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Developing good governance practices within the South African NPO Sector

CHAPTER ONE

Summary Report

October 2009

ACKNOWLEDGEMENT

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PREFACE

The Nonprofit Organisations Act, (Act No. 71 of 1997) (hereinafter referred to as NPO Act) was enacted as the government's endeavour to provide a regulatory dispensation in complementary with a self-regulation framework that posed tremendous challenges to all those interested in a vibrant civil society in South Africa. Accountability and good governance are indispensable in any regulatory system.

The Act mandates the Department of Social Development (DSD) to contribute towards an enabling environment within which nonprofit organisations (NPOs) can flourish. One of the objects of the NPO Act is to encourage NPOs to maintain adequate standards of governance, transparency and accountability as well as improving those standards.

In the year 2001, as part of its statutory mandate, the Directorate for NPOs within DSD issued the Codes of Good Practice (CGP) for NPOs to encourage self-regulation within the sector. All registered organisation are therefore encouraged to ensure that their own founding documents comply with the basic requirements of good governance in terms of the NPO Act.

However, over a period of time, it has become apparent that most NPOs do not comply with these basic standards of good governance. This is evident in the recent research conducted by the Department in 2005 on the Impact Assessment of the NPO Act. This study revealed a general lack of capacity within NPOs to manage their affairs including maintaining good governances for the organisation. This situation poses the greatest threat to efforts to maintain high standards across the sector, particularly among community based organisations (CBOs)[1].

Further to these challenges, about 20% of all organisations that apply for registration as NPOs do not meet the requirements of section 12 (2) on first attempt to get registered and more than 80% of registered NPOs do not submit their annual reports as required in terms of section 18 of the Act.

Pursuant to remedying the situation and as a further contribution to creating an enabling environment within NPOs to function efficiently, in 2008, the Department commissioned this study to benchmark good governance practices within NPOs in South Africa with an objective of improving the standards of governance and administration within non-profit organisations.

The exercise was aimed at assessing the practical implementation of the CGP in the sector comparing this with other South African and international best practice

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[1] Department of Social Development, Assessment of the NPO Act - 2005

models. It further sought to design mechanism that will close the identified gaps including the development of responsive training programmes.

The research was conducted between March 2008 and July 2009. In carrying out the study, a Technical Reference Group (TRG) comprising members of the NPO sector, representatives from various provinces and relevant units within the Department of Social Development spearheaded by the NPO Directorate was formed to serve as a sounding board and provided strategic feedback on the findings of the study at the different phases.

This report therefore presents the findings in terms of all the gaps identified as well as recommendations in closing those gaps. The Department of Social Development foresees the outcomes of the study as essential for addressing the capacity needs of NPOs as well as entrenching and encouraging the sector to adopt good governance practices not only to enhance their ability to function but to meet the diverse service delivery needs of the broader South African communities. These outcomes are crucial more so considering an important role that the NPO sector plays as an important government partner in service delivery.

ACRONYMS AND GLOSSARY OF TERMS

AU	African Union
CBO	Community Based Organisations
CGP	Codes of Good Practice
CSI	Corporate Social Investment
DSD	Department of Social Development
EC	Eastern Cape
FS	Free State
GP	Gauteng Province
KZN	KwaZulu-Natal
LP	Limpopo Province
MP	Mpumalanga Province
NC	Northern Cape
NDA	National Development Agency
NPO Act	Non-profit Organisations Act No. 71 of 1997
NW	North West
SADC	Southern Africa Development Community
SAQA	South African Qualifications Authority
SETA	Sector Education and Training Authority
WC	Western Cape
Nonprofit organisation:	A collection of people who come together for common purpose, and agree to formalise a programme to fulfil this purpose. They conduct activities towards this purpose and should there be excess income after expenditure, this excess is made available to the benefit of the purpose.

1.   INTRODUCTION

The Department of Social Development as the custodian of the Nonprofit Organisations Act, 1997 (Act No 71 of 1997) is mandated to encourage non-profit organisations to maintain adequate standards of governance, transparency and accountability. The department issued the Codes of Good Practices in 2001 to assist non-profit organisations to maintain such standards.

In 2005 the department commissioned an independent study of the impact of the NPO Act. The study found, amongst other things, that donors, nonprofit organisations (NPOs) and government officials expressed misgivings about the level of compliance with the NPO Act and a general sense of limited practical implementation of the Codes of Good Practices.

In 2008 the Department commissioned this study to benchmark good governance practices within NPOs in South Africa with an objective of improving the standards of governance and administration within NPOs.

The specific objectives of the study were:

- To assess the practical implementation of the Codes of Good Practice by NPOs
- To identify good practice models of good governance, nationally and internationally, that could serve as benchmarks for good governance practices for organisations registered under the NPO Act.
- To assess the nonprofit sector's level of compliance with standards of governance, transparency and accountability as recommended by the Code of Good Practice and the NPO Act.
- To develop a training programme that can address the gaps in implementation of the Codes of Good Practice.
- To make recommendations to address the gaps and challenges identified in the implementation of the Codes of Good Practice. This includes making recommendations on the content of the code.

This research is reported in series of different chapters as:

- Chapter 1: Executive Summary and Comparative synopsis on Benchmarked Codes;
- Chapter 2: Comprehensive Literature Review;
- Chapter 3: Assessment on the practical implementation of the Codes of Good Practice and compliance with standards of governance, accountability and transparency;

This summary report provides a brief overview of the project, the main finding and recommendations. The reader is referred to the individual volumes for more details. The table below provides a synopsis of each of the volumes.

Volume	Objectives	Description
Chapter 2: International literature review	To identify good practice models of good governance, nationally and internationally, that could serve as benchmarks for good governance practices for organisations registered under the NPO Act	Covers 16 countries – Kenya, Botswana, Uganda, Zimbabwe, Tanzania, Ghana, Malawi, Swaziland, Egypt, India, Philippines, Guatemala, Argentina, Ukraine, United States of America, United Kingdom.
Chapter 3: Assessing the practical implementation of the Codes of Good Practice and compliance with standards of governance, accountability and transparency	To assess the non-profit sector's level of compliance with standards of governance, transparency and accountability as recommended by the Code of Good Practice and the NPO Act. To assess the practical implementation of the Codes of Good Practice by non-profit organisations.	Assessed compliance of a sample of 1043 NPOs from all provinces. This involved reviewing the reports submitted by NPOs to the NPO Directorate. Conducted interviews with 78 representatives from 65 NPOs from 8 provinces.
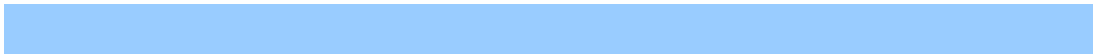
2.   DISCUSSION OF KEY ISSUES

The following issues were identified as critical that emerged from the study; however, they should not be viewed as conclusive.

2.1   Accessibility of the Code of Good Practice

It is apparently that there has been no significant marketing or promotion of the CGP to NPOs. The Codes are not made available to NPOs automatically on registration or on enquiry for registration. Community Development Practitioners receive training about the Codes and are expected to raise awareness of the Codes in workshops they conduct for NPOs. The Codes are published on the department's website. Given that a high proportion of registered NPOs are small community-based organisations who may have limited access to the internet, the publication of the Codes on the department's website will not address the problem of access to the Codes.

2.2   Usability of the CGP

With the low level of awareness of the CGP, it was not easy to gauge the usability of the CGP. In comparing the CGP in terms of content and format to other codes from the comparative study, the former do have a number of deficiencies:

a) The CGP were drafted in 1999-2000, published in 2001 and have never been updated. The NPO environment in South Africa and globally has changed since then. The CGP appear rooted in the welfarist model rather than reflect the shifts in social development policy lead by the Department of Social Development over the past five years, nor does it reflect the discourse in government on the 'developmental state'.

b) The decline in the role of international donors and the increase in corporate social investment from South African corporates are also not reflected. Other important impacts such as the role of web-based communication are also absent.

c) The language used in the CGP is not easily understood as the documents are not written in plain language such as that used in countries such as Australia or the UK.

d) The CGP were written in broad terms so as to be applicable to all NPOs. While the principles could be applicable to all NPOs, not all have the same level of capacity to use or adhere to the guidelines proposed. From the interviews and desktop study it has become clear that the application of the practices proposed by the CGP is a challenge for smaller organisations.

e) There is a degree of inconsistency in approach in the CGP. In some areas the codes outline only the broad principles, whereas in other areas the codes

provide detailed guidelines. The result is that the overall document appears as a mix between guiding principles and a detailed handbook.

2.3   Absence of detailed Standards in the CGP

Although the CGP are reasonably comprehensive in coverage, they do not provide detailed standards of conduct that are amenable to measurement and monitoring. This was intentionally so when the CGP were drafted as the codes were voluntary and meant to cover a broad range of NPOs, in terms of size, complexity and focus. The thinking behind the CGP was that they should not be prescriptive, but rather encourage NPOs to use those aspects that they find useful and relevant to them. The absence of standards does however have its disadvantages. There is no yardstick against which NPOs can measure themselves to see how well they are doing in the area of good governance. The absence of standards also makes it difficult for NPOs to assess the year-on-year improvement or decline in their governance practices. If the CGP were intended to improve governance in the NPO sector, the standards that would constitute good governance need to be explicit.

2.4   Grant Makers and Sponsors

The third section of the CGP provides guidelines for effective grant making and sponsorship and most of this is directed at those who are giving as opposed to recipient NPOs. It is not clear from the CGP or from the department's activities how donors and sponsors are made aware of these guidelines. From the information available to the research team, this third section of the CGP has not been promoted to donors and sponsors by the department. It appears that the onus rests on Community Development Practitioners and NPOs who may be aware of the CGP to bring these to the attention of donors.

2.5   Capacity of NPOs

The evidence from the study indicates that NPOs, especially small community-based organisations (CBOs) do face serious capacity constraints. The desktop study found low levels of compliance with basic reporting requirements and the interviews confirmed the capacity constraints. Furthermore, there is an expressed need for a broad range of training amongst the NPOs interviewed.

While the NPO Directorate does have a mandate to enhance the capacity of NPOs so that they comply with the NPO Act, there are limitations to this mandate. The NPO Directorate in the first instance is the regulator in terms of the NPO Act. It can develop training and capacity building policies and frameworks, but should not be the main training delivering agent. Not only does it have limited capacity to provide training, but it is also a trend in public sector practice to have clear separation between the regulatory function and the support function. The delivery of training

and capacity building should therefore be left to other agencies such as the National Development Agency and the various Sector Education and Training Authorities.

2.6   Leadership of NPOs

What has emerged from the research is that those in leadership positions in NPOs do experience challenges in leading their organisations. This is not unique to the NPO sector in South Africa. In a number of countries there has been a concerted move towards strengthening the capacity of leaders of civil society organisations as a way of building a stronger civil society leadership cadre. A good example of this is the work that ACEVO in the UK has been doing, particularly through the development of a code of conduct for chief executives within the NPO sector. The CGP of the Department of Social Development, although they address the issue of leading, the codes focus more on management rather than leadership.

Leadership in NPO, whether a large NGO or small CBO, is no less challenging than leadership in corporation or government agency. However, it could be argued that leading in the context of limited resources, uncertain revenue, demanding stakeholders and public interest obligations requires extraordinary leadership.

2.7   The value of annual reporting

Reporting on finances and operations annually is emphasised in the CGP and in other codes. It is also a requirement for retaining registration in terms of the NPO Act, not surprisingly as annual reporting is an expression of transparency and accountability and is intended to protect the public interest.

Evidence from the study suggests a low level of compliance with reporting requirements. The reporting templates provided by the NPO Directorate indicate that only basic information is required for reporting. In addition to the reasons provided by interviewees for not submitting reports, there may be other reasons. Perhaps NPOs believe that there are no consequences for failing to report. Given that there were many inactive NPOs still on the active register, it is plausible that NPOs do not believe that the NPO Directorate will take any action against them.

The reporting to the NPO Directorate is clearly for compliance purposes. Perhaps if NPOs experienced rewards or positive consequences for reporting– for example- increased funding or support for training or feedback to say 'a job well done', they may be more motivated to submit reports.

The low level of compliance also raises the question of whether there are ways of promoting accountability and good governance amongst small community-based organisations, other than formal annual reports. For example, NPOs with income below a certain level can be exempted from submitting a full annual report and simply submit a declaration that their income is below the threshold. Although this

limited form of reporting is accepted by the NPO Directorate, it appears that many organisations are unaware of this.

The NPO Directorate appears not to have capacity to do any comprehensive analysis of the reports submitted to them, for example, analysing trends in funding and expenditure, research on governance structures, research on the activities of NPOs.

2.8   Monitoring by the NPO Directorate

From the high percentage of non-compliant and inactive or defunct NPOs who were in the sample of registered NPOs, it appears that the monitoring capacity of the NPO Directorate is limited. As the custodian of the NPO Act, the NPO Directorate should monitor compliance with the legislation. If the NPO Directorate fails to monitor adequately and does not keep its register up-to-date, the credibility of the register and the intentions of the NPO Act are undermined. The volume of NPOs registering is large. The NPO Directorate will need to find efficient and cost-effective methods of monitoring the NPO register.

2.9   Registration Policy

Although not within the scope of the study, the research does raise questions about the registration policy. This issue was also raised in the 2005 NPO Impact Assessment study. Registration in terms of the NPO Act is voluntary and there are incentives for organisations to register. The primary incentives are access to grant funding and tax incentives for those who have sufficient income. Donors also require organisations to register in order to receive funding. Government agencies such as the national and provincial departments of social development, departments of health and the National Development Agency require organisations to be registered prior to receiving grants. While this practice is sensible grant making in the case of organisations receiving sizeable grants, there are many small CBOs who receive grants of under R50 000 for poverty relief projects. The result is that the NPO register has a large proportion of small CBOs. The quantity of registered NPOs bears little relation to the quality of governance and the objectives of the NPO Act.

2.10   Communication and information

Access to information is essential for NPOs if they are to conduct their operations in the manner promoted by the CGP and the NPO Act. A consistent theme running through this study is the lack of awareness amongst NPOs about the CGP, the NPO Act and related matters. It appears that the information they need is not sufficiently accessible. The NPO Directorate is small relative to the volume of registered NPOs and unregistered NPOs who need information. The predominant form of communication is a letter. Not only is there a delay in receiving communication, but it makes for very limited engagement. The website, though many small organisations

would have limited access can reach large numbers in a cost effective manner. Community development practitioners are also a vehicle for communication, but their numbers are small relative to the numbers of NPOs. More creative ways of communicating with and disseminating information with the NPO sector are needed. Recommendations in this regard were made in the 2005 Impact Assessment.
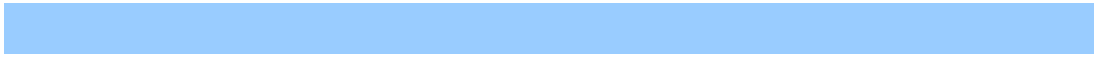
3.   SUMMARY OF RESEARCH FINDINGS

The keys findings are grouped according to the following focus areas:

3.1   Desktop Assessment Findings

The results of the desk top study suggest that there is a low level of compliance amongst NPOs with the reporting requirements that they need to meet in order to retain their registration with the Department of Social Development.

(a) Only 14.2% of NPOs submitted annual financial reports, while 13.3% submitted narrative reports.

(b) Section 21 entities had the highest compliance levels of the three types of legal entities, with 32.4% submitting annual financial reports. Voluntary associations had the lowest level of compliance with financial reporting at 12.9%.

(c) The Western Cape had the highest level of compliance in submitting the annual financial report and the narrative report. The Eastern Cape had the lowest level of compliance.

(d) NPOs registered for a longer period were more likely to submit Annual Financial reports than those with fewer years of registration.

(e) For the majority of NPOs in the sample, the latest report submitted was for the financial year 2006 or earlier.

(f) Section 21 entities were more likely to submit audited financial statements than were voluntary associations. This may be because of the size of their annual revenue and/or a requirement of their donors and other stakeholders that the financial statements must be audited.

(g) Where financial statements have been audited, a significant proportion of NPOs received a qualified audit. This should be of concern for NPOs that have significant revenue but should be of lesser concern for smaller NPOs.

(h) Those NPOs who submitted annual financial reports used registered auditors and qualified accountants (70.9% and 71.6%, respectively). However, given the large percentage of NPOs who did not submit annual financial reports, there could be an issue of affordability or access to financial services professionals, especially for voluntary associations with limited income.

3.2   Fieldwork Findings

The results from the interviews of NPOs indicate a very low level of awareness of the Codes of Good Practice. As very few NPOs were aware of the Codes, a low level of utilisation of the Codes is to be expected. NPOs tended to rely on other sources for

guidance, such as their own constitutions, rather than on the CGP. Although there is a low level of awareness of the CGP, the majority of NPOs interviewed were sufficiently interested and requested that the NPO Directorate should make the CGP available at the time of registration. Even though the CGP were not a source of guidance for the majority of NPOs interviewed, the study was still able to assess the extent to which NPOs complied with the good practices set out in the Codes. The main points emerging from this assessment are as follows:

(a) Over half of the NPOs (53.8%) acknowledged that they did not submit annual reports on time. The level of reported compliance was higher than the compliance level in the desktop study. Some NPOs experienced challenges in preparing annual reports.

(b) NPOs overwhelmingly subscribe to the principle of focusing on the needs of beneficiaries. They tended towards values that are stated in an action-oriented manner rather than seemingly abstract concepts.

(c) Practice with regard to governance structures is driven by the NPO's constitution rather than by the CGP. Length of office for board members is set in 60% of cases, and meetings held as stipulated in the constitution in 93% of NPOs.

(d) Even though most NPOs were unaware of the CGP, they understood the need to address the issue of conflict of interest. Seventy-five percent (75%) had measures in place to deal with the issue of conflict of interests. With regard to the duty of obedience, over two-thirds of NPOs had measures in place to ensure duty of obedience in their organisation.

(e) Practices in the area of organisational planning were reasonable. An overwhelming majority of NPOs had mission statements, goals and objectives (confirmed also in the desktop study). Strategic plans and detailed activity plans however were less frequent.

(f) Resource mobilisation is an area of weakness for many NPOs. Just over half of the NPOs interviewed had annual budgets, and 80% did not have sufficient resources to match their annual financial requirements. Of concern is the finding that 59% had no guidelines for fundraising. The CGP have guidelines for fundraising and had there been a greater level of awareness of the CGP, it is conceivable that more NPOs would have guidelines for fundraising.

(g) The financial management capacity reported in the interviews was higher than that reflected in the desktop study. Eighty-three percent of NPOs interviewed claimed that they had a designated financial person, yet only 17% according to the desktop study managed to submit financial reports. A plausible explanation is that although there are designated persons to deal with

finances, they lack the necessary skills – 41% identified financial management as a training need. A similar level of need was expressed for training in procurement.

(h) The CGP deal only peripherally with human resource management practices. The NPOs in the study therefore cannot rely on the CGP for guidance. The majority of NPOs however do have job descriptions for staff, though practices in other areas such as performance management are relatively weak.

The NPOs interviewed in the study identified a broad range of training needs. The top priorities for training were in the areas of governance generally; understanding the requirements of the NPO Act; and skills in a range of financial management practices and fundraising.

3.3   Benchmark Exercise Findings

The key findings of the benchmarking process can be summarised as follows:

- There is an increasing amount of work being done across social sectors in developing codes of conduct as a means to enhance and strengthen good governance practice.

- In the NPO sector there is clear evidence to show that codes of conduct are viewed as a major component of self-regulation of the sector.

- There are clear synergies between work being done on codes of conduct in the NPO sector and similar work being carried out in the corporate sector.

- While corporate sector codes of conduct focus extensively on the roles and responsibilities of boards and issues of financial accountability, the NPO codes tend to be more general in nature.

- All the codes bring in the issue of public trust, integrity and ethical behaviour as key elements of a code of conduct.

- There is an increasing focus in the NPO sector on improved financial management and core accountability issues.

- Many of the codes do not provide detail on human resource issues, and this can be viewed as a weakness of some of the codes.

- None of the codes are mandatory (with the exception of the draft African Union code), and organisations sign up to the code on a voluntary basis – a number of the codes do, however, build in incentives to encourage organisations to accede to the code.

4.   RECOMMENDATIONS

A number of recommendations are made based on the key findings of the lessons learnt:

4.1   Recommendation 1: Revise the Codes of Good Practices

The Codes of Good Practice should be revised substantially in content and format. The study makes detailed recommendations for the revision. As the nonprofit sector environment is dynamic, it is also recommended tat the Codes should be reviewed periodically, preferable after every two years for it to be more responsive to the current challenges within the sector.

4.2   Recommendation 2: Raise awareness and popularise the Codes

The NPO Directorate should develop and implement a range of strategies to raise awareness and popularise the Codes of Good Practice. The Communications Directorate should provide guidance in this regard.

4.3   Recommendation 3: Build Capacity

4.3.1 Introduce SAQA accredited training in good governance

It is recommended that SAQA accredited training in good governance for the NPO sector be introduced by the Department of Social Development. The purpose of the training materials will be to equip NPOs, at the board, staff and volunteer levels, to manage their organisations more effectively and in line with existing legislative, regulatory and self-regulatory frameworks. At the same time users of the materials will be expected to develop the skills, knowledge, values and attributes to make a positive impact on the good governance agenda.

It is essential that the training materials are relevant to NGOs as well as smaller CBOs. As was evident from the research, it is not easy to have a single document cater for these two categories of NPOs. The training material must however at a minimum cover the fundamentals that all NPOs should have in place for good governance. The training material will not be exhaustive and should point NPOs to other valuable sources of information.

4.3.2 Build Leadership Capacity in NPOs

The NPO Directorate should take the lead in addressing the leadership issue, specifically by conducting a needs assessment and skills audit, and subsequently identifying training and development needs at the leadership levels of NPOs.

4.3.3 Build Capacity of Provincial Officials

The NPO Directorate will need to ensure that its counterparts in provincial departments of social development are sufficiently skilled and capacitated so that they can take forward the good governance agenda. This could require a customised training package for provincial offices that enables them to work closely with local NGOs and CBOs in building, strengthening and sustaining good governance practices.

4.3.4 Extent NPO Directorate reach through partnership

The NPO Directorate should enter into formal agreements with agencies that are better placed to provide training and capacity building. By doing so, the NPO Directorate can extend its reach to reach to smaller NGOs and CBOs, especially those in peri-urban and rural areas. The NPO Directorate could work on:

- Establishing a formal agreement with the National Development Agency for capacity building. The agreement need not be limited to training and capacity building, and can be extended to other areas of mutual interest.
- Facilitating access for NPOs to receive training through the relevant Sector Training Authorities.

4.4 *Recommendation 4: Improve effectiveness of Monitoring*

Provided an NPO submits the requisite annual and financial reports, they are deemed to have complied with legislation. Even though this is a limited form of compliance monitoring, it needs to be made more effective if the system of registration is to maintain credibility and legitimacy. Enhancing the information management system of the NPO Directorate can improve its capacity to capture NPO reports and take the necessary steps against those who do not comply.

Equally important is the need for the NPO Directorate to enhance its monitoring for purpose of supporting NPOs. On registration, NPOs could be given the option of a follow up visit from the NPO Directorate or provincial counterpart, to determine what support if any the NPO requires.

4.5 *Recommendation 5: Share knowledge with the NPO Sector*

The NPO Directorate will need to ensure that it shares the key findings and recommendations of this study with the sector as a whole. This could include a focused advocacy campaign to promote good governance in the NPO sector, as well as a national dialogue between Government, the corporate sector, donors and funders, and civil society on issues related to good governance. This would help the

NPO Directorate to achieve a broad consensus on integrating perspectives on good governance.

Specifically the Directorate will need to ensure that it synthesises the key findings and recommendations, and that it share these with the sector. There is also a need to ensure that any actions that may be taken to promote good governance in the sector is seen by the sector as collaborative, transparent and taken in good faith.

The NPO Directorate should also therefore ensure that there is ongoing engagement and dialogue with civil society in South Africa, subjecting existing NPO legislation to ongoing review. NPO Directorate must align its regulatory requirements in such a way that they promote professional good governance practices across NPO operations, administration and implementation, rather than merely seeking compliance.

The NPO Directorate should look to act as intermediary in bringing the corporate and NPO sectors together with the purpose of building stronger relationship.
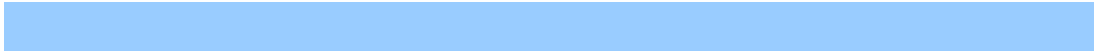
5.   SOME CONCLUDING REMARKS

This series of studies provides some instructive lessons that may be of value for the NPO Directorate in fulfilling its mandate.

Civil society appears strongest where it has, over a long period of time, become an entrenched, organic and indispensable dimension of democratic societies. This requires the evolution of an enabling political environment in which civil society organisations are able to flourish and pursue their missions in an environment that guarantees basic freedoms, and without fear of political interference, control and suppression. The NPO Directorate will need to ensure that any actions they may take to promote good governance in the NPO sector are seen by the sector as collaborative, transparent and taken in good faith.

Open societies that are premised on core democratic principles and that have legislative frameworks that encourage citizen's engagement generally provide the most fertile context for civil society to operate. Similarly, repressive polities that have restrictive legislative environments that deny their citizenry the right to open democratic engagement generally have weak and ineffective civil societies. The NPO Directorate should therefore ensure that there is ongoing engagement and dialogue with civil society in South Africa. A key element of this engagement should be to subject the existing NPO legislation to ongoing review, with the purpose of ensuring that such legislation continues to promote and enable an active and engaged civil society.

Much of the cutting-edge work that is being done in the field of good governance is being carried out by the corporate sector, with major developments taking place in the development of corporate governance codes. It should be recognised that while there are major differences, some of the guiding principles of the corporate and NPO sectors are similar, particularly in areas of sound financial management, administration, accountability mechanisms and ethical practices. The NPO Directorate should look to act as intermediary in bringing the corporate and NPO sectors together with the purpose of building stronger relationships. At the same time, the NPO Directorate could facilitate a common understanding that transcends the stereotypical assumptions and suspicions around what agendas inform Corporate Social Investment (CSI) and Corporate Social Responsibility (CSR).

There is a global move towards professionalising the NPO sector, reflected in documents such as the WANGO Code. The dynamics underpinning this include the need to professionalise the processes involved in fundraising, financial management and service delivery. The rationale for this is the need that many organisations within the NPO sector have to get away from the traditional image of NPOs as well-intentioned but poorly managed charity organisations. The NPO Directorate will need

to consider reinforcing this movement towards the professionalisation of the sector by aligning its regulatory requirements in such a way that they promote professional good governance practices across NPO operations, administration and implementation, rather than merely seeking compliance.

Many of the codes of good practice and self-regulatory initiatives that are currently in operation have been the result of strong networks and communities of practice within the NPO sector. In these instances consensus on processes has been highly consultative and information has been broadly disseminated through active and progressive civil society networks. The NPO Directorate should ensure that it works cooperatively with the NPO sector with the object of strengthening existing coalitions and networks, and that these strengthened coalitions become the foundation for a more engaged dialogue on the way forward for issues of good governance within the sector.

It is clear from this research, as well as the wealth of other studies of the NPO sector around the world, that like any other social formation the NPO sector is very often the terrain of political engagement. The levels and extent of such political engagement can determine relations between the state and the NPO sector, as well as between the NPO sector and the private sector. In many countries these relations become antagonistic as a result of political conflicts of interest. The NPO Directorate may want to commission a study on the interface between the NPO sector and the political dynamics at play in South Africa, and how this engagement impacts on the capacity of both the state and the NPO sector to sustain sound good governance practices.