Media release

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LEADING SOCIAL INVESTMENT MANAGER URGES SOCIAL INVESTORS TO NOT FORGET ABOUT THE WELFARE SECTOR

Sameera Munshi, client relationship manager at Tshikululu Social Investments, says that the welfare sector is facing an increasingly challenging time in terms of funding, which is unlikely to change in the current economic environment.

According to the Department of Social Development, South Africa has close to 69 000 registered non-profit organisations providing social services, accounting for 40% of all NPOs.

Although the Department of Social Development (as well as other departments) provides subsidies to NPOs to provide social welfare services, these subsidies are only partial payments and are insufficient to meet the needs of the organisation.

NPOs find it almost impossible to escape the reliance on donor-based funding to deliver services that are of the same or higher standard than government. In fact, it is almost expected that they have the capacity and capability to raise the balance of funds from other sources themselves, from donor organisations, trusts, foundations and corporations.

In November 2017, the Department of Social Development in their presentation to a parliamentary portfolio committee on the social development funding of welfare services acknowledged the gross underfunding of the welfare services and the funding of the welfare NPO sector.

“This model of reliance on donor-based funding results in a permanent state of uncertainty and risk for NPOs, despite the fact that these organisations service our society’s most vulnerable members, that are arguably in the greatest need of financial and non-financial stability,” Munshi says.

This care work is a public good that is largely undervalued in the South African economy.

It is essential to protecting vulnerable communities, including abandoned, orphaned and abused children; the frail and aged; people with disabilities; victims of sexual and gender-based violence; and refugees. In South Africa, this work includes both preventative and rehabilitative services.

An assessment of the annual financial statements of 24 welfare partners in the Tshikululu network over the past three financial years was recently undertaken and revealed that overall, nearly 80% of the sample had at least one deficit during the period under review.

"There is a need to increase the number of social investors who are willing to spend on social welfare and care work. To increase the number of investors, it is important to increase the attractiveness of investing in the welfare space. Welfare isn't the most alluring sector for investment, but it is undoubtedly one of the most critical to protecting society's most vulnerable," Munshi says.

Munshi says that there are several other ways to focus and promote positive change to further bolster the welfare sector, which is so critical to the country's success.

"Perhaps now, more than ever, it is necessary to explore and experiment with alternative funding mechanisms to complement grant funding," she says. This includes finding alternative income streams through charging for services to the private sector, renting of assets such as offices/equipment and/or providing training. "We do recognise the risk of this approach pulling NPOs away from their core mission and expertise as they search for new sustainability strategies, but we believe it is a worthwhile risk to take if a structured and disciplined process is followed".

Furthermore, financial spend must be coupled with investments in capacity-building. "Change is difficult, and NPOs are continually challenged to go beyond their core skill set to stretch resources. Capacity-building can include, amongst other things, improved recruitment and retention strategies; investment in stronger policies and procedures; automation and digitisation; operations management; and other activities to improve efficiency and effectiveness," Munshi explains.

"Finally, we recognise the importance of a strong board. With the relevant skills, expertise and experience to support welfare sector NPOs, walking the difficult journey towards stability and sustainability becomes easier," she says.

Tshikululu Social Investments is South Africa's leading social investment manager. For more than 20 years they have partnered with investors to achieve sustainable social impact for today and for generations to come.

Tshikululu views social investment as any financial commitment, be it grant making or impact investing, that seeks to drive, enable and measure social impact, which it does by partnering with clients, developmental agencies and other collaborative partners.

They believe in finding sustainable solutions that address the root causes of socioeconomic problems. That is why they have adopted an evidence-based, data-driven approach that ensures that their clients’ social investments are structured in a way that can be assessed and measured.

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