.

This research does not claim to be representative of all NGOs since they are many, and different. However, it has shown that there is a growing recognition on the part of NGOs that lessons learned during project implementation feed back into the ongoing planning process. For example, in the case study of AFRA and Mvula Trust it has been shown that these organisations incorporate the beneficiaries in the planning process. Monitoring and evaluation of development projects is viewed by donors and NGOs as part of strategic planning in which NGOs report on the impact of current and past projects. Experience suggests that there are, at present, limitations to the extent to which evaluations can involve beneficiaries. Communities may lack the degree of formal organisation which would allow them to report in a single, reliable ‘voice’. Equally, the necessary limitations of the project may not be understood.

4.4.6 Lack of Community Participation

⁴ The lack of community participation in development projects is an important constraint on the work of government and NGOs. Despite the difficulties listed above, community participation, is generally viewed as an essential aspect of any development programme. It ensures that projects which are developed are developed according to the needs of the people who will be recipients of the benefits.* An analysis of the case studies of AFRA and Mvula Trust (section 4.2 and 4.3) suggests a further link between the immediate success of development and the degree of involvement of beneficiaries. It is desirable that NGOs should empower and build the capacity of local communities that they work with.

Government and NGO initiatives should include facilitation and mentoring of communities and individuals, which will pave the way for the involvement of communities in the design and implementation of development projects. It is clear that if communities are actively involved in the project cycle they will be more committed to the outcome of the project. NGO respondents mentioned that despite the fact that community participation is essential for the success of projects, it is also complicated. Problematic areas with regard to community participation include illiteracy among some community leaders, absence of managerial capacity or lack of communication skills either in communities or NGOs. What is needed are NGOs that are sensitive to the situation, and are willing to empower communities and ensure the inclusion of all stakeholders, including women, in decision-making.

Chapter Five: Conclusion and Recommendations

5.1 Conclusion

In this dissertation, I have addressed the question of contracting out to NGOs at both the international and South African levels with the aim of identifying lessons to be considered in improving service delivery. Given the exploratory nature of the dissertation, a comparative perspective of contracting in developed and developing countries has been undertaken to shed some light on the international trend towards contracting and the lessons which South African NGOs can learn. International experience suggests that governments need to play their part in ensuring that appropriate changes take place in the tendering process to allow NGOs to contribute to the achievement of national development objectives. The democratic transition in South Africa since 1994 has coincided with the increase in the practice of contracting out services to NGOs, as has been prevalent in developed countries. In this context, this dissertation has shown that contracting out has presented and continues to present challenges and possibilities for change in South Africa. One of the challenges facing government and NGOs in South Africa today is that of locating themselves within the 'new contractual relationship.' As has been shown in the case study of AFRA and Mvula Trust, the continuing public sector reforms in South Africa since 1994 have offered opportunities for those NGOs and CBOs that have a record of valuable achievement and can demonstrate their capacity to establish and sustain stable contractual relationships with government and community groups.

As indicated from the interviews undertaken for this research and the experiences of contracted NGOs in the field of land reform and water service delivery in South Africa, it is clear that the phenomenon of contracting NGOs is still relatively new and therefore imperfect, because it is subject to severe capacity constraints. Political resistance to change, as well as capacity constraints in government and NGOs, are still prevalent, and until these issues are resolved communities will continue to face poverty and lack of access to development resources. It is therefore in some respects too early to assess the effects and outcomes of contracting on the relationship between government, NGOs and beneficiaries. Nonetheless, the research suggests that collaborative efforts through contracting out to NGOs are likely to contribute to both the future financial sustainability of the NGO sector and the critical role it has to perform in post-apartheid South Africa.

The review of literature shows that contracting is a complex and long-term exercise, which requires both the government and NGO sectors to have realistic expectations about their capacity and efficiency in delivering services.

Unrealistic expectations can be damaging to the credibility of NGOs involved in contracting, and may in the long run destroy their credibility and financial sustainability. South Africa, like some other developing countries, particularly Brazil, has been influenced by the trends towards contracting set by the advanced industrial countries, and concerns about reducing the scale and scope of the state. However, conclusions drawn from the experience of first world countries in relation to contracting should be treated with great caution by developing countries. This implies that developing countries, including South Africa, should first evaluate their structural conditions before they can implement policies informed by experiences from developed countries. As Hassen argues, decisions regarding what to contract out and what to keep in-house are often based on whether a service is deemed 'core' or 'non-core'⁵. Core services are those for which government has a constitutional obligation or strategic reason for delivering. Non-core services are not mandated by the constitution (Hassen, 2000: 22).

My research has suggested that contracting, if used carefully is a viable palliative to the existing funding shortage facing NGOs, and can, more importantly, extend services to the majority of South Africans. Consideration of many of the issues addressed in this dissertation could help both government and NGOs to embark on a process of introspection and work towards forging a new delivery partnership.

5.2 Recommendations

The contractual relationship between government and NGOs examined in this dissertation has important policy implications. The following areas of change are suggested in improving NGO-Government collaboration in South Africa:

⁵ The distinction between 'core' and 'non-core' will obviously be problematic. For example, Abedian *et al* (1998:122) suggests that it is not the 'core' business of the Department of Health to provide laundry, gardening, cleaning, transport and other such services. Such support services are regarded as 'non-core' and are the prime candidates for outsourcing. Similarly, it is a 'core' business of a university to provide instruction, and a non-core business to provide meals for students.

- Further development of government capacity to monitor the performance of service providers. Continuous evaluation and monitoring will strengthen institutional capacity and financial constraints facing both parties;
- Clear guidelines for NGOs to tender for government contracts;
- Establishment of an advisory committee made up of representatives from various sectors (government, non-profit sector, community representatives and private business). This committee should be asked to advise both parties about ongoing developments in contracting out and effective mechanisms to deliver services efficiently;
- Government networking with organisations that have a valuable record of contracting out;
- Regular documentation and research on partner satisfaction with the performance of contracted NGOs. Contractual penalties for non-performance should be enforced.

Furthermore, the findings from the work of Dollery and Wallis (1999), '*Administrative Constraints on Policy Making in the New South Africa*' are recommended in addressing the problem of state and NGO incapacity. A first recommendation is the adoption of a contractual partnership emphasising performance monitoring, managerial responsibility, out-put rather than input evaluation, and other restructuring strategies. This approach was successfully implemented in New Zealand, where contracts included performance agreements between departmental heads and their portfolio ministers, contracts between funders and purchasers, purchasers and providers, as well as funders and regulators. (Dollery and Wallis, 1999: 8)

Administrative capacity could be built through educational programs. Dollery and Wallis (1999:9) maintain that scarce public administrative skills should be concentrated in those areas where they can yield the greatest social benefits. The role of the state in South Africa should be limited to performance of core functions or other areas not addressed by private (profit or non-profit) organizations. Already, some NGOs such as AFRA and Mvula Trust are working in collaboration with the government departments, DLA and the DWAF respectively to improve service delivery in rural areas.

It seems evident that unless NGOs take the lead in pressuring the government to make necessary policy changes on the procurement procedures, and government shows itself willing to respond to this pressure, the opportunity that currently exists to forge new delivery partnerships is likely to be lost. The dynamics of the current trends of contracting out are complex and cannot be done justice in a brief study. Further research on this field is recommended because the full potential of NGOs in contracting for development has not yet been explored.

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Appendix 1: Cover Letter

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To who it may concern

I am a Masters student at the School of Development Studies at the University of Natal Durban. My research focus on NGO-Government collaborations, particularly in facilitating the involvement of NGOs in contract work. I am therefore examining the nature of NGO-Government collaboration and the perceptions regarding the potential benefits and constraints of NGO involvement in contracting for development.

Please find attached a list of research questionnaires. Your participation in this research is important, as the results will be of benefit to your organisation and the NGO community at large. The results of this research and the project as a whole will readily be made available to your organisation at the latter stage.

With regard to the completion of the research, may I therefore suggest that the responded be someone from your organisation who best represents the organization's view on the subject. If you so wish, the name of your organisation and the chosen respondent will remain anonymous. It would be greatly appreciated if the questionnaires are completed as soon as possible. Alternatively responses may be e-mailed to this address: dsetsile@webmail.co.za

Should you have any queries, please feel free to contact me at any time. Thank you in advance for your time and cooperation. It is highly appreciated.

Yours sincerely
Dan Setsile

Appendix 2: Research Questionnaires

Background Information

Thank you for agreeing to this interview. I believe you have received an e-mail summarising the research. I am undertaking this research as part of the masters degree requirement in the School of Development Studies at the University of Natal, Durban. This research is exploring the current trends towards contracting for development in which NGOs enter into contractual arrangements with government to deliver services. If you have available documentation on your organization and its activities that respond to the concerns of this research, such as annual reports, mission statement and project descriptions, I would appreciate copies in this regard. A summary of the research findings will be made available to you at the latter stage.

Research Questionnaires

The following questions are considered important for this research:

Organisational History and Profile

1. How would you categorise your organisation?
 - a) NGO
 - b) CBO
 - c) Trust
 - d) Network
 - e) Consultancy
 - f) Other, please specify
2. When was your organisation established and how long have you been in operation?
3. Briefly describe the work and activities that your organisation do and who are its target beneficiaries?
4. What is the organisational culture of your NGO in terms of empowering communities?
5. How many staff members does your organisation employ?
 - a) office work
 - b) field work
6. What is your organization total operating budget for the current financial year?
 - a) less than 20.000
 - b) more than 50.000
 - c) less than 100.000
 - d) more than 500.000
 - e) other, please specify

Policy Context/ Changing Policy of Donors and its impacts on NGO-Government Partnerships.

1. Following the democratic changes in South Africa in 1994 and changes in the international donor funding, what would you consider as the main challenges facing the NGO sector in particular to funding?
2. Trends identified in recent years tend to move towards new partnerships between governments, donor and NGOs. What impacts does this have on the NGO sector regarding enabling policy environment?

3. Given the advocacy background of the NGO sector, how would the partnership with government affect the independent voice of NGOs?
4. What factors do you consider important in building partnership with both donors and government?
5. Are there examples of partnerships in which your organization has worked with government to influence policy?
6. Please describe any management changes in your organisation's relationship with the international donors in the past five years (this includes new donor reporting requirements, changes in donor priorities)?
7. Is it possible for your organization to have both a partnership and contracting relationship with government at the same time? In such cases, it is important to clarify how and to whom the organisation reports to.
8. Does contracting offers your organisation an opportunity to become partners with donor and governments, what is the nature of the partnership in the short-term and long-term?

Sources of Funding

1. Which of the following are sources of funding for your organisation: ✓
 - a) international donors
 - b) local donors
 - c) national government
 - d) membership fees
 - e) contract work
 - f) other, please specify
2. Has the level of international donor funding increased or decreased in the last five years. ✓
Please give estimation as a percentage of how much and how little?
3. Is your organization shaping their projects particular for donors and government funding. If ✓
yes, explain and what are the mechanisms?
4. What is the level of national government funding to your organisation in the last five years? ✓
 - a) decreased gradually
 - b) increased gradually
 - c) increased recently, because of contract work
 - d) other, please specify
5. In terms of becoming financially self-sustaining, what measures has your organization ✓
adopted?
 - a) contracting to the government
 - b) contracting to the private sector
 - c) contracting to other NGOs or CBOs
 - d) consulting
 - e) other, please specify
6. What are the reasons for your organisation to be involved in contracting?
 - a) donor pressure
 - b) influence on government policy
 - c) contribute in the delivery of services
 - d) other, please specify

7. What is the national policy in terms of tendering for government contracts?
 8. What importance does contracting have for NGO-Government relationship in South Africa?
 9. How do NGO's negotiate for a contract, and how is it managed over time?
 10. If your organisation is involved in contract work, does it really require a different management style, given the problems of accountability, reporting requirements and transparency?
 11. Does contracting shift the focus of your organisation to be oriented towards profit making or commercialisation?
 12. As far as contracting is concerned, does it create trade-offs between NGO-Government relationship, and to what extent does it affect beneficiaries?
 13. Who benefits from contracting?
 14. Is the contractual relationship between NGOs and government based on the following:
 - a) making a contribution to NGO activities
 - b) assisting government/NGO to develop capacity
 - c) empowering communities
 - d) confident that the NGO can meet its obligations
 15. Has there been appropriate consultation with communities and other stakeholders as far as contracting is concerned?
 16. How widespread is the practice of contracting out services to NGO in South Africa?
 17. Do you think contracting out to NGOs is important, why?
 18. In which sector have your organisation been contracted for?
 19. How essential is contracting to the mission and objectives of your organization?
 20. What does contracting signal to your organisation, is it a threat or opportunity as far as dealing with government and donor agencies?
 21. Is contracting out to NGOs the best way of achieving national development objectives?
 22. Is contracting consistent with the independence of NGOs?
 23. Who is accountable when services are supplied under contract?
 24. What is the nature of the contracting or funding relationships between government, communities and contracted NGOs?
 25. What sorts of organisations are likely to be contracting with government?
- Thank you so much for your cooperation.

Appendix 3: Names of People Interviewed

Association for Rural Advancement – Sihle Mkhize: Director
_ Sanjaya Pillay : Information Officer

National Land Committee – Wellington Thwala: Programme Coordinator Research

Non-Profit Partnership – Damaria Senne: Communication Coordinator