

THE STATE OF SOCIAL GIVING IN SOUTH AFRICA
REPORT SERIES

RESEARCH REPORT #5 & 6

EXTERNALLY FUNDED RESOURCES:

EXPLORING THE ROLE OF OFFICIAL DEVELOPMENT
ASSISTANCE IN SOUTH AFRICA

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UNDERSTANDING PRIVATE FOREIGN GIVING
IN SOUTH AFRICA

Deborah Ewing



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EXPLORING THE ROLE OF OFFICIAL DEVELOPMENT ASSISTANCE IN SOUTH AFRICA

Deborah Ewing and Thulani Guliwe¹

1. Introduction

This paper examines official development assistance (ODA) as one of the two main sources of external resources channelled to South Africa for poverty relief and development. The other main source, funding from international (foreign) private donors, is addressed in an accompanying paper.

Since ODA and resource flows from international private donors account for a significant proportion of resources (financial, human and technical) available for poverty reduction at national, provincial and local/community level, these aid flows are explored as a component of 'giving' as part of the wider CCS study of the 'State of Social Giving in South Africa'. The other components are: corporate giving, community-based giving, faith-based giving and state resources for poverty relief and development.

This examination of ODA covers bilateral and multilateral donor funds, directed through government and non-governmental channels.

The study draws together information on volumes, trends, conditions and objectives of ODA and provides analysis of how aid is targeted, channelled, dispersed and managed.

South Africa currently receives more than R1.7 billion annually in government-to-government ODA². This is a significant contribution to the government's development project but a minute proportion of the national budget. The main research questions are:

- What is the role of ODA in addressing South Africa's development challenges?
- Who determines this role? and
- How is the donor-state relationship likely to develop in future?

¹ Additional research and editing by Cos Desmond and Zahra Narkedien.

² Latest available figure from Treasury, for FY 2004, excluding official aid channelled directly to NGOs or spending agencies other than government departments.

Within this framework, the paper looks at who is doing the giving; why they are giving; what the trends are; how much is given; to whom or which sectors it is given; and what is known about impact³.

2. The international context for ODA

Rising volumes, falling values

Global ODA rose significantly in 2003, continuing to reverse the downward trend that prevailed from 1992 until 1997. According to the Development Assistance Committee (DAC) figures released in 2004, ODA from the 22 DAC donors increased from US\$58.3 billion in 2002 to US\$68.5 billion in 2003⁴.

There were substantial increases in aid from some of the largest (G8) donors: the United States gave 16.9% more ODA; the UK 11.9% more; and France 9.9% more in 2003 than 2002 (reversing its previous decline). These increases outweighed big falls in aid from Japan (-8.9%) and Italy (-16.7% - continuing its decline, but still leaving it in the top seven donors by volume).

However, in real terms, the figures for 2003 represented a rise of 3.9% (to US\$60.54 billion at 2002 prices), so that the increase only takes global ODA back up to the 1992 level. This followed a 7.2% real terms increase between 2001 and 2002.

So, global aid increased significantly but not on the same scale as the previous year. More importantly, aid levels remain far short of what is needed to achieve the Millennium Development Goals (MDGs)⁵. Aid grew by 117% over more than four decades from the 1960s and, during that period, wealth in donor countries went up by 152% (from US\$11.303 per person to US\$28.500). However, aid per person rose by less than 10% (from US\$61 to US\$67).

If donors had met the agreed UN target of 0.7% of GNI, aid would have totalled almost US\$118 billion in 2003. But only five DAC donors gave 0.7% GNI or more in 2003. These were: Norway; Denmark; the Netherlands; Luxembourg; Sweden.

The US gave the least as a percentage of GNI - 0.14% in 2003 - even though it gives by far the most in volume.

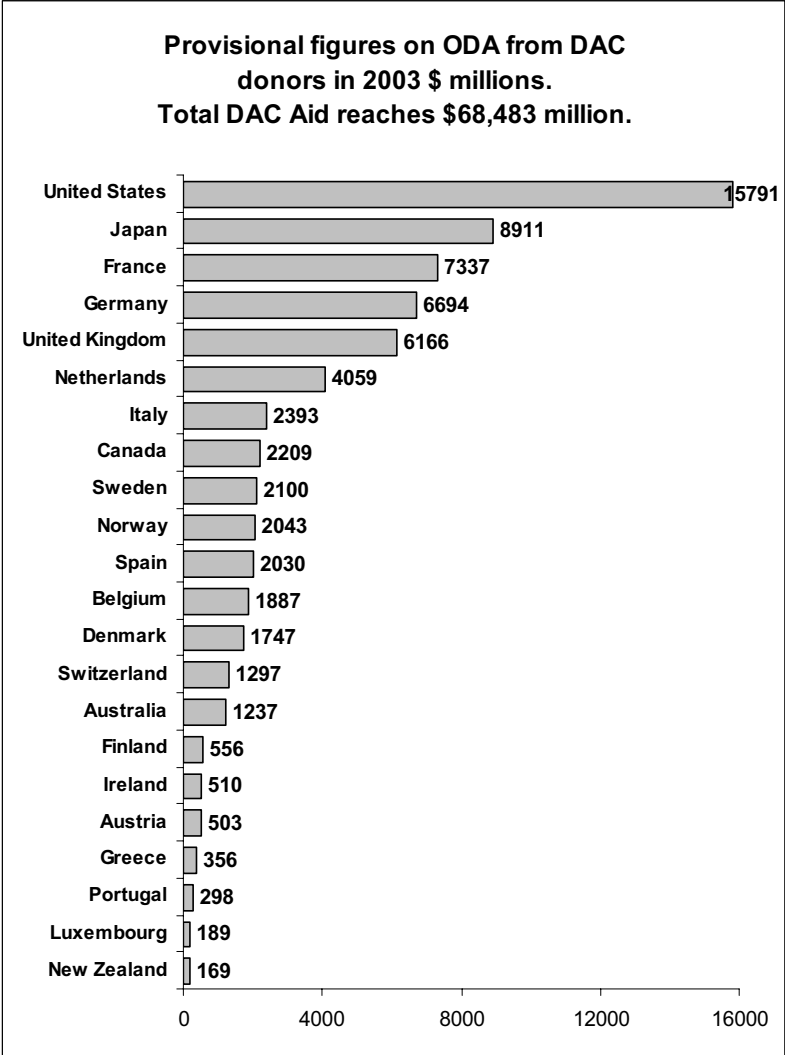
³ It is beyond the scope of the project to assess impact of externally funded resources. However, the research assesses what information is available on impact, in terms of project/programme evaluations, and perspectives of donors and recipients.

⁴ IBON. 2004.

⁵ At the Earth Summit in Rio in 1992, donors pledged US\$2.5 billion, or an extra 4% in aid. In fact, aid fell by 24% in real terms between 1992 and 1997, reaching a low point of US\$44.077 billion (ROA).

The USA, Japan, France, Germany, the UK, the Netherlands and Italy (in descending order of volume) together provided almost three quarters of DAC aid in 2003.

Figure 1: Global aid by donor, 2003



Source: *The Reality of Aid 2004*.

In 2002, 34% of global aid went to the 49 Least Developed Countries (LLDCs). The other 15 Low Income Countries received 29% of global aid. Lower Middle Income Countries, including South Africa, received 33% of aid.

South Africa only started receiving official aid via the state during the transitional and post-apartheid era (from 1993), a benefit of shedding its pariah status, but also of the new upward trend in ODA globally. Some official donors who had channelled aid directly to civil society organisations switched to bilateral support for the new democratic government and other donors started giving to the government. South Africa receives ODA from all the Organisation for Economic Cooperation and Development (OECD) donors except Austria and Portugal. In addition it receives aid from China/Taiwan, Flanders, Greece and Kuwait, and from the multilateral donors. The volume, type and focus of this aid is analysed in the main section of this report.

The Reality of Aid 2004 report shows that globally, aid continues to go to projects that have much to do with export promotion and winning geopolitical influence (and latterly military-based security) rather than focusing on poverty alleviation. This of course depends greatly on the motives of the individual donors and on their relationship with recipient governments. USAID is up-front about its motives – it describes itself as ‘an independent federal government agency’ whose mandate is to give ‘foreign assistance and humanitarian aid to advance the political and economic interests of the United States’. Other donors claim to be acting from humanitarian motives but their aid allocations indicate political imperatives.

As *The Reality of Aid* notes, ‘The dangers of aid being spent on projects where the benefits to northern and southern élites are obvious but the benefits to poor people are at best speculative, are shown all too well’⁶.

Research by ActionAid⁷ into ODA found that 61% of official aid was ‘phantom’ - only around 40% of ODA was reaching the intended beneficiaries while the rest benefited consultants or foreign companies, or was lost on excessive bureaucracy.

Given the minor contribution of ODA to South Africa’s national budget, the government should be able to resist aid agreements that do not yield a net benefit. The role of donor priorities and motivation with regard to South Africa is addressed in the body of this report.

⁶ IBON, 2004, p. 188.

⁷ REALAID. 2005.

OECD donors and the 'war on terror'

Several major donors have made so-called 'counter-terrorism'/'security' central to their development cooperation strategy. This means that they are using aid more overtly than prior to 9/11 as a tool of foreign policy and geo-political interests.

The USA is now spending annually more than five times the global aid budget on arms. (In 2002 it spent US\$349 billion on arms and the UK, France, Germany and Japan collectively spent another US\$149 billion⁸.) 'Security' considerations have impacted on ODA in three ways in the last decade or so – they have been used to justify inadequate/reduced responses to humanitarian crises; they have resulted in the diversion of ODA from poverty-focused spending to spending in regions and on sectors considered strategically important for the 'war on terror'; and they have led to conditions linking aid to economic and foreign policy of recipient governments.

The US has diverted aid from Africa and Latin America to fund its 'war on terror', as well as increasing its military budget. Australia, Canada, Denmark, the EU/EC, France, Japan and the UK have all made security and counter 'terrorism' considerations central to their aid policy.

Other donors have not stressed the role of ODA as a security/foreign policy tool, but their aid spending has still been affected by political events such as the invasion of Iraq. For example, the Netherlands is paying more attention to global security as a consideration in development cooperation although it focuses on an integrated rather than a military approach. Norway is spending aid money in Iraq, claiming a humanitarian focus, and Spain has simply shifted resources away from Africa to Afghanistan and Iraq, while maintaining that Africa is a priority.

A few donors have consciously chosen not to make aid a foreign policy/security tool. Finland, Germany, Ireland and New Zealand all prioritise development and poverty alleviation with a focus on issues such as justice and self-determination.

All donors, including the International Financial Institutions (IFIs), have a focus on governance, some stressing the importance of global governance, but this is interpreted in different ways. Donors that see strengthening their national security as a legitimate use of ODA, tend to be more prescriptive about what governance entails (e.g. acting against the donor's perceived enemies as a condition of aid). Donors that see aid as a development/poverty alleviation tool tend to see governance in terms of human rights and transparency. The irony is that while 'good governance' is a condition of aid, the practice of good governance (in the sense of rooting out corruption and wastage, and putting in place efficient tax systems) could render aid unnecessary.

⁸ <http://www.cdi.org/news/mrp/global-graph.pdf>

As discussed below, ODA constitutes a tiny proportion of South Africa's national budget, but the agendas and priorities of donors are an important consideration in assessing motives and trends in aid to South Africa – and the motives of the South African government in soliciting or accepting it.

Ranking the rich, 2004

While aid volumes and shares can be indicators of the commitment of donors to poverty relief and development, the way that aid is targeted and managed, and the conditions attached to it, give a fuller picture of ODA contributions and influence. The Center for Global Development (CGD) and *FOREIGN POLICY (FP)* in 2003 created the Commitment to Development Index (CDI)⁹, a ranking of rich nations not just by how much aid they give but according to how their policies are judged to help or hinder social and economic development in poor countries¹⁰.

FP notes: 'The countries ranked in the CDI are all democracies that preach concern for human dignity and economic opportunity within their own borders. The index measures whether their policies promote these same values in the rest of the world.'

The index uses seven measures – aid, trade, environment, investment, migration, security and technology¹¹. The criteria are not necessarily objective – the

⁹ Foreign Policy, Center for Global Development.

http://www.foreignpolicy.com/story/cms.php?story_id=2540#1

¹⁰ The index is funded by the Rockefeller Foundation.

¹¹ *Aid*: The CDI considers the *quality* and not just the quantity of aid. For example, it discounts 'tied aid', which can raise the costs of a development project by 15-30% by preventing recipients from 'shopping around' for the best deal.) The index also subtracts all debt payments received *from* developing countries on aid loans, and rewards donors that forgive poor countries' debts. The CDI penalises onerous reporting requirements and countless 'mission' visits from foreign aid officials. For example, Mozambique attracted 1 413 new aid project commitments between 2000 and 2002 - more than South Africa (1 050) and around the same as India (1 339 new projects) but with only a fraction of the staff to manage reporting. CGD notes that in 2003 Tanzania felt compelled to declare a four-month 'mission holiday', during which it received only the most urgent donor visits. 'Evidently, Tanzanian officials needed some peace so they could get work done.'

Trade: The index penalises unfair trade barriers. The CGD estimates that if rich countries eliminated all their trade barriers, the ranks of the global poor would shrink by more than 270 million over 15 years. Norway scores badly here – it supports poor countries with a generous foreign aid budget but undermines that with high trade barriers.

Investment: The index scores donors on such aspects as the extent to which they encourage companies to invest in poor countries, avoid investment projects likely to harm the environment or exploit workers and help investors avoid double-taxation.

Migration: The ranking assumes that freer movement of people benefits development overall and measures the flow of migrants into and out of rich countries, considering openness to students, refugees, and asylum seekers.

revision of the 2003 category ‘peacekeeping’ to ‘security’ results in a much higher ranking for the United States, which suggests the CGD considers aggressive security measures beneficial to developing countries!

Table 1: The 2004 CDI ranking¹² (the electronic version of the paper contains hyperlinks to the relevant country profiles):

Rank	Country	Rank	Country
1	Denmark	12	Austria
1	Netherlands	13	Belgium
3	Sweden	14	Italy
4	Australia	14	Portugal
4	United Kingdom	16	New Zealand
6	Canada	17	Greece
7	France	18	Ireland
7	Germany	18	Switzerland
7	Norway	20	Spain
7	United States	21	Japan
11	Finland		

The CDI reflects facts such as that rich nations accepted provisions to allow poorer countries to import generics, thus opening the door to cheaper drugs (including anti-retrovirals) for Africa. However, rich countries — led by the United States, Japan, and France — remained intransigent on removing their agricultural tariffs and subsidies, contributing to the collapse of WTO negotiations in Cancún, Mexico, in September 2003. And international efforts to reduce harmful greenhouse gas emissions also suffered when Russia joined the United States in blocking the passage of the Kyoto Protocol.¹³

Environment: The index assesses whether countries are reducing their depletion of shared resources and contributing to multilateral efforts to protect the environment.

Security: This takes account of what CDI calls ‘peacekeeping operations’ and ‘forcible humanitarian interventions’. The CDI apparently ‘filters out operations lacking approval from international bodies such as the UN Security Council or the African Union’. The United States makes 11th place (the invasion of Iraq is filtered out).

Technology: The CDI ranks total government subsidies for non-military research and development as a share of GDP.

¹² Each country's overall score on the CGD/FP Commitment to Development Index is the average of its scores in the seven categories. A comprehensive explanation of the index's methodology is available on the Center for Global Development's website at www.cgdev.org

¹³ FP online journal May/June 2004, p. 1. www.foreignpolicy.com/story/files/story2540.php

While the CDI provides for a more complex analysis than a straightforward comparison of aid volumes, that analysis leads to much the same conclusion as *The Reality of Aid* assessment. 'Ultimately, for all the CDI's focus on winners and losers, no wealthy country lives up to its potential to help poor countries'¹⁴.

The impact of regional and global shocks on donor funding

Many donors deny that global shocks impact on funding. However, Japan agreed that the Asian crisis affected their funding, since most of their assistance is directed to the Asian countries¹⁵. The Asian crisis (Asian economies were collapsing) also affected Japan's ODA.

Most donors argue that donor funding is not affected since it is fixed, but the projects and programmes are affected. If the rand loses its strength, ODA recipients in South Africa benefit from strong donor currency¹⁶. Almost all the donors agreed that the Zimbabwean crisis does not affect funding to South Africa.

African perspectives on aid to Africa

Given South Africa's political and economic strength within the continent, and its current aspirational role in mobilising resources and driving development in Africa (through SADC, NEPAD, the AU and the UN), a brief overview of aid and development in Africa provides further context for looking at donor contributions to and relations with South Africa.

Many official donors cite perpetual 'natural' disasters and humanitarian crises (arising from political conflict, mismanagement, economic collapse or other causes) as grounds for sustaining or increasing aid to Africa but in practice pledge only a fraction of what the United Nations and other aid agencies say is needed and deliver even less. Coupled with the inadequate and erratic response of donors are foreign and economic policies (e.g. sanctions, trade barriers, debt, patent protection) that undermine African (and more broadly, southern) governments' ability to develop their economies and deliver basic services. Often donor (especially IFI) solutions require 'beneficiary' governments to structurally adjust their economies in ways that secure the interests of donors (e.g. by prioritising debt repayments) before those of developing country citizens. While the World Bank has weaned itself off Structural Adjustment Programmes (SAPs) onto the more sophisticated Poverty Reduction Strategies (PRSs, which are SAPs supposedly 'owned' by the developing country government), the cycle of debt and dependency has led several commentators to ask whether the continent would be better off without 'aid'.

¹⁴ Ibid.

¹⁵ Interview with Keiichi Matsui, 24/05/2004.

¹⁶ Interview with Lone Spanner, 18/05/2004.

According to Opa Kapijimpanga, of the African Forum and Network on Debt and Development (AFRODAD), Zimbabwe¹⁷, 'Current estimates put the financial gap between resources African countries can raise and what they need to spend on development at some US\$64 billion per year¹⁸ The gap could easily be filled by closing the leakages of financial outflows from Africa. These are estimated at more than US\$75 billion, which includes terms of trade losses of over US\$60 billion, unpayable illegitimate debt of US\$10 billion and barriers to markets of US\$5 billion per year¹⁹. But the "gap" continues to provide the rationale for development aid²⁰.'

Further, the aid and its conditions continue to bind many African countries into dependency on donors. South Africa is obviously not dependent on aid – ODA currently comprises only about 1.2% of the national budget, and there is a shift among many donors from aid to trade links – but the inequalities built into the world trade system make it very difficult for any developing country to drive its own development through economic growth, or to put redistribution before growth. At a national level, SA could do without aid, but in terms of local and provincial development and poverty alleviation programmes, some of these would cease to exist in the absence of aid. Official donors increasingly expect South Africa to play a role as a regional donor, or at least to be mobilising local resources but the context is less of strengthening the region and more of plugging the gap as funding shifts away from African development and towards (northern) national security interests.

Many countries, notably Japan, tie their aid to the purchase of goods and services from their own country. UN Secretary General Kofi Annan told the TICAD III in September 2003: '...the principle of African ownership is still too often compromised by tied aid. Moreover, the aid developed countries give is often undercut by their trade policies, particularly by agricultural subsidies. These hinder Africa's ability to export its way out of poverty and dependence, and they must be phased out'²¹. This issue needs to be looked at further in the context of South Africa's relative independence of aid and its role in NEPAD.

¹⁷ Kapijimpanga, 2004.

¹⁸ African Union NEPAD Implementation Committee estimate presented to the G8 Kananaskas meeting of 2002.

¹⁹ Christian Aid (2005) recently estimated that trade liberalisation imposed on Africa in the past 20 years as a condition of aid had cost the continent US\$272 billion, which was roughly equivalent to the total aid received during that period.

²⁰ Unpublished AFRODAD research, 2003.

²¹ Tokyo, 29th September 2003, read on his behalf by his special adviser on Africa, Ibrahim Gambari. Quoted in *The Post*, Lusaka. See <http://allafrica.com/stories/200309300640.html>

Edward Oyugi, of AFRODAD, says: 'When sponsors of NEPAD, for instance, came up with US\$ 64 billion²² as the amount required to finance its implementation, it was not, and has not since been, clarified whether the figure reflects a continental resource gap, against which foreign aid needs to be sought, or is just an arbitrary figure that should enable African economies to make a difference in the lives of the African people. This magic figure is yet to be disaggregated against specific development needs of the continent, as prioritised by its own people.'²³ It also has yet to be raised. NEPAD, led by South Africa, has endorsed the Millennium Development Goals. At present rates of international giving, there is no hope of them being met, so the question arises, what leverage over resources, or political will, does SA have through NEPAD to ensure any of them is met?

South Africa's 'home-grown SAP'

Despite SA's non-reliance on aid, and in the absence of overt pressure from the G8 and the IFIs, the post-apartheid government has been pursuing economic policies that are closely aligned with the key tenets of the Washington Consensus²⁴ and which encourage a focus on mitigating the impact of large-scale poverty (e.g. through social transfers) rather than implementing 'pro-poor' development policies.

Patrick Bond, Director of the Centre for Civil Society, noted in *Elite Transition*, that: 'In December 1993, the first act of the Transitional Executive Committee (a government-in-waiting combining the ANC and the ruling National Party) was to borrow \$850 million from the IMF, ostensibly for drought relief (though the drought had ended 18 months earlier). The real reason was to begin repayment of the apartheid-era debt so that SA could get access to international financial markets. The loan's secret conditions were leaked to *Business Day* in March 1994. They included not only items from the classical structural adjustment menu (lower import tariffs, cuts in state spending, large cuts in public sector wages, etc), but also informal but intense pressure by IMF managing director Michel Camdessus to reappoint both Finance Minister Derek Keys and Reserve Bank Governor Chris Stals, the two main stalwarts of National Party neoliberalism. The *Business Day* columnist Greta Steyn described the moment in grand terms: "The ANC wants to create an almost utopian society, described in the RDP. But it has to build that society while keeping its promises to the IMF and its own commitment to 'macroeconomic balance'"²⁵.

²² The New Partnership for African Development, 2002. Pretoria, South Africa.

²³ ROA. 2004.

²⁴ The term 'Washington Consensus' was coined in 1989 to refer to standard policy advice given by Washington-based institutions, such as the International Monetary Fund, the World Bank and the US Treasury to countries in Latin America. It includes trade liberalisation, privatisation and deregulation.

²⁵ Bond, 2005.

As significant as the conditions on this loan is the fact that they were 'secret'. Donors universally push for transparency in recipient behaviour as part of 'good governance' but often do not reciprocate.

South Africa has only received two small loans from the World Bank since 1994; however, the bank has played a significant role as advisor, providing technical assistance and policy advice throughout its transition. In the early Nineties, the Bank helped South Africa quantify the costs of improving infrastructure. When the country was faced with the enormous expense of bringing water and sanitation to millions, the World Bank advocated greater private sector involvement. Mike Muller (of DWAF) was reported as saying: 'We were being visited ten times a year by international agencies, not coming to ask us "how do you want help to run water?" but, "we will show you how to use the private sector to provide water".'²⁶

Since then several efforts to privatise water delivery on a user pays basis, in 'partnership' with European commercial water companies, failed because users couldn't pay, but the policy advice did not change.

This has to be seen in the context of the Bank's overall policy on water privatisation. Loans for the water sector accounted for about 16% (US\$17 billion) of the World Bank's overall lending in the last decade. The World Bank upholds the Dublin Principles, which dictate that the allocation of water be guided by economic principles. Between 1990 and 2001, 31% of all water supply and sanitation projects funded by the World Bank included private sector participation as an 'objective'²⁷.

The whole question of ownership and conditionality is addressed in the context of SA's approach to the management of ODA. On one hand, South Africa quickly and publicly promised to forfeit US\$7.2 million US military aid rather than give in to the demand to exempt US military personnel from prosecution in the ICC (International Criminal Court)²⁸. On the other hand, the government has accepted a range of conditions attached to ODA that have proved problematic (for example, in respect of channelling of funds, decentralisation and use of foreign consultants).

3. ODA to South Africa, 1994-2004

ODA research challenges

The lack of a comprehensive framework to monitor ODA up to 2003 poses problems in terms of quantifying the development assistance received since 1994. The absence of an integrated or holistic approach to managing ODA in South Africa also remains

²⁶ 'South Africa: Struggling to Provide Safe Drinking Water to the Poor', in *Dead in the Water*. Canadian Broadcasting Corporation The Fifth Estate. Broadcast 31/03/2004.

²⁷ CBC TV News <http://www.cbc.ca/fifth/deadinthewater/index.html>

²⁸ 'South Africa will not sign agreement with US on international court: cabinet'. Agence France Presse. 24/07/2003.

a challenge The RDP Fund is one of the main tools for managing ODA but it does not cover all funding from all the donors. The agreements between individual donors and some recipients, e.g. direct funding to non-governmental organisations, do not involve and are not monitored by government²⁹. The National Development Agency (NDA), set up in 2001, could have provided both a conduit for official funding to the non-profit sector and a mechanism for monitoring ODA flows to non-government organisations, but had not delivered either at time of writing.

The Development Cooperation Report (DCR) II for South Africa³⁰ found numerous problems trying to quantify ODA, including inaccurate data capturing, problems emanating from currency conversion, poor responses from donor organisations.

The data on the flow of ODA from individual donors to South Africa were initially derived from a database compiled by the International Development Cooperation (IDC) Directorate of the Department of Finance; however, their accuracy and validity were strongly contested and they were eventually rejected by the donors. DCR II found there was no single organisation with authoritative knowledge of the total volume of ODA to South Africa³¹.

DCR II tried to collect data from individual donor organisations, which presented its own problems and pitfalls, not least the poor response from donors. Daya and Govender (2000) argued that it was extremely difficult, if not impossible, to estimate the quantity of ODA attributable to donors that did not provide data.

The increasing influx of donor funding for HIV/AIDS has further complicated the picture. The national Department of Health (DOH) has developed a Donor Matrix³² to monitor funding for health services, listing donor funds in terms of commitments, disbursements, objectives, activities and implementing bodies. This is based on financial commitments, not allocations or disbursements, and figures cover different periods, so it is difficult to track and compare donor and government spending reliably³³.

The bulk of donor funding for HIV/AIDS still comes from ODA (G7 and Europe)³⁴ despite the increase in private funding flows, most notably the Gates Foundation. Seven donors (Danida, CIDA, AUSAID, the US, the Global Fund, DFID

²⁹ Interview with Denise Marais, 6/11/2004.

³⁰ International Organisation Development Ltd. 2000.

³¹ Daya and Govender, 2000, p. 6.

³² Funded by the United Nations Development Programme (UNDP) and the United Nations Theme Group on HIV and AIDS (UNTG), cited in Ndlovu, 2005.

³³ Ibid.

³⁴ KFF/UNAIDS, 2005.

and USAID) accounted for almost R2.7 billion of a total of just over R3 billion funding committed for HIV/AIDS between 1998 and 2008³⁵.

Volume of ODA

The total ODA to the South African government, according to Treasury, is currently around R1.7 billion a year. That represents around 0.44% of the national budget³⁶.

Treasury estimates that ODA has accounted for 0.5% to 1.5% of the national budget since 1998³⁷, compared to 2.2 to 2.5% between 1994 and 1998³⁸. As a proportion of GNP, ODA is even less significant (around 0.4% in 2001). The reduction of ODA as a proportion of the South African national budget reflects both the year-on-year growth in the budget and the donor view that South Africa is now economically stable and less in need of budget support.

For the five-year period 1994-1999, Bratton and Landsberg (1998) reported that South Africa's main bilateral and multilateral donors gave more than US\$6 billion (around R36 billion or an average of R7.2 billion a year) in development cooperation. This included grants and loans to the government (loans accounted for about a third of the total) and direct grants to NGOs. The Department of Foreign Affairs estimates that the total ODA (channelled through government) during that period was R20 billion³⁹.

During the late transition period (1997-2000), aid flows fell significantly. During that period, South Africa received about US\$300million (R1.8 billion) a year. For the financial year 2000-1, ODA to South Africa increased to US\$428.5 million⁴⁰ (R2.5 billion) and by 2002-3 it was down to about US\$200 m (R1.2 billion) per year, although the country was receiving ODA from more than 30 bilateral and multilateral foreign donors.

³⁵ R2 682 811 290 out of R3 095 870 204 according to the DOH Donor Matrix 2004, cited in Ndlovu, 2005.

³⁶ The Treasury estimate includes all government-to-government grants, loans and technical assistance but not direct funding to NGOs or parastatals (which it is not able to estimate).

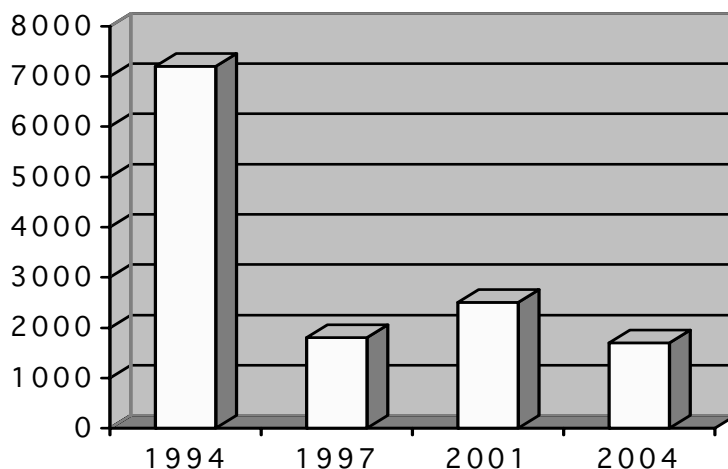
³⁷ 1.5% of the national budget (R386 billion) would be close to R6 billion, which is the estimate for 2003/4.

³⁸ Interview with Denise Marais, 29/06/2004.

³⁹ Department of Foreign Affairs, 2003.

⁴⁰ <http://www.sida.se/>

Figure 2: Fluctuation in aid flows (R millions)



The grant portion of ODA to government goes through the RDP Fund. The volume of ODA received through the RDP Fund in 2001-2002 was R979 million. For the year 2002-2003, it rose to R1 143 440 297 and for 2003-4, it fell to R1 088 292 728.

The difference in estimated flows is partly explained by the fact that technical assistance (e.g. foreign consultants) is reflected in the totals but does not show up in the RDP Fund or programme budgets.

Value of ODA

As noted above, the contribution of ODA as a proportion of the national budget over the past ten years has more than halved, even though volumes have increased in the past three years.

At a national level, total ODA is much less than South Africa's recent annual budget surpluses. If all ODA were to cease, therefore, it would not have a critical impact on the government's programme. However, the significance of ODA goes beyond its rand value. ODA supports local and provincial state, parastatal and NGO projects and programmes that would not exist if it were not available. Donor funding is targeted and highly significant for departmental budgets, since the government does not support sectors within the department⁴¹.

ODA is targeted at particular sectors, regions or programmes and, therefore, generally accounts for a greater proportion of project budget than its national

⁴¹ Interview with Thoko Sigwaza and Mandy Reddy, 09/06/2004.

contribution (e.g. in the water and health sectors and Land Affairs). ODA channelled to NGOs often accounts for entire project or programme budgets, and these programmes would not exist without aid (this applies to many human rights and legal/justice programmes, for example).

Even where programmes are not dependent on aid, donor evaluations of ODA reflect value added in terms of developing capacity and policy.

The figures in the World Development Report 2000/2001 indicate that, although ODA is important to South Africa, it constitutes a much smaller percentage of GNP than in other countries of the region (see Table 2). Due to its relative wealth, South Africa's debt, though far greater than that of all its neighbours combined, represents a smaller proportion of its GNP than for most other countries. Mozambique receives the most aid as a proportion of its GNP, but its foreign debt equates to almost three quarters of its national wealth. Zimbabwe and Lesotho also face a serious debt trap, despite relatively low levels of ODA.

Table 2: External debt and ODA, 1998

Economy	Total external debt (in US\$ billions)	Total external debt (% of GDP)	Official Development Assistance (% GNP)	Official Development Assistance (US\$ per capita)
South Africa	24.7	18%	0.4%	12
Mozambique	8.2	74%	28.2%	61
Zimbabwe	4.7	69%	4.7%	24
Lesotho	0.7	42%	5.7%	32
Botswana	0.5	10%	2.3%	68

Source: *World Development Report, 2000/2001*, p. 31: 15

Patterns in aid flows

Prior to 1994, ODA donors funded South African non-governmental organisations directly, or supported exiles and anti-apartheid organisations outside of the country rather than deal with the apartheid government. After 1994, the democratically elected government became the chief recipient of ODA, although major donors (e.g. USAID, the EU, DFID, GTZ) still direct some funding directly to civil society.

The allocation of ODA to South Africa shows three distinct trends since 1994: high levels and a steady year-on-year increase in the years 1994-1997, as South Africa's first democratic government reached bilateral and multilateral agreements with most donors; a downward movement from 1997-1999, which the IDC attributed

to the initial high flows having achieved their objective of concretising support to the new government⁴² but which also coincided with the Asian Crisis; and then a dramatic recovery and increase in aid flows from 2000.

Another issue to consider in looking at the trends is the capacity of the government to manage ODA. Donors shifted their support from the non-profit sector to the state, or began funding the state sector with the demise of apartheid because this seemed both the logical and ideologically correct way to support large-scale development. Donors assumed that the new government had the knowledge, the infrastructure and the personnel to manage, monitor and report on this channel of funding. However, lack of capacity, coupled with the failure of donors to report adequately, accurately and timeously on their disbursements against commitments, and the disbursement problems of the NDA, made some donors rethink the policy and revert to channelling some aid through NGOs.

A change of focus in terms of giving is noticeable through the period 1998 to 2004, which marked a shift from transition to economic and political stability. New development cooperation strategies emerged reflecting emergent donor priorities: more funding was earmarked for HIV/AIDS and there was a slight shift from 'aid' to 'trade'.

From 1994 to 1999, many of the smaller and medium-sized donors planned their aid on a year-to-year basis. Since 2000, many official donors have changed their cooperation strategies and prefer to contribute a fixed amount for a fixed period of time. New agreements have emerged as South Africa moves towards 'graduating' from an aid recipient to a trading 'partner'. However, many donors remain committed to using ODA to help redress the apartheid legacy of poverty and inequality, as well as developing trade links with South Africa⁴³. South Africa is also targeted as an ODA recipient as the UNDP considers it a high priority country in terms of achieving the Millennium Development Goals⁴⁴.

Within the global trends and the overall patterns of ODA to South Africa, donor behaviour of course varies. An increase of ODA from Norway, the European Union and Japan is evident (albeit with very different agendas), while other major donors have been reducing their aid commitments. Examples of the patterns of funding by various donors are given below.

Sweden

While disbursements from Sweden over the four-year period 1999-2002 exceeded SEK1.1 billion (around R680 million), annual transfers decreased, from a high of SEK337 million

⁴² IDC, 2000.

⁴³ Interview with Sharmala Naidoo, 20/01/2004.

⁴⁴ UNDP. 2004.

in 1999 to a low of SEK212 million in 2002 - a decline of 37%. The decrease is partly explained by a planned phasing out of activities and partly by an increase of co-financing (under the Country Strategy for Swedish Development Cooperation with South Africa 2004-2008). South Africa and Sweden are each expected to contribute 50% of agreed development spending by 2009. This reflects Sweden's focus on levelling the terrain in preparation for its exit as a donor and a new engagement in trade cooperation⁴⁵.

Denmark

Denmark contributed DKK 750 million between 1994 and 1998. ODA dropped to DKK 250m (R190 million at 2002 rates) for the period 2002-2006. This was due to a reduction of sectors funded by Denmark.

USAID

USAID was channelling ODA to South Africa from the mid-1980s. Its aid peaked at around R800 million in 1994 and was sustained at more than R720 million in 1995 and 1996. It was dramatically reduced, to R280 million, in 2000, rising to R370 million in 2002 and then dropping back to R288 million in 2003⁴⁶.

Main donors to South Africa by volume, 1994 to 1999

Bilateral aid accounted for 60% of ODA by volume from 1994-99; the multilateral cluster gave 38% of the total and the UN cluster less than 2% of the total committed funds⁴⁷. The largest individual donors in that period were: USAID, the European Investment Bank, the European Union, Germany and Sweden, which collectively accounted for three quarters of the total ODA⁴⁸.

The largest number of grants among the five largest donors were received from the European Union, followed by USAID, which together accounted for 73% of all grants made by the big five donors. The largest volume of loans was made by the European Bank, followed by GTZ, with the remaining three donors not providing loans⁴⁹.

The table below ranks the donors according to their contribution to the RDP Fund for 2001/2 and 2002/3. This does not reflect their ranking in terms of total ODA, with the US being the leading donor by volume.

⁴⁵ Landsberg, 1998.

⁴⁶ <http://www.sn.apc.org/usaidsa/budget.html>

⁴⁷ Daya and Govender, 2000, p. 21.

⁴⁸ However, this is based on an estimate of total ODA that is much lower than the Bratton and Landsberg and the DFA figures.

⁴⁹ Daya and Govender, 2000, p. 20.

Table 3: Main donors to RDP Fund by volume, 2000/2003

	Received for the year				Accumulated funds at 31 March			
	2002/03		2001/02					
Donor	R'm	%	R'm	%	R'm	%	R'm	%
European Union	770	67	624	63	385	44	464	46
Netherlands	178	16	79	8	130	15	147	15
Norway	69	6	59	6	66	7	15	2
Various Donors	39	3	27	3	48	5	121	12
UK	27	3	-	-	29	3	-	-
Sweden	19	2	11	1	11	1	-	-
USAID	16	1	18	2	-	-	18	2
Flemish	14	1	-	-	16	2	-	-
Ireland	11	1	21	2	12	1	-	2
Belgium	-	-	56	6	10	1	-	-
[Road Accident Fund]	-	-	50	5	-	-	51	5
Various Donors for Celebrate SA	-	-	18	2	-	-	-	-
Denmark	-	-	16	2	11	1	14	-
[SA Post Office]	-	-	-	-	110	13	98	10
Peoples Republic of China	-	-	-	-	18	3	16	2
Finland	-	-	-	-	18	2	13	1
Switzerland	-	-	-	-	13	1	10	1
France	-	-	-	-	12	1	12	1
Total	1 143	100	979	100	889	100	997	100

Source: Financial Statement of the RDP Fund, 2003.

Table 4: Analysis of ODA allocations by spending agency, 2001 - 2003

Spending Agency	Transferred for the year (R millions)				Accumulated Funds at 31 March			
	2002/03		2001/02		2002/03		2001/02	
	R'm	%	R'm	%	R'm	%	R'm	%
Water Affairs	289	22	299	38	84	9	74	7
Trade and Industry	287	21	-	-	16	2	18	2
Justice and Constitutional Development	163	12	81	10	23	3	35	4
Education	136	10	56	7	213	24	194	20
Defence	117	9	-	-	118	13	151	15
Labour	60	5	26	3	51	6	101	10
Transport	50	4	-	-	-	-	51	5
Housing	49	4	57	7	-	-	20	2
Various Departments	46	3	58	8	60	7	91	9
Health	32	2	15	2	51	6	48	5
Environmental Affairs	27	2	42	5	33	4	12	1
SAMDI	23	2	14	2	-	-	22	2
Social Development	20	1	-	-	13	2	21	2
National Treasury	19	1	-	-	39	4	39	4
Arts and Culture	14	1	-	-	-	-	-	-
Minerals and Energy	11	1	24	3	10	1	-	-
Provincial and Local Government	-	-	59	8	19	2	-	-
Land Affairs	-	-	36	5	-	-	-	-
Foreign Affairs	-	-	18	2	11	1	-	-
SA Post Office	-	-	-	-	110	12	98	10
Safety and Security	-	-	-	-	26	3	22	2
Agriculture	-	-	-	-	12	1	-	-
TOTAL	1,343	100	785	100	889	100	997	100

Source: Financial Statement of the RDP Fund, 2003.

Departments that received the biggest share from donors between 2001 and 2003 were Water Affairs (R289m or 22%), Trade and Industry (R287m or 21%), Justice and Constitutional Development (R163m or 12 %), Education (R136m or 10%) and Defence (R117m or 9%).

Compared to the period 1994-1998 there is a change in terms of sectoral priorities in the period 2001-2003. In the 1994-1998 period, the largest ODA commitments were allocated to: the Education sector (23% compared to 10% recently); government and civil society (18,7%), business and other services (12%), other social infrastructure and services (11,4%), Water and Sanitation (11% compared to 22% in 2003), Energy Generation and Supply (6% compared to 1% in 2003) and, finally, Health (4.6% compared to 2% in 2003).

The Water sector doubled its ODA support compared to 1994-98. At the same time, despite being faced with the challenge of eradicating HIV/AIDS, identified as a donor priority by official and private funders, the Health Department received the smallest share of ODA from the RDP Fund (R32 million) between 2002-2003.

Provincial and local governments rely on additional funding from national or international sources for service delivery. Fluctuations in donor support are felt more keenly in these spheres and developing capacity to manage such support is critical to maintaining it. In the first period of democratic government (1994-1999), South Africa received a lot of ODA directed to capacity building. Despite this, local government still faces capacity problems and financial constraints. Recent community protests in several provinces reflect the extent of weaknesses in terms of service delivery.

The absence of donor support to agriculture during 2001-2003 has a bearing on food prices in South Africa, as in other developing countries. With minimal state subsidies to the agricultural industry, a rise in food pricing is unavoidable. This promotes food insecurity and widens the gap between the poor and the affluent.

Summary of ODA-funded projects schedule, 2002

For the first time, in 2002, the IDC drew up a comprehensive project schedule for ODA to South Africa. The schedule shows which donors were supporting projects, in which sectors. It shows the monetary value of the aid, the type of support (whether a grant, technical assistance or both), the timeframe for the projects and their status. It details the implementing agency and the funding channel for each project (for example, it might be that the implementing agency is the Department of Justice but the work is sub-contracted to an NGO and the money is paid directly to that NGO). The schedule also shows whether the project is for a specific province. A total of 1 050 projects was documented in the 2002 schedule. Twenty-three bilateral and seven multilateral donors supported these projects. While the bulk of ODA

funding goes directly to the spending agencies, the IDC uses the RDP account because the programme serves as a vehicle for the government's efforts to fight poverty, create jobs, redress inequalities, etc⁵⁰.

The schedule provides the most comprehensive data available on aid flows into South Africa at the time. It gives a useful picture of how ODA works and how specific donors operate. However, there are significant gaps with regard to timeframes and actual amounts of funding. Most donor currencies were not converted into rands and the fall in the rand from 1997 until 2002 makes it difficult to give actual figures.

Most of the projects were scheduled over several years so the amount of ODA contributed does not necessarily reflect the donor's overall contribution. Some of the projects were being financed with funds accumulated from donors (such as China) who did not make a contribution in 2002 or thereafter. The summary of the ODA project schedule (Appendix i) provides a snapshot of ODA-funded projects at 2002, reflecting the kinds of projects and sectors, funding mechanisms and financial management systems the various donors favour.

Management of ODA-funded projects

The government of South Africa is mainly responsible for the management of ODA-funded projects. The table below shows which agencies managed the projects documented in the 2002 project schedule.

Table 5: ODA project management

Sector	Number of projects
Department of Education (including the former DET)	209
Department of Justice	94
Department of Health	78
Department of Water and Forestry	72
Department of Trade and Industry	60
DPLG	43
DACST	40
National Treasury	39
NGOs	34
Various sectors	31

⁵⁰ Interview with Sharmala Naidoo, 20/01/2004.

Department of Labour	31
Safety and Security	31
Department of Housing	31
Land Affairs	29
DPSA	24
DMEA	24
Local Government	23
GCIS	18
Agriculture	15
Provincial Governments	15
Donors	15
The Presidency	12
Public works	11
Social Development	10
Parliament	8
Transport	6
Sports	6
Statistics South Africa	5
South African Receiver of Revenue	4
No details	4
SA NDF	3
DFA	3
Correctional Services	2
Public Enterprises	2
Total	1050

Source: National Treasury, 2002 project schedule

Tables 4 and 5 show levels of ODA channelled to the various departments and numbers of projects managed by those departments, respectively. While the Department of Water Affairs and Forestry was the recipient of the highest volume of ODA channelled through the RDP Fund (R289 m for 2002/3) and had to manage 72

ODA-supported projects, the Department of Education was responsible for managing the highest number of ODA-supported projects (209) but received less than half the ODA (R136 m). It is not clear from the data available what the requirements were for managing individual projects in terms of administration and expertise, but clearly the management burden on the different departments does not correspond directly to the amount of funding received.

The Netherlands is one of the countries that have untied their aid to South Africa. It allows South Africa flexibility in managing its own development or ODA. Canada, however, is renowned for its tight rein on conditions. Donors with most technical assistance, like Canada and Japan, manage their ODA, while some donors hand over powers to government and spending agencies to manage.

Others co-manage ODA, like Sweden and the government of South Africa. Most donors rely on the government and the spending agencies to manage their projects and programmes. This gives a little bit of ownership to the spending agencies. Most donors rely on work plans, reports, and meetings with recipients for managing and evaluating projects and programmes. Some use regular follow-ups. The European Union relies on quarterly, mid-year and annual reports, and internal and external audits from the spending agency or government.

The National Treasury maintains that it has a responsibility to manage donor funding, and donors have confirmed this. The Policy Framework and Procedural Guidelines for the Management of ODA (approved by Cabinet in October 2003) assigns the National Treasury a role to consolidate and articulate a core priority framework for ODA, and overall macro-management of the ODA including policies and procedures. The Department of Foreign Affairs ensures that ODA is dealt with in accordance with South Africa's foreign policy and overall relationship with the relevant donor. The Policy Framework also states that ODA coordination is a core function in the management of ODA to South Africa, and involves the process of ensuring integration of ODA management to the fullest extent possible with South Africa's development priorities, strategies and delivery systems. On paper, the management of ODA looks somewhat different, with significant donor involvement in ODA fund management.

The single greatest proportion of project funds (453/1050 cases) was managed 'according to donor's procedures', which are not specified. In 327 cases, it is not stated who managed funds. The National Treasury argues that South Africa takes the lead role in determining the channels of giving, but the role of some donors in terms of ODA management is not clear. Some donors, such as Japan and Canada, are directly involved in the management of ODA. Task teams are sometimes appointed to monitor projects without the beneficiaries being notified⁵¹. Despite this,

⁵¹ Interview with Keiichi Matsui, 24/05/2005.

Departments or spending agencies entrusted with managing donor funds have to report their expenditures to the National Treasury, and the National Treasury obviously has a say in the departmental budgets.

The *Policy Framework and Procedural Guidelines for the management of ODA* reflect the National Treasury's efforts to address the problem of regulating and managing aid in South Africa. It is designed to ensure that all role players have a clear understanding of how ODA should be managed to achieve optimal impact and to satisfy the interests of the South African government, as well as its partners in the international donor community.

In 165 cases, funding was managed directly by the RDP and, in 48 cases, directly by the donors. This only applied to three donors, including Canada, which directly managed funding for all 44 projects. Most of the ODA from Canada is based on technical assistance and grants. Most beneficiaries of this aid are Canadian experts, since they are assumed to provide or develop skills in South Africa.

In 39 cases, funding was managed directly by the implementing agency - in two cases this was provincial government. In three cases, funding was managed through a UN agency.

Reportedly, spending of bilateral donor funds for HIV/AIDS is slow as compared to spending of government funds. The reasons apply to other sectors too. 'Ring-fenced' resources, such as those earmarked for HIV/AIDS, come with strict conditions. As a recent Idasa study points out, earmarked funding enables new, critical projects to be undertaken but at the same time such funding may cut across other national government priorities, reducing flexibility at local level. Since HIV/AIDS is managed mainly within the health service, increased allocations for HIV/AIDS demand increased capacity within the health system as a whole, which is lacking. Idasa suggests the donor community should be investing in capacity building to ensure that HIV/AIDS funds can be utilised effectively and efficiently by government⁵². This should logically be the case in other sectors - it has been the approach, for example, with some donor support for justice.

Project status

The projects listed had implementation dates between 1992 and 2009. Of these, 391 were listed as complete in October 2003. Some had been completed as early as 1998. Another 656 were 'under implementation' or ongoing, 83 were in discussion, planning or preparation stages, five had been changed/transferred, four had been terminated and the status of two was not known.

⁵² Ndlovu, 2005.

Who favours what type of funding

According to the project schedule, the largest number of donors (nine) prefer to give ODA as combined grants and technical assistance (TA) - Canada gives all its aid this way. A significant number (seven) give only TA; the largest of these is Australia and four of the others are multilateral donors. The UK divides its ODA fairly evenly between mixed grants/TA and TA only, and seven bilateral donors give all or most of their aid as grants. These include small donors such as Belgium and Greece, as well as bigger donors such as Spain, Ireland and the Netherlands. Flanders splits its aid between mixed grants/TA, TA only and grants only. Only three donors - Kuwait, the European Investment Bank and the World Bank - gave loans in the period covered by the schedule.

Case study: ODA support to the Department of Water Affairs & Forestry

The Department of Water Affairs and Forestry receives the bulk of its funding from the South African government but also has substantial grants from the European Commission and grants from Ireland, Flanders and DFID.

ODA flows to DWAF have fluctuated significantly over the last ten years. Both DFID and the European Union have decreased their funding to prioritise other programmes and sectors⁵³. However, some of the programmes and projects of the Department of Water Affairs and Forestry would not exist if there was no external funding. The South African government and donors identified the Masibambane Water Programme as a priority and the ODA funding was used for general budget support. Without donor assistance from the EU, DFID and Flanders, the Masibambane programme would not be sustainable. Masibambane represents a coordinated approach by the EU member states to provide budget support for a holistic water delivery programme.

The Masibambane programme has a strong focus on capacity building and decentralisation, alongside service delivery, in the Eastern Cape, Limpopo and KwaZulu Natal. The programme was designed to involve civil society organisations in the provision of water and sanitation, although most of the funds were channelled through government. The EU and SA Government found that the water sector was 'characterised by high absorption capacity, with an overall implementation rate of 75%', a major consideration in donor funding decisions⁵⁴.

There is something of a contradiction in that while a key objective is decentralisation in the water sector, the funding is channelled to DWAF at a national level to ensure central coordination.

The current total value of funding to DWAF in the form of grants for the three-year Masibambane II Programme, for 2004-2006/2007, is around R2.6 billion. Of this, about a quarter - R508 million - is ODA (the bulk of that comes from the EU. Of the total funds, 37% is

⁵³ Interview with Thoko Sigwaza and Mandy Reddy, 09/06/2004.

⁵⁴ South Africa - European Community Country Strategy Paper, 2003-5.

allocated to 'Non-DWAF/WS Sector Specific' – Municipal Infrastructure Grant (MIG); 21% to 'DWAF/WS Sector Specific'; 41% to 'Non-DWAF/WS Sector Specific' – Equitable Share; and 1% to 'Non-DWAF Non WS Sector Specific'.

Management, reporting, monitoring, evaluation and impact assessment

DWAF manages its ODA-funded programmes and projects. Quarterly reports are used to monitor the progress and financial management of ODA; a mid-term evaluation is conducted after 18 months; a final evaluation is used to measure the impact of ODA. In the case of resources that are allocated and not spent, donors recommend the rollover of funds.

Masibambane Water Programmes - I and II

The Masibambane Water Programme I initiated by the DWAF and the European Union started as a pilot project in KwaZulu-Natal, Eastern Cape and Limpopo in 2000. Initially, ODA directed to Masibambane water programme was directed to the NGOs focusing on rural water supplies and sanitation. These NGO's are: Tsogang in Tzaneen, Rural Support Services in East London and Thuthuka in Pietermaritzburg, which formed a coordinating office in Johannesburg called the Rural Development Services Network. In June 1995 the EU signed a five-year grant agreement with the RDSN for ECU 3.2m (+/-R20m) to fund a number of small comprehensive community-driven water and sanitation projects facilitated by the RDSN's three member organisations⁵⁵. It now operates in all nine provinces. The Programme intended to engage civil society in the delivery of water services and part of its aim was to empower civil society organisations or community-based organisations to be delivery agents.

In 2004, it became evident that beneficiaries were organisations with sound financial management and other skills rather than CBOs. It has been argued that financially viable organisations always dominate the civil society agenda with less representation of community-based organisations. The Masibambane water programme was criticised for solely benefiting the rich NGOs. One of the key challenges was the stringent procurement process which required civil society organisations to register for accreditation and also to form partnerships (consortiums) with experienced NGOs like Thuthuka and Tsogang. It appeared that due to the reluctance of the experienced NGOs to engage struggling CBOs, Masibambane was far from reaching its goal of benefiting CBOs. The programme was fraught with conflicts of interests, since large, white-run organisations had the potential to benefit from the Masibambane, while black-led CBOs could not meet the requirements. Conflicts ensued in 2003 between SANCO in Durban and Thuthuka, despite their both being part of the KWASA consortium, and between CBOs in Limpopo and Tsogang.

⁵⁵ Hazelton, 2000.

Table 6 : Funding for Masibambane Water Programme

Source of funding	Funding volume (2003/4 or latest available figure)	Form of funding (%)
SA Government	R2 128 702 400	Grant
European Commission	R400 000 000	Grant
Ireland	R72 000 000	Grant
Flanders	R12 000 000	Grant
DFID	R24 000 000	Grant
Total	R2 636 702 400	

Source: DWAF Masibambane Programme

ODA Changes in funded programmes, 2001 – 2003

Donor funding to sectors has decreased dramatically. Although there is a slight increase between 2002 and 2003, nevertheless the table below shows that some programmes did not receive funding during this period. An increase in grants and donations might not translate into increase to sectors, as certain sectors get prioritised over others.

The RDP Fund showed increased activity during the 2002/03 year, and grants and donations received increased by 17% (2001/02:54%) to R1.143m compared to R979m in 2001/02⁵⁶. The amounts transferred to Spending Agencies from the RDP Fund increased by 71% (2001/02:56%) to R1.343m from R785m (2001/02).

As a result of the increased transfers, total accumulated funds, in contrast to previous years, decreased to R889 million (2001/02 increased to R997 million). This shows that donors have prioritised an increase in project/programme expenditures.

Table 7: Programme funding, 2001 - 2003

	Received For The Year				Transferred For The Year			
	2002/03		2001/02		2002/03		2001/02	
Programmes	R'm	%	R'm	%	R'm	%	R'm	%
Private Sector Support for Risk Capital	253	22	-	-	253	18	-	-
Water Services	234	20	167	17	215	15	167	21
Various other projects	147	12	156	16	134	10	168	21

⁵⁶ National Treasury, 2003, p. 4.

Budget Sectoral Support	138	12	60	6	187	14	118	15
Deployment of South African contingent in Burundi	67	6	149	15	117	9	-	-
E-Justice Programme	65	6	-	-	65	5	-	-
Public Health Sectoral Support	42	4	-	-	15	-	-	-
National Qualifications Framework	28	2	35	4	28	2	33	4
Technical Support to Education	25	2	-	-	-	-	-	-
Cato Manor Development	23	2	44	5	23	2	44	6
Trade and Investment Development	23	2	-	-	23	2	-	-
New Environmental Co-operation	19	2	-	-	-	-	-	-
Community Water Supply Limpopo	18	2	10	1	29	2	59	8
Library Books and Training	18	2	20	2	22	2	-	-
Technical Support to SMMEs/Godisa	15	1	-	-	14	1	-	-
Support for Peoples Housing Process	11	1	-	-	11	1	-	-
Child Justice Framework	10	1	-	-	10	1	-	-
Masibambane Water Supplies	7	1	18	2	20	1	-	-
Labour Market Skills	-	-	89	9	60	4	36	5
Arrive Alive Campaign	-	-	50	5	50	4	-	-
Education Sector Support	-	-	37	4	-	-	-	-
Financial Management Improvement	-	-	25	3	-	-	-	-
Land Reform Pilot Programme	-	-	24	2	-	-	24	3
Wild Coast Spatial Development	-	-	16	2	11	1	11	1
Celebrate SA	-	-	15	2	-	-	15	2
Private Sector Development	-	-	14	1	11	1	-	-
Environmental Cooperation Programme	-	-	13	1	-	-	12	2
Non-grid electrification	-	-	13	1	-	-	13	2
Community Water Supply: Eastern Cape	-	-	12	1	-	-	41	5
Support to beneficiaries - Khayelitsha	-	-	12	1	12	1	-	-

Public Service Management	-	-	-	-	22	2	33	4
Support to Education in Northern Cape	-	-	-	-	11	1	-	-
Marine Fisheries	-	-	-	-	-	-	11	1
Total	1,143	100	979	100	1,343	100	785	100

Source: Financial Statement of the RDP Fund, 2003.

According to the Reconstruction and Development Fund Income Statement for the year to 31 March 2003, income received on grants and donations in 2002 was R979. 8 million. There was an increase to R1.14 billion in 2003 but ODA fell back to R1.08 billion in 2004. Certain sectors received less or no funding for that year, while sectors such as Water received more funding, reflecting a shift in government and donor priorities. The Reconstruction and Development Programme Fund statement also shows refunds to donors of R79 429 676 (8%) in 2002, compared to R40 852, 828 (3.6%) in 2003 and R66, 129 941 (6%) in 2004. This is due to capacity problems, which affect departmental spending of government funds in general, not just ODA⁵⁷.

Motivation for giving and target groups

Although it is considered a middle-income country, South Africa's Human Development Profile qualifies it to be a recipient of aid. It ranks low in terms of social indicators (health, education, safe water and fertility) and among the highest in terms of income-inequality. Given its resources, South Africa can afford to feed, house, educate and provide health care for all its citizens. Yet apartheid and economic exploitation were designed to create and maintain inequity and the democratic dispensation has not been able to turn this around. The country's human development performance has been poor, given its natural and capital resource base⁵⁸.

Fundamental to South Africa's access to aid, is its capacity and readiness to meet donor criteria. Human rights, democracy and good governance are key to enticing donor funding to South Africa and in the role it plays within the SADC region and the continent of Africa.

Donor support targets government, youth, women and people with disabilities. People living in poverty and those infected/affected by HIV and AIDS have become the main target. NGOs and CBOs and the private sector are also target groups for the donors.

Almost all the donors, including Canada, Norway, Japan and Denmark, agree that promoting human rights, good governance, economic and institutional

⁵⁷ National Treasury, 2003 and 2004, pp. 8 and 13.

⁵⁸ Sonke Consulting/ETC, 2003, p. 15.

reforms, gender equality and democracy is a motive for giving, as opposed to merely a condition of aid. Poverty levels and inequalities are the determining factors in terms of the criteria for accessing donor funding. Entrenching South Africa as a stabilising and supportive presence in the SADC region is also one of the driving motives of donors⁵⁹.

Since 1994, USAID has engaged in bilateral support to the Department of Justice (DOJ) in judicial strengthening and its fight against crime, and to the Department of Provincial and Local Government (DPLG) as it establishes the new system of democratic local government.

USAID's overall objective in terms of ODA globally is to provide foreign assistance and humanitarian aid 'to advance the political and economic interests of the United States'⁶⁰. Within that context, USAID funds a Democracy and Governance programme to address what it considers 'three critical threats to the consolidation of South Africa's democracy': high levels of crime; inadequate local government capacity to deliver basic services; and a 'weakened civil society that does not engage effectively with the government'.

Most of the donors support programmes and projects, while a few, like the European Union, Sweden and the Netherlands, support budgets (the EU, for example was the main donor to the NDA). Most donors support the government's priorities. Some sectors or departments lack sufficient budgets to operate or support other areas of importance, e.g. the Department of Water and Forestry is unable to support the Masibambane Programme alone. The EU gives budgetary support to the Masibambane Programme⁶¹.

Most donors support government institutions such as tertiary education facilities, development agencies such as Khula Enterprise, small businesses, community foundations, Black Economic Empowerment (BEE) and NGOs/civil society. Canada supports *inter alia* education, health, HIV/AIDS and justice. USAID funds democracy and governance, education, health, economic capacity and employment.

In order to illustrate donor funding to sectors, the table below shows involvement of key donors in various areas of development:

⁵⁹ Interview with Jayshree Pather, 10/05/2004.

⁶⁰ USAID mission statement.

⁶¹ Interview with Thoko Sigwaza and Mandy Reddy, 9/06/2004.

Table 8: Sectoral focus of donors

Donor	Sectors	Years
European Union	Water, LED and education	1995-2002
USAID	Education, democracy and governance, health, environment, economic capacity, employment	2000-2005
Norway	Democracy, higher education and research, Environment and natural resources and energy	2005-2009
Sweden	Education, private sector, cultural sector, urban sector, research and HIV/AIDS, capacity building	2004-2008
Netherlands	Justice, youth, education and local government	2000-2004
Denmark	Private sector development, HIV/AIDS, environment	2002-2006

An analysis of the project schedule in terms of project focus rather than numbers of projects managed, gives a sense of the proportion of projects that were directly poverty/development-focused as opposed to purely sectorally focused. For example, of the 209 projects managed by the Department of Education, only 120 could be identified as direct funding for projects, while the rest were for capacity-building, information or planning, or other institutional development purposes. The single most common kind of specified project funding was for capacity building and research, amounting to 269 projects out of the 1 050. The most commonly funded projects were for the sectors reflected in table below.

Table 9: Project support from ODA funds

Sector/focus	Number of projects specified
Capacity-building/research	269
Education	120
Health	86, of which 18 were HIV/AIDS related
Water and Sanitation, Forestry	81
Policy	61
Justice	50
Housing	32
Gender	24
Safety and Security/Policing	19
Farmer Support/Agriculture	11

Source: National Treasury, 2002 project schedule

The IDC agrees that the capacity to manage or deliver on donor projects is lacking and that South Africa is struggling with service delivery⁶².

For this reason, the IDC has undertaken some donor-proposed or donor-driven projects. However, it says the terms are subject to negotiation and it is the responsibility of the IDC to reject projects that will not meet development and poverty reduction objectives.

Geographic focus of giving

During the period 1994-1999 the largest direct commitments were made to the Eastern Cape (R627m), followed by the KwaZulu-Natal (R286m) and then the Northern Province (R270m). The North West and the Western Cape received the lowest commitments during 1994-1999⁶³.

After 1999, more donors directed their assistance to Limpopo, KwaZulu-Natal and Eastern Cape, since these provinces were identified as 'poverty pocket areas'. The Northern Cape is now also regarded as such an area, and has been the focus of donors in recent years. Least attention is given to Mpumalanga, North West and Free State. Most donors have not targeted the Western Cape since the level of poverty there is low relative to other regions.

The levels of poverty are the determining factors in terms of geographical assistance. Almost all donors agree that the government or the National Treasury decides which sector needs the most aid. Common to many donors is the consideration of the structure and the profile (including capacity) issues. The EU and the UNDP support sectors attempting to address poverty and also HIV/AIDS in South Africa.

Although poverty levels are generally the determining factor in terms of targeting a particular geographical area, some donors do not have a geographical focus. Examples of donors without geographical focus include Japan, Norway and Canada (Canada is still considering geographical focus, while it cited its involvement in smaller projects and capacity problems as reasons for retaining a sectoral approach).

Conditions for giving

All donors obviously need to set conditions for their giving, since they are disbursing public funds. Beyond financial management and reporting requirements, conditions are largely related to donors' strategic objectives and political/ideological outlook. 'Good governance' is one of the more common requirements, though its meaning differs from donor to donor. Sound financial management, track record,

⁶² Interview with Sharmala Naidoo, 20/01/2004.

⁶³ International Development Organisation, 2000, p. 24.

capacity and poverty reduction strategies are usually prerequisites.

An example of tensions relating to the conditions and criteria for giving is South Africa's relationship with the US. Before and after the transition, the Americans consistently emphasised the strengthening of civil society as the centrepiece of open and accountable government. Their aid programme included grants to independent watchdog organisations, such as the Institute for Democracy in South Africa (Idasa) and the SA Institute for Race Relations (SAIRR), which have challenged aspects of the government's record on delivering services, protecting minority rights and combating nepotism and corruption⁶⁴.

The European Union, DFID and Flanders attach conditions relating to economic policy, good governance, human rights, security, gender equity and environmental protection. Decentralisation of decision-making and involvement of civil society in planning and programming are also common conditions. In providing budget support to the Masibambane programme, the EU set a precondition that 25% of funding should go to NGOs via the programme. This resulted in water sector NGOs losing their direct funding and having to apply to DWAF, which the EU saw as promoting accountability, but which also caused tensions between government and NGOs⁶⁵, and between NGOs and CBOs, as described in the case study.

The widespread use of aid conditionality by donors to determine developing country economic policy, historically through Structural Adjustment Programmes and more recently through nominally locally 'owned' Poverty Reduction Strategies, and the ignominious role of conditionality related to debt, have driven the perception that aid is of net benefit to the donor. Major donors state that it is a precondition of their ODA that it should be aligned with recipient country government priorities and policies. In the case of South Africa, such policies are clearly not determined by donors. One of the types of conditionality that has most affected South Africa has been the requirement to use foreign expertise or technical assistance. Tensions have been most explicit with respect to German aid, a large portion of which is made up of Technical Assistance. A general focus on building administrative capacity in government has led to more training of national personnel rather than their displacement by expatriates, but with problems of sustainability (for example in Land Affairs).

⁶⁴ Bretton and Landsberg, 1999.

⁶⁵ Galvin and Habib, 2003.

ODA tied to trade

USAID, the European Union and Japan all have 'tied aid' components to their ODA. Both Japan and USAID support South Africa to ensure that it successfully completes its transformation to an open, market-based economy⁶⁶.

Japan is driven by economic considerations, in contrast to the political concerns that motivate US economic assistance⁶⁷. As with the EU, the Japanese government's primary objective is to improve the ability of African nations to buy its exports, while enhancing its prospects for obtaining raw materials and natural resources that African nations possess⁶⁸.

A trade-off between aid and trade relations is evident. Part of the agreement between the EU and South Africa is that the latter has to purchase 40% of its imports from the EU.

The EU remains South Africa's most important trading partner, and in 2002 accounted for approximately 40% of imports to and 30% of exports from, South Africa⁶⁹. Denmark promised to follow suit but in a different way. The Danish embassy aims at identifying business opportunities or trade ties with South Africa in the next few years rather than granting ODA⁷⁰.

Grants versus technical assistance

Japan and Canada give more technical assistance than grants. From 1994 to 1998, Japan devoted 25.12% of its aid to technical support compared to 20.46% to grants. Between 1999 and 2001, 48.46% of Japanese ODA was technical assistance compared to 42.31% for grants⁷¹.

The *Reality of Aid 2001* argued that most beneficiaries of technical assistance are experts from donor countries rather than the stated ODA recipients, so-called boomerang aid (*Reality of Aid: 2001*). Since most donors give both grants and technical assistance and the proportions are not easily established, the question of who 'owns' ODA, both in terms of access to resources and control over how they are spent, is very fraught.

The Netherlands is known for handing over the responsibility of managing ODA to the recipient countries. On the other hand, some donors do not want recipient countries to set the tone - for example, the EU challenged South Africa's preference of local people to provide the technical assistance on donor projects.

⁶⁶ <http://www.usaid.gov/main>

⁶⁷ Ibid.

⁶⁸ Ibid.

⁶⁹ European Union, 2002, p. 4.

⁷⁰ Interview with Lone Spanner, 18/05/2004.

⁷¹ Japan's White Paper, 2002.

Monitoring of ODA

The National Treasury determines the procedures for the monitoring of ODA in South Africa⁷². It normally invites donors to participate in workshops and meetings to discuss the monitoring and management of ODA. Procedures for managing resources are in line with government policies. Each department or spending agency has its own reporting system and style of management, but they use government policies as a guideline for their activities.

Many donors say they have experienced corruption or mismanagement of funds but refused to expose the culprits. Since donors are responsible for monitoring or overseeing funding, they seem to prefer not to divulge the names of organisations that reportedly mismanage donor funds⁷³. It was argued that many organisations had internal capacity problems that made it difficult to manage funds rather than deliberate mismanagement⁷⁴. In the case of misspent or unreported funds, most donors reclaim their money; in terms of unspent funds, some require funding to be sent back and others extend the time frame, e.g. the European Union and Sweden.

Few donors, of whom Japan is a notable example, say they have never experienced mismanagement of funds. Japan's task-team approach to managing projects and programmes seems to be effective - alongside their unexpected visits⁷⁵.

Shortfalls between pledges, commitments and disbursements

Most donors have disbursed less ODA than they committed. Throughout the period between 1994 and 2004, the gap between commitments and disbursements has widened.

Bratton and Landsberg (1998) argued that problems of disbursements arose principally as a result of elaborate procedures by the South African government for administering the RDP Fund. National Treasury attributes the delays in funding to donor procedures⁷⁶, while Landsberg maintains that the SA government is largely responsible for the delays in the release of aid⁷⁷.

In either event, clashes between foreign and local procedures emerged. In the absence of enabling legislation, aid disbursements were subject to existing laws requiring that project contracts only be tendered to indigenous suppliers, who used locally sourced materials. Donors were opposed to this.

⁷² Interview with Sharmala Naidoo, 20/01/2004.

⁷³ Interview with Denise Marais, 29/06/2004.

⁷⁴ Interview with Jayshree Pather, 10/05/2004.

⁷⁵ Interview with Keiichi Matsui 24/05/2004.

⁷⁶ Interview with Sharmala Naidoo, 20/01/2004.

⁷⁷ Interview with Landsberg, 27/05/2004.

Consequences of unspent funds

According to a recent report on donor funding⁷⁸, the Government's Reconstruction and Development Fund has been unable to spend nearly R1 billion in donor aid because of lack of capacity. This figure is strongly contested by Treasury but no alternative figure has been given. The annual financial statements of the Reconstruction and Development Fund show that despite a 71% increase in disbursements by the fund, to R1.343 billion, R889 million in accumulated cash remains on its books. More than R40 million in aid money has been returned to European governments that donated it. The report states that the fund acts as a clearing-house for money donated to the South African government by foreign governments for social and economic development programmes.

The reason cited for the unspent money was delayed requests for funding by the various spending agencies. According to the report, donations to the Fund are accounted for only when they are recorded in the accounting system, and there are no procedures to ensure that all transferred donations are recorded.

Another cause of unspent funds is unrealistic timeframes. Literature on ODA emphasises the need for a seven- to ten-year commitment and less pressure on recipients to produce a short-term visible result⁷⁹. A study on water funding by the European Union covering the period 1995-1996, showed that halfway through the three-year programme, less than 10% of the grant finance had been spent because of the slow process of capacity building. Some of the project components were extended by nine months, but still without any detailed plans to ensure sustainability.

Financial statements are incomplete and inaccurate in relation to the donations received. Treasury blames donor non-compliance with the ODA guidelines for this. Money transferred from the Fund, but not spent, is supposed to be returned to it. But there appears to be no complete record of money repaid to the Fund. This means that there are substantial flaws in accounting procedures relating to the Fund's primary source of income.

Disbursements from the Fund, however, appear to be improving. Most of the European Union's R770 million donation was spent during the last financial year, but a balance of R385 million was carried over, *reflecting past under-spending*. Despite the urgent need of donor funding to alleviate poverty in South Africa, of R69 million donated by Norway, only R18 million was disbursed.

The Departments of Trade and Industry, Housing and Justice were most efficient at drawing on Norwegian funding; the Departments of Water Affairs and Forestry, Environmental Affairs and Education had the biggest accumulated balances at

⁷⁸ *THISDAY*, 5th November 2003.

⁷⁹ Hazelton. 2000.

the time of writing, reportedly due to capacity problems. In 2002/3, the Department of Education received R136 million through the RDP Fund, but its accumulated balance increased from R194 million to R213 million. This reflects the keenness of donors to fund large numbers of projects in this sector and the difficulties of the Department in implementing them.

The lack of capacity to disburse donor funds has incurred enormous costs, since unused loans accumulate interest. It has been argued that money is being returned to some wealthy donor countries with only small amounts of capital being repaid. About R35.9 million in interest was repaid to the EU, and R4.5 million to Denmark. These problems of disbursement have resulted in some major donors motivating for more efficient departments to utilise funding originally intended for programmes elsewhere.

Measuring ODA impact

Most donors do not have the capacity to measure the impact of their assistance directly. Many rely on meetings, and quarterly, yearly and annual reports, while a few, including the Japanese government, have task teams to conduct follow-up research. Some donors, such as Canada, cited capacity problems and understaffing. Some contract independent research institutions (e.g. the Human Sciences Research Council and Statistics South Africa). The reliance of donors on a variety of monitoring and reporting mechanisms and timeframes, operated through a range of institutions and consultants, means there is not a very coherent approach to measuring impact. The lack of a comprehensive picture of what ODA has achieved or failed to achieve in the past decade is problematic in light of the impending shift of donors from aid to business relations in the next few years.

USAID SA undertakes ongoing performance monitoring and evaluation jointly with partners. The European Union conducts full evaluations of its aid to South Africa, which it uses as the basis for shaping future partnerships. Some donors, such as DFID and the Netherlands, finance local evaluations of their development cooperation as part of their bilateral ODA⁸⁰. Norway conducts joint reviews of its development cooperation with South Africa. The SA government also commissions its own evaluations of donors' evaluations, through the IDC.

The use of different M&E systems and reporting formats, and the inflexibility of standard reporting frameworks have long been identified as problematic. M&E tends to be highly quantitative, focused on completion of projects and proper financial accounting, but with less attention paid to qualitative outcomes. This is particularly problematic in terms of assessing impact on poverty or development. While many evaluations highlight lessons learned from a process perspective, analysis of benefits to target groups in terms of quality of life has a lower profile.

⁸⁰ Adams, 2000.

4. Conclusion - South Africa as a 'graduate' of aid

Will South Africa continue to receive ODA?

Towards the end of the first term of office of the democratic government, almost all of South Africa's donors proposed exit strategies. Some saw 1999 as a watershed year, during which power sharing arrangements would expire, second elections would be held, and Mandela would step down from the presidency⁸¹.

Bratton and Landsberg (1998) argued that, at the time of writing, the Norwegian government was still publicly committed to withdrawing its bilateral aid presence, and the Danish government initially planned to follow suit. By 1997, however, Denmark pledged a further US\$20 million and extended its timetable for a further three years, and both Norway and Denmark became engaged in new bilateral agreements with South Africa. Denmark agreed to disburse almost DKK 250m to South Africa over the period 2002-2006. Beyond this period Denmark intends to move into business-to-business relations using its comparative advantage as a long-standing partner.

Norway increased its ODA in the period 2003-2004 and expects to remain engaged in South African development cooperation between 2005 and 2009. The main focus will be on the consolidation of the democratic transition, strengthening regional integration and collaboration through the utilisation of South African expertise in the region. The cooperation could also result in long-term, self-sustaining relationships⁸².

From 2004-2008, Sweden and South Africa are committed to co-financing and sharing responsibilities for development support. By 2009, South Africa and Sweden are each expected to contribute 50% to shared programming⁸³. To achieve this incrementally, over the five-year period to 2008, Sweden will reduce its contribution to ODA programming from 100% to 60%, while South Africa will gradually take on 40% of associated costs.

Other donor countries in South Africa are becoming engaged in business-to-business relations. This is described as a move from ODA to Foreign Direct Investment (FDI), though whether there is a net benefit to South Africa requires further investigation.

⁸¹ Bratton and Landsberg, 1998, p. 46.

⁸² Interview with Inger Naess, 18/05/2004.

⁸³ Country Strategy for Swedish Development Cooperation with South Africa 2003.

Does South Africa need aid?

Although South Africa is a middle-income country, the scale of poverty and levels of inequality, as well as the challenges of transformation, have ensured its status as a recipient of aid. However, given the gap between global aid needs and donor commitments, there is always a prospect of ODA being diverted to lower income countries, emergencies and donors' strategic priorities regardless of the scale of poverty in South Africa⁸⁴.

Some of South Africa's bilateral aid relations that are on the brink of expiry may not be renewed. The central argument for a decrease of donor funding is that South Africa's economy and its democracy has now been stabilised. Canada, for example, has stressed its intention to fund other countries as South Africa steadily 'graduates' from being a recipient (Interview with Pather, 10/05/2004). Japan also talks of South Africa having graduated from being a donor-funded recipient (Interview with Matsui, 24/05/2004).

Given the growing income disparities in South Africa, the millions of people living in absolute and chronic poverty, and the proportion of the population that is excluded from the social and political economy of the country and unable to access their basic rights, the notion that the country 'no longer needs aid' might simply provide a convenient cover for engaging in business relations that benefit the former donor and perpetuate economic relations that impoverish large sections of the population⁸⁵. Some donors expect to continue providing ODA for poverty alleviation, democratisation and human rights, and several have highlighted the need to fund the fight against HIV/AIDS, which affects more than six million people in South Africa⁸⁶.

Since ODA assists the SA government in service delivery, through capacity building and support for water, health, education and other programmes, donor exit would affect the poorest sections of society unless the government realigned the budget accordingly (which it could do, for example, through modest taxation). At present, aid is generally something of a vicious circle, with ODA helping to mitigate the impact of macro-economic policies and onerous trade relations that the major donors have pressed upon aid recipients. South Africa is one country that is in a position to do without aid, making up any shortfall by budgeting for funded projects, or adopting a more redistributive tax system (for example through a basic income grant).

It is also in a unique position to pursue a degree of South-South cooperation that could increase regional autonomy and help liberate some of the poorest

⁸⁴ Interview with Inger Naess, 18/05/2004.

⁸⁵ See Christian Aid report (2005) on the impact of trade liberalisation on Africa.

⁸⁶ Department of Health. 2005.

southern countries from debt and aid bondage, rather than entering 'partnerships' with former donors who offer a graduation prize of inequitable trade agreements. Obvious examples would be regional trade agreements and collaboration on the manufacture of generic drugs. However, South Africa's pursuit of regional political leadership is much higher on the agenda than economic partnership in the South.

Will South Africa drive the mobilisation of aid for Africa?

Many donors view South Africa as the key to stability and development in the region. Therefore, the regional importance of South Africa contributes, to a certain extent, to donor support or interest. For instance, Japan's assistance policy to South Africa, recognising the historic relationship between South Africa and other Southern African countries, is directed towards the stability and development of South Africa, and ultimately towards the enhancement of relations between Africa and Asia.

Almost all donor respondents stated that, since South Africa has changed from a transitional to a stable political and economic environment, it is expected to start matching donor funding for some programmes and also to start assisting other countries.

While South Africa has already provided emergency relief in response to flooding in Mozambique, conflict in the Great lakes region and the Indian Ocean tsunami, the expectation is that a more strategic, developmental contribution will come through NEPAD.

Almost all the OECD donors support NEPAD (some had supported its predecessor, the Millennium African Recovery Plan) as a programme to develop Africa, and say they have set aside ODA for NEPAD and the SADC region. South Africa's role as a driver of the programme has been key to leveraging this funding⁸⁷.

However, NEPAD received a total of only US\$7.6 million in 2004, of which ODA accounted for only US\$2.1 million, while funding from African states and governments was \$5.2 million⁸⁸. This represents only a tiny fraction of ODA to Africa, which was US\$22.2 billion in 2002⁸⁹.

NEPAD is well supported politically because most of its principles and policies are common to donors⁹⁰. However, its prospects for serving as a vehicle for continental poverty reduction look bleak. In terms of donor funding, despite all the positive noises, NEPAD clearly does not have donor confidence. In terms of popular support, aside from criticisms that NEPAD is another top-down attempt at

⁸⁷ Interview with Sharmala Naidoo, 20/01/2004.

⁸⁸ NEPAD Report. 2005.

⁸⁹ African Development Bank Development Report 2004.

⁹⁰ Interview with Anne Ljung, 30/03/2004.

development, it has not demonstrated the capacity to utilise ODA, and since many countries within the SADC and the continent at large do not support NEPAD, the programme faces a crisis of spending the ODA it has. It is argued that NEPAD does not have a clear project plan⁹¹. If it is not able to deliver, this will further undermine the prospects for investment in development initiatives truly owned by the countries intended to benefit from them.

In conclusion, ODA to South Africa is more important to both the government and to official donors in terms of international relations, linked to South Africa's foreign and economic policy, than to poverty reduction. ODA adds value to government's budgeted programming for development and anti-poverty initiatives, but in the context of Northern support for a macro-economic policy approach that is perpetuating economic inequality. There is also a benefit in terms of capacity- and institution-building in cases where ODA supports the recruitment of local expertise without creating unsustainable consultancies. At the same time, ODA comprises such a small proportion of the national budget and a smaller proportion of GNP that South Africa is in no way dependent upon aid and neither can ODA alone be used to leverage policy influence. Lack of capacity to manage ODA funds and lack of donor coordination and information management mean that donor funding is not used as effectively as it could be. However, the burden on state resources in terms of ODA administration and reporting is much lighter than for countries where aid comprises a significant proportion of the budget.

South Africa's political and economic history, and the gross inequalities that persist after the demise of apartheid, mean that most donors still see it as eligible for aid. Its strategic position and influence on the continent sustain donors' foreign policy incentives for continuing aid. The country's economic/trade policy, its relative wealth and level of development (in terms of infrastructure and institutions) mean that South Africa is also attractive as a trade partner. Some donors are planning exit strategies from the perspective of South Africa graduating from aid recipient to trade partner. Given that donor country business benefits from both aid (through technical assistance and procurement arrangements) and trade (through unfair terms), the relative benefit to South Africa is questionable. The international rhetoric around donor support for Africa is not matched by resources; on the contrary, there has been ongoing diversion of aid from conflicts and disasters in Africa to other parts of the world, particularly linked to the so-called 'war on terror'. The likelihood of meaningful donor funding for Africa through NEPAD, on the basis of South Africa being its driving force, is slim and, on the other hand, the absence of such aid is unlikely to impact greatly on South Africa's economic and political role on the continent.

⁹¹ Interview with Chris Landsberg, 27/05/2004.

5. Appendix

I. Summary of ODA-funded projects schedule, 2002

Donor	No. of projects	Type of project										Who managed the money?	Main funding mechanism
		Policy	Capacity building/ Research	Water/ sanitation/ environment	Health [+AIDS]	Gender	Education	Justice/ rights	Housing	Police	Implementing agency [Govt, NGO, Parastatal /institution		
Australia	53	7	17	3	5 [3]	2	10		2			Net stated	All TA except one project not stated
Belgium	8		6		1			1				Paid directly to beneficiary department, NGO or institution	All grants
Canada	44	16	23	1		4						All directly managed by donor	All combined grant and TA – proportions not stated
China/ Taiwan	3		1 [agric]	1		1						Paid to RDP fund	All grants
Denmark	109	7	54	17		4	10			2		64 according to donor's procedures, 20 paid directly to implementing agency, 15 to RDP	66 mixed grants and TA, 21 grants, 16 TA, 6 not stated
Finland	30		9	8	1		1	8				4 to RDP fund, 4 not known 22 according to donor's procedures	24 mixed grants/TA, 3 grants, 2 TA, 1 not stated
Flanders	42	2	14	4	5 [3]		6	2				3 into RDP fund, 32 According to donor's procedures 7 not stated	13 mixed grants/TA, 11 grants, 11 TA, 7 not stated
France	50	1	11	5		5	2	1				Not stated except in one case paid directly into RDP fund	32 Cultural, Scientific and Technical Co-operation, 7 'grant/FASEP', 3 'equipment', 2 'scientific and technical assistance', 2 65/35 loan/grant, 1 TA, 1 grant, 1 loan, 1 cultural cooperation
Germany	52	2	16						4			45 not stated, 4 direct to implementing agency, one to RDP fund	46 TA, 5 loans, 1 grant

Multilateral donor	Number of projects	Type of project								Implementing agency (Gov, NGO Parastatal/inf)	Who managed the money?	Main funding mechanism	
		Policy	Capacity building/ Research	Water/ sanitation/environment	Health (+AIDS)	Gender	Education	Justice/ rights	Housing				Police
Commonwealth	3					1	1					2 directly managed by donor, one not stated	2 TA, 1 not stated
European Investment Bank	7	1		1								Not stated	3 loans, 4 not stated (assumed loans)
European Union	62	1	9	3	8 [2]		5	4	2	5		Grant proportions (54 plus 4) direct to RDP fund, rest according to donor's procedures	54 mixed grant/TA, 4 grants, 4 TA
ILO	6	1	5									Not stated	All TA
UNDP	42	2	15	1	3	4	2	1	4	3		Not stated	40 TA, 2 grants/TA
UNFPA	2		1			1						1 not stated, 1 RDP fund	1 TA, 1 grant/TA
World Bank	30	8	3		1		1					Not stated	29 TA, 1 loan
Total	1050	61	269	81	68 [18]	24	120	50	32	19			

Source: National Treasury, 2002 project schedule

Note: The types of project and the implementing agencies are not always identifiable from the schedule and therefore the figures given do not necessarily reflect the total number of projects in each category.

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UNDERSTANDING PRIVATE FOREIGN GIVING IN SOUTH AFRICA

Deborah Ewing¹

1. Introduction

Funding from international (foreign) private donors is one of the two main sources of external resources channelled to South Africa for poverty relief and development, the other being official development assistance (ODA). These aid flows are explored as a component of 'giving' as part of the wider CCS study of the 'State of Social Giving in South Africa'. ODA is addressed in an accompanying paper.

This paper covers funding from foreign-based private and family foundations (IPFs) and from international non-governmental organisations (INGOs). It includes giving from independent foreign trusts established by the founders or boards of corporates but not corporate social investment (CSI), since international giving accounts for a small proportion of CSI².

The paper draws together information on trends since 1994, looking at volumes, and objectives of international private giving and providing analysis of how such funds are targeted, channelled, dispersed and managed.

South Africa received more than R600 million from foreign private flows for the year 2003/4 – around half the ODA for the same period, which was just under R1.1 billion. The bulk of this private funding is channelled through the non-government sector. The main research questions are:

What is the role of international private funding in addressing South Africa's development challenges?

Who determines this role? and

How is that role likely to develop in future?

¹ Additional research by Deborah Khumalo and Cos Desmond.

² The European Venture Philanthropy Association has undertaken research intended to scope and understand the level and type of venture philanthropy in Europe, including international giving by European-based corporates, which was due to be published in mid-2005.

Within this framework, the paper looks at: who is doing the giving; why they are giving; what the trends are; how much is given; to whom or which sectors it is given; and what is known about impact³.

2. The international context for private external funding

There are thousands of foreign-based private foundations (PFs), family trusts, faith-based grantmakers and international NGOs, based mainly in the United States and Canada, Europe and Australia, that are making grants and/or running programmes in their home countries and in the 'developing' world. There are also increasing numbers of philanthropy institutes originating in developing countries (e.g. India, Brazil, Mexico), which operate on a regional basis. According to one estimate, some 25 000 NGOs now qualify as international NGOs⁴.

Their grantmaking focus covers the whole spectrum of human activity – from promotion of democracy and human rights to social development in health, education and welfare, sport and culture, to environmental protection, business development and information technology.

Overall, international giving by private foundations increased rapidly in the late 1990s, parallel to an increase in official overseas development assistance (ODA). The most rapid growth, in terms of programme areas, within an overall 360% rise in international grantmaking by US foundations from 1998-2003, was in funding for health and family planning⁵. In fact, that is less a trend than a phenomenon – the Gates Foundation. Following the 11 September 2001 attacks on the US, international official aid volumes started to decrease and private giving (especially from US-based foundations) also fell⁶.

There are an estimated 62 000 grantmaking foundations in the US⁷. Just over 1 000 of those account for three quarters of all international giving by US foundations. In 2002, total US foundation giving for international programmes worldwide was US\$3.1 billion. That was almost double what they gave in 1998 (76% adjusted for inflation) but a 5% decrease on 2001, when US foundation giving for international programmes was US\$3.3 billion (over the same period, support for US programmes declined by only 0.7%)⁸. The 9/11 attacks were a factor and the 2002

³ It is beyond the scope of this project to assess the impact of externally funded resources. However, the research assesses what information is available on impact, in terms of project/programme evaluations, and perspectives of donors and recipients.

⁴ Global Policy Forum, June 2000. See www.globalpolicy.org/ngos/analysis/anal00.htm

⁵ Buchanan, 2004, p. 61.

⁶ Renz and Atienza, 2003.

⁷ Ibid.

⁸ The Foundation Center / Council on Foundations. USA, 2004.

economic downturn especially hit the large endowed foundations that provide most of the international support.

In terms of US funding, in 2001, of the US\$3.3 billion allocated for overseas programmes, 18.9% (around US\$623.7 million / R3.87 billion) went to Sub-Saharan Africa. South Africa's share of this is not known.

It is hard to get comparative figures, but in 2002, according to the World Conservation Union (IUCN), the nine biggest international NGOs together recorded an expenditure of approximately US\$2 billion. And a ranking by the UK Charities Aid Foundation showed that the 500 top charities received £9.1 billion in the financial year 2003/04⁹. Two international NGOs were in the top 10 – Oxfam, whose 2003/4 income was £134 million – excluding government funds) and Save the Children (whose 2003/4 income was £70 million – excluding government funds).

The private foreign contribution to all developing countries is a fraction of the philanthropic resources dispersed *within* donor countries. During the 1990s, international giving accounted for only 10-12% of all US foundation giving. There are many private foundations and trusts that only make grants within the US. The Heinz Foundation is one. Another is the Starr Foundation, founded by the head of the insurance giant American International Group (AIG). At 2003, that foundation alone had assets of approximately US\$3.5 billion, making it one of the largest private foundations in the United States. After the 9/11 attacks, US charities alone raised US\$3 billion to help the victims¹⁰.

The Bill and Melinda Gates Foundation became the largest US foundation in 1999 and has retained that status (by 2002 it had a total asset base of US\$31 billion¹¹). In 2000, the Gates Foundation topped the list of US foundations making grants outside of the US, awarding 34 grants totalling US\$317 928183¹². The much longer established Ford Foundation was second, awarding 1 312 grants outside of the US, to a value of US\$204 637 148. The Ford Foundation increased its total international programme spending from US\$384 million in 1998 to US\$616 million in 2001. Meanwhile, the Gates Foundation's total international spending increased 100-fold - from US\$5.5 million in 1998 to US\$528 million in 2001.

In 2001, 636 of the top 1 000 US funders gave to international programmes. The larger US foundations allocated, on average, 15% of their overall budgets to international programmes. However, this was skewed by Gates, which allocated 70% of its giving to international programmes. Only ten other foundations created

⁹ www.cafonline.org/research/

¹⁰ Polgreen, 2004.

¹¹ The Bill and Melinda Gates Foundation Audited Financial Statements, 2002 and 2003.

¹² Top 50 US Foundations Awarding Grants Outside the US, circa 2000. Foundation Center Statistical Services.

since 1990 gave in excess of US\$5 million internationally in 2001¹³. One commentator noted that 'If you were to factor the Gates money out, it [the funding trend] would probably look flat as opposed to a modest increase in the last half decade or so'¹⁴.

In 2001, 'International Affairs' accounted for 7.2% of total international giving from US foundations. However, this category includes not just poverty alleviation and development spending but peace and security and foreign policy grants. According to Renz and Atienza (2003), the US focus on 'global peace and security' may be an incentive for greater international giving but, on the other hand, US government measures to prevent funding of 'terrorist organisations' may discourage philanthropy.

The United States International Grantmaking (USIG) website¹⁵ (www.usig.org) notes that an increasing number of American foundations are beginning to consider funding activities outside the United States but that such potential grantmakers are inhibited by US laws governing philanthropy. The USIG website details the US laws and regulations governing different types of foundation, and the NGO InterAction has co-produced a 33-page handbook to help non-profits and grantmakers navigate the US 'counter-terrorism' legislation.

Part of the Patriot Act, passed after the 9/11 attacks, says anyone on a government list of prohibited persons cannot get funding from US institutions. This has had a negative impact on US private funding to civil society organisations (CSOs). The Ford Foundation, for example, has had to stop funding at least two Zimbabwean grantees, in order to work within the Act.

The assets of most private foundations dropped as a result of the 2002 market collapse and the downturns in the US economy, so that non-profits everywhere faced heightened competition for fewer resources. The Mott Foundation lost a third of its assets (depleted from US\$3 billion to under US\$2 billion). However, private foundations have tended to be consistent in their support for particular countries or sectors, changing their patterns of giving for strategic rather than purely economic reasons.

3. Private foundation and international NGO support to South Africa

The study covers those foundations, trusts and INGOs whose core concern includes human development and poverty alleviation/reduction and who make grants or run or support programmes in South Africa.

¹³ Renz and Atienza, 2003.

¹⁴ Gaberman, 2004, p. 25.

¹⁵ Launched 2004 by the US Council on Foundations, in collaboration with the International Center for Not-for-Profit Law (ICNL).

It does not include those agencies that *specialise* in environmental protection, human rights, business development, disaster relief, academic research or IT, although it covers agencies whose programmes *include* these sectors. Some faith-based foreign donors are included on the grounds that they support poverty relief / development projects or programmes on a secular basis.

More than 70 foreign-based private foundations and almost 60 faith-based organisations (FBOs) and international non-governmental organisations (INGOs) with a poverty/development focus are currently active in South Africa. Among these are all the major international grantmakers - Atlantic Philanthropies; Bernard van Leer Foundation; Bill and Melinda Gates Foundation, Carnegie, Charles Stewart Mott, Ford Foundation, Kaiser Family, Kellogg, Open Society. In addition there are several foundations that have been operating in South Africa for many years on a smaller scale and some that have just started supporting South Africa in response to particular issues, such as HIV/AIDS. (A database with the contact details is included as Appendix I).

The list includes many foundations/INGOs that receive official and/or corporate funds, so their grantmaking constitutes 'private' funds but with a government, corporate or individual component. Synergos for example receives funding from all these sources. In addition, Synergos' individual donors include South African millionaires Patrice and Precious Motsepe and Tokyo and Judy Sexwale (Synergos website), so while Synergos is an international donor, active in many countries, some of its funds are derived from 'local' sources. There are also special funds that combine official, corporate and private funds, such as the Global Fund, which is included in the study.

Finally, the study includes international grantmakers / programme operators that are partnerships between foreign and South African agencies - e.g. Interfund, which announced its closure during the period of the study, and Africare.

A major distinction between ODA and private external funding is that most official donors did not channel aid to South Africa under apartheid, in order to avoid propping up the racist government. Many private donors, however, assisted non-government organisations that were resisting and undermining the regime, and providing welfare and developmental services that the state failed to provide to the black population.

Most private foundations supporting SA have historically emerged from the estates of the founders of large corporates. Some large foundations continue to be established with the private fortunes of corporate founders (e.g. the Bill and Melinda Gates Foundation) and others are set up by the boards of corporates.

Some of the big and well-established foundations such as Mott and Ford have supported South Africa and other developing countries for years. Other major foundations that started out by giving support in their own countries have more

recently gone international or come into South Africa (e.g. Andrew Mellon Foundation, Cottonwood Foundation and Rockefeller Foundation).

Many PFs/INGOs supported civil society as part of their anti-apartheid solidarity. Some of these withdrew/closed with the advent of democracy (e.g. IDAF) and others switched their resources to crises in other parts of the world. Others maintained or even increased their presence in order to support the transition and some have only come into the country since the first democratic elections (e.g. Actionaid).

Private foundations tend not to relate to the official donors beyond occasionally meeting to discuss funding to the same organisations¹⁶. They operate in various ways. Some are foreign-based bodies with no SA presence (e.g. the Gates Foundation). Others have field offices and a few even have an international headquarters in South Africa. Some are grantmakers; others both make grants and support programmes and projects in SA; some run their own programmes; some provide only volunteers; some professional services and material resources; some run exchange programmes. In general the international NGOs are operational, even if they are grantmaking. They may have project partners in the same way as private foundations (e.g. Oxfam) or they may provide volunteer support (VSO) or professional expertise and material support (e.g. Médecins Sans Frontières).

Aside from the different areas of geographic and sectoral focus, and the different criteria for funding, all the foundations have their own application procedures. In the past, foundations would publish their criteria and grantseekers could send in individual applications providing the information stipulated. More recently, grantmakers have only accepted applications according to deadlines tied to their funding cycles. Increasingly the trend is to issue calls for proposals according to standardised terms of reference, and not to accept any applications that are not submitted strictly to the required format or are submitted outside of the call.

Funding to rural and community-based organisations has always been hindered by their lack of information and knowledge about these funding opportunities. Many such organisations still lack the resources – such as computers with internet facilities – and the expertise needed to respond to calls for funding proposals. Some funders do offer training in proposal writing according to models such as Log-Frame Planning. There are also consultancies that specialise in training for proposal writing and reporting, and other aspects of funded project management. There are also recent initiatives to assist grantseekers to identify and contact potential donors (e.g. Sangonet's Thusanang Southern African Funding Information Facility and the Soul Beat Africa NGO Helpline). Some of the smaller but growing foundations have an important role in targeting specifically rural and

¹⁶ Interview with Gerry Salole, Ford, 15/6/04.

neglected areas in South Africa with ongoing support that does not require a 20-page electronic application (e.g. Books for Africa Foundation). In addition, several donors operate through intermediaries who use local networks to inform community organisations about funding opportunities and assist them to access grants (e.g. the AIDS Foundation of South Africa, which channels international funding to CBOs). However, there is a need for further research on the obstacles that smaller, rural and community-based organisations face in accessing funding.

The study looks in general at the approach and role of foreign-based private foundations and international NGOs. It looks in more detail at the motivations and contributions of the main private donors and highlights some of the activities of the smaller and newer donors.

This aspect of the study is based on a database of international private foundations and NGOs compiled using the SAGA list, the last available Prodder list¹⁷, the USAID list, the membership lists of the Africa Grantmakers' Affinity Group, the BOND (British Overseas NGOs for Development) network, the US Council on Foundations and cross-checking with a range of databases (e.g. Synergos) and NGO networks to pick up the smaller and more recently established private donors. Of an original list of more than 100 private foundations listed as operating in SA, some 25 have either closed or were not operating in the country during the period of the study.

Sectors/focus of support

The focus of donor activity was ascertained from donor reporting from 1994 to 2004, in order to present a general picture of support to SA. The sectors identified below reflect donors' own descriptions/categorisations of their focus.

In general, the most popular sectors for support have been:

1. Education
2. Development
3. Technology/communications
4. Capacity-building
5. Environment
6. AIDS
7. Health
8. Culture
9. Justice, women, children, peace/conflict resolution, poverty
10. Civil society

¹⁷ SANGONET was in the process of reviving the Prodder directory at the time of writing.

Education consistently ranked first by far, even up to 2003/4, followed by a general category, Development. The fact that HIV/AIDS is well down the list probably reflects the number of foundations who have been in SA for many years and have added HIV/AIDS to their priorities or integrated it into existing programmes during the past four or five years. A closer analysis of US international funding gives a clearer picture. From 2001, support for HIV/AIDS initiatives was one of the top priorities but was reported within an overall focus on health (29% of total international giving, up from 15% in 1998) followed by Education and International Development. Looking at individual donors, the prioritisation of HIV/AIDS becomes apparent from about 1998 and again the picture is skewed by the Gates Foundation's investment in HIV/AIDS programming.

Volume of giving

It is not possible to quantify accurately the volume of international private aid flows to South Africa on an annual basis. This is because not all grantmakers publish their giving by country – some report on regions or programmes, because many donors fund organisations on a sectoral basis and they in turn support activities in Africa but not always in South Africa, and because grants may run over more than one financial year. Also, there is some giving between private donors that makes it difficult to track funding in a linear fashion from a specific donor to a specific beneficiary. For example, among its grants in 2003, the Gates Foundation made a grant of US\$9 500 000 over five years to support the Global Health Council's efforts to advocate and network for global health issues. A proportion of that may have ended up in South Africa or may contribute to advances in health that benefit South Africa but the reporting methods do not make this clear. Gates also gave the Henry J. Kaiser Family Foundation US\$2 132 425 over two years 'to support a range of efforts to improve quality and quantity of global health reporting in the US and abroad'¹⁸.

The combined contribution of the top foundations in SA for 2003 gives a relative picture of the amount of international private funding allocated to the country compared to ODA, corporate funding and state spending. Table 1, below, shows that for 2003/4, foreign private funding was at least R615 million¹⁹. This amounted to around half of the volume of ODA, which was R1.2 billion for the same year.

¹⁸ The Bill and Melinda Gates Foundation Grant Highlights 2003.

¹⁹ This does not include the contribution of the major international NGOs, which may amount to another R100 million.

Table 1 – Funding to South Africa by the largest foreign private donors for 2003/4

Donor	Amount given in rands 2003/4
Kaiser Family Foundation	R195 million ²⁰
Atlantic Philanthropies	R124.5 million
Gates Foundation	R114 million ²¹
Ford Foundation	R78 million
Open Society Foundation for South Africa	R47.7 million
Kellogg Foundation	R21.4 million
Mott Foundation	R17.97 million ²²
Bernard van Leer Foundation	R7.22 million
Joseph Rowntree Charitable Trust	R3.5 million
Rockefeller	R3.4 million
Carnegie	R2.25 million
Total	R614.94 million

Although several of the larger donors were active in South Africa before 1994, many PFs and international NGOs had chosen to have a presence in other African countries during the apartheid era, even if they supported anti-apartheid campaigns (e.g. Oxfam). There was an influx of PFs/INGOs after 1995, peaking in 1998.

As Smith and Bornstein point out²³ the profile of northern NGOs funding programmes in South Africa tends to reflect the historic relationships between South Africa and northern countries. The comparatively large number of British and European agencies in South Africa reflects the significance of the UK Department for International Development (DFID) and the European Union (EU) as major donors to South Africa. The number of Scandinavian agencies reflects the support of these countries for the anti-apartheid /liberation movement.

A feature of post-1994 funding was investment to support democracy and transformation, and to build an economy that could deliver on socio-economic priorities, rather than channelling all resources directly to those in greatest need.

²⁰ This includes R75 million to loveLife, which has since become Kaiser's main beneficiary in South Africa.

²¹ US\$19 million, from interview with Stephanie Jones, Grants Inquiry Administrator.

²² Mott Foundation Grant Database South Africa 2003. The volume is down from R27.22 million in 2002.

²³ Smith and Bornstein, 2001.

From 1996, one can also see a focus on education and research. By 1999, most of the PFs started to include or strengthen a focus on health issues, particularly HIV/AIDS.

Most smaller and developing PFs operate from their home base and liaise with their beneficiaries through written reports, electronic correspondence and occasional visits. The major donors have offices in SA (mostly in Gauteng) with both local and expatriate staff.

Private foundations' sources of funding

International private donors draw on a range of funding sources: primarily trust funds; corporate investment; endowments; ODA; and individual donations (from the general public and from individual philanthropists). Most of the bigger foundations emerged from corporate trusts. There are also foreign-based PFs that emerged from family trusts, which have been in existence longer than corporate foundations. The Andrew Mellon Foundation was initially a family trust, which was then turned into a PF. Many smaller foundations have emerged since the early 1990s.

International NGOs are considered to be 'independent' and are categorised under 'private' giving. It has been argued that this means 'privatised', since INGOs derive increasingly large proportions of their income from governments. A report cited in the Economist says that by 1994, the EU was channelling more than two thirds of its emergency relief funds through NGOs. It estimated that Oxfam received a quarter of its £98m (US\$162m) income in 1998 from the British government and the EU. World Vision US, 'which boasts of being the world's "largest privately funded Christian relief and development organisation"', collected US\$55m-worth of goods that year from the American government. Médecins Sans Frontières (MSF), the winner of last year's Nobel peace prize, gets 46% of its income from government sources²⁴.

Research, conducted by the Charities Aid Foundation for NGO umbrella body BOND, revealed that 44% of international NGOs claim to be reliant on the Department for International Development (DFID) for funding²⁵.

As noted above, funding is extremely difficult to track. Often private funding is official funding and takes a very circuitous route through several beneficiaries. For example, of the NOK950 million Norway disbursed to South Africa from 1994-2001, more than a third was channelled through Norwegian NGOs to South African NGOs; more than a third went through the Norwegian Embassy in Pretoria to state and public institutions (28% of the total aid) and NGOs (10% of total aid). A further 19% went through UN agencies and INGOs, and the remainder to Norwegian institutions and companies²⁶.

²⁴ 'Sins of the secular missionaries', 2000.

²⁵ Report released at the launch of BOND's new Futures Programme on 28th April 2004.

²⁶ Pillay and Tjønneland, 2002.

Motivation for giving

Private donors state many motives for giving to SA. Historically, the motivation has been philanthropic in the broadest sense – including both material support to victims of apartheid and financial/political support to the liberation movements to challenge the apartheid regime. Most of those funding during apartheid started out by targeting ‘poor and disadvantaged’ communities, directly or through local organisations. Post-apartheid support has continued this focus but with a commitment to strengthening institutions of the state and civil society to address poverty alleviation and development. The growing emphasis on HIV/AIDS has been framed in terms of the fact that the epidemic is seriously undermining the developmental gains the country has made.

Patterns of giving to South Africa tend to reflect the international agendas of donors, but also the growing demand from the South for a partnership approach to philanthropy, with priority shifting from welfarist/charity approaches to ostensibly developmental funding. The headline issues over the years have changed from general poverty/emergency relief to human rights, gender equity, environmental protection, HIV/AIDS, citizenship and democratic decentralisation.

The bigger foundations tend to have broad mission statements, focusing on global development, poverty relief, human rights and justice, whereas the smaller donors tend to focus on narrower sectors or target groups, where they will be able more clearly to demonstrate that they are making a difference.

Types and channels of giving

The smaller donors tend to channel their resources, whether funds or material aid, directly to the organisations they support in South Africa and maintain direct contact with them. Bigger foundations channel resources directly but also make grants to other grantmakers.

Information from interviews and from the literature survey shows a difference in the kinds of giving between the larger foundations and the smaller and more recently established ones. This is reflected in Figures 1 and 2. In summary: the largest proportion of resources from the main foundations comes in the form of grants; whereas material aid accounts for the greatest proportion of giving by the smaller donors. The second largest proportion of support from the main private donors is channelled via scholarships and bursaries; while the second largest proportion of support from smaller donors comprises human and technical resources. A significant proportion of giving from the larger foundations is in the form of loans but the smaller foundations rarely provide loans. Some of the larger private donors give grants to government departments as well as to NGOs – for example, the Kaiser Family Foundation has supported the Health Department to

develop the public health system and the South African Parks Board at Skukuza is supported by the Mellon Foundation.

Figure 1: Giving by the main foundations

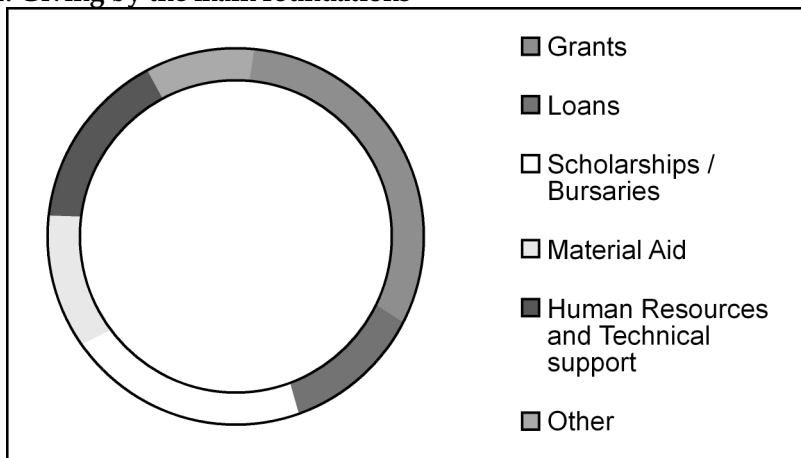
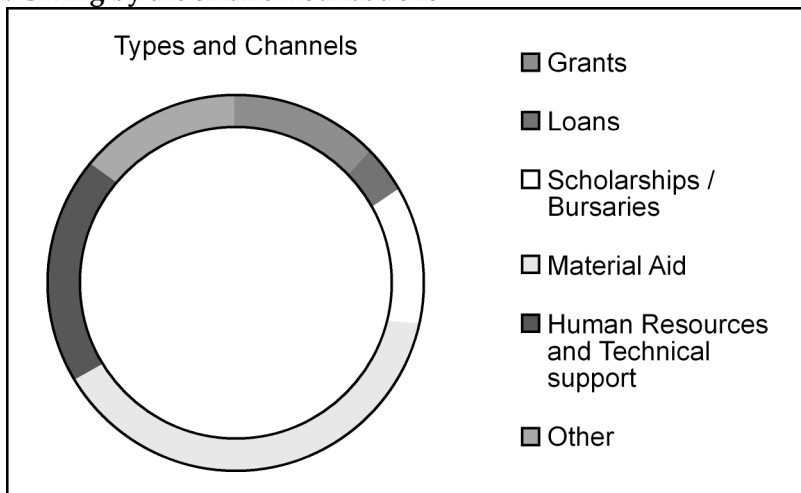


Figure 2: Giving by the smaller foundations



Targeted giving

Most private donors have particular target areas within Africa (generally based on levels of need, the marginalisation of particular groups or historical links) but few have a rigid geographical focus within South Africa; they target more by sector.

Larger private donors, like the official donors, have historically focused on education and since 1998/9 have invested more and more in HIV/AIDS. It is the smaller donors that show more of a geographical focus, tending to form partnerships with projects/organisations where there has been a personal connection. They have also had a strong education focus and have integrated support for HIV/AIDS-related education rather than changing their emphasis. At the same time, some smaller donors have recently begun support to South Africa in direct response to the HIV/AIDS crisis (e.g. the Starfish Foundation).

Unsurprisingly, the target group for private giving with regard to education has been black students. Many donors have a focus on redressing gender inequalities and female black students have been a priority for individual support. Tertiary institutions have always been a main target sector for giving from overseas donors.

Criteria and conditions for giving

IPFs give funding to registered organisations, with formalised constitutions and an active board of directors/trustees, which can demonstrate a record of good governance, sound financial management and sustainability – or at least clear potential and a strategy to become sustainable. More recently donors have looked for evidence of transformation – requiring diversity tables to reflect growing representation of black people and women on the boards and staff of NPOs, as well as a focus on black constituencies.

The criteria are, on the one hand, imperative for accountability and effective monitoring of funds where the donor is remote from management and implementation. On the other hand, they risk excluding smaller, newer, community-based organisations that may be doing quality work but do not have constituted boards, a track record, or audited statements.

Conditions generally relate to implementation of project activities according to an agreed workplan, timeframe and budget. Timely and accurate reporting is a standard condition of funding. Reports that are late or do not meet donor requirements can result in funding being delayed or withheld. Only a minority of IPFs report having to halt funding due to problems of accountability or corruption/financial mismanagement. The main reasons IPFs halt funding are lack of resources or a pre-planned change of focus area.

Monitoring and evaluation, and impact assessment

All the main private donors have standardised monitoring and evaluation (M&E) systems, which typically include a requirement for narrative and financial reports submitted according to set formats and deadlines. Where funding is given in instalments, payment of each tranche is generally contingent upon submission of satisfactory reports. The larger donors require quantitative and qualitative indicators of delivery of service.

Few donors report significant resources remaining unspent by recipients. Where this happens, larger donors are more likely to allow project partners to roll over funds while smaller PFs tend to require their return.

Beneficiaries are generally expected to monitor themselves. While most donors do make project visits, these tend to be annual or less frequent and serve to confirm the existence and functioning of projects rather than assess their progress and quality.

Ford has found, 'many times, every year', that organisations return funds, either because they haven't spent the money or because they have done what they set out to but under budget. The Foundation has very rarely had to ask for funds back because people have misused them.

Gerry Salole, Ford Foundation southern Africa representative until mid 2005, said: 'South Africa is phenomenal in its proportion of people who don't report well - we don't make new grants if they don't report or they are late. Often, people have done the work but seem to lose interest in reporting. The EBUNC list - of "expended but not closed" projects - is longer in SA than anywhere else in the world.'

Impact of changes in international grantmaking on South Africa

There have been quite dramatic developments in the positioning and behaviour of the major private donors in recent years. The most visible has been the ascent of the Gates Foundation as the biggest grantmaker (see case study below). Bill Gates has given away the largest sum of any individual philanthropist to date - reportedly US\$28.3 billion²⁷, of which around a quarter has been channelled through the Foundation.

Then there was the decision of Atlantic Philanthropies in July 2003 to become a limited-life philanthropy and 'spend down' its endowment over 12 to 15 years²⁸. The statement by Atlantic CEO John R. Healy said the decision - 'to put ourselves out of business in a deliberate and measured way over time' - was 'wholly in keeping with our belief in giving while living, but it has also sharpened the need for

²⁷ Buchanan, 2004.

²⁸ Atlantic Philanthropies Press Release 29th July, 2003.

us to achieve, as part of our legacy, a meaningful impact that endures beyond the life of the organization’.

Beginning in 2004, Atlantic Philanthropies’ new investments were to focus on four programme fields – Ageing; Disadvantaged Children and Youth; Health; and Reconciliation and Human Rights. Only the latter two included South Africa.

The Kaiser Family Foundation, which has invested in a great breadth of research, policy development and information dissemination, has ceased funding several health NGOs. In South Africa, these include the Treatment Action Campaign (TAC), Health-e and the Health Systems Trust.

Foundations generally reported that their funding focus and policies were not affected by global shocks such as the Asia Crisis of 1997, the 9/11 attack or the invasion of Iraq, but the market collapse of 2002 depleted the reserves of particularly the larger foundations. The Ford Foundation, which despite suffering major reserve losses after the 2002 market crash, continued to be committed to funding in Africa, has driven the establishment of an African-based trust to mobilise continental resources.

The International Fundraising Consortium (Interfund), South Africa’s major grantmaker (it disbursed R30 million annually), closed due to funding constraints in July 2005. Its demise was significant because it was providing funding to 350 projects nationally, which now need to find other sources of support and because Interfund was trying to do what the development experts exhort the non-profit sector to do: mobilise local resources and diversify. Interfund had moved from being a fully northern-funded consortium operated through an intermediary in the mid-1980s, to a South African-run grantmaker with both international and local (corporate, provincial government and NDA) funding. However, it was unable to offset the withdrawal of its main donors with alternative international or local funds.

Who drives the funding?

Whereas official donors have very clear, often political, agendas for funding certain countries or sectors, private international donors usually have a more philanthropic motivation. Their funding conditions tend to relate more to need, equity, accountability and transparency than to policy or procurement. This does not mean that privately funded projects are always locally-owned and not donor-driven. Given that donors increasingly issue calls for proposals on particular themes or issues rather than accepting applications based on NPO priorities, potential beneficiaries are under pressure to tailor funding proposals to fit very specific criteria. Since funding tends to be available for project implementation, rather than for core costs, NPOs are also put in the position of seeking funds for activities that are not necessarily part of their core competencies, in order to pull together sufficient resources to keep running their organisations.

Some commentators have argued that northern NGOs act only out of a vested interest, to push their own agendas onto local non-profits and maintain their own profiles and lifestyles. However, the evidence does not support this in South Africa, where many of the major northern NGOs have a record of solidarity with the non-government sector, have developed a wealth of development experience and publish and disseminate quality research on a range of development issues. Save the Children, for example, has published its own and partner research on children's participation, both to help raise children's voices and to develop guidelines on ethical participation as a resource for both the non-profit and state sectors. INGOs, like official donors, may have a tendency to push particular approaches to project management and monitoring and evaluation (e.g. Log-Frame Analysis) and to stipulate conditions relating to the integration of certain indicators, such as gender equity or environmental impact; they may favour particular sectors or issues according to their own development perspective, but generally there is little indication that they try to influence southern partners' focus or policy.

Gerry Salole said: 'There is a myth about donor funding - Africa is becoming very critical of donors and people love to talk about "donor-driven projects" but the idea of treating, say, Oxfam as if it is less authentic in taking on poor people's perspectives than a local organisation, given its experience, doesn't make sense. Oxfam has been very consistent and has a track record. Just saying "give us the money and we'll do it" is cutting off your nose to spite your face. You need to be very sophisticated in such attacks.'

At the same time, it is important that there are clear terms of engagement between northern NGOs and southern 'partners', with regard to information sharing, protection of intellectual property, capacity building, strategies for exit and sustainability, etc. Synergos Director Barry Smith noted, when he was still at Interfund, that there were moves to ensure this. He wrote: 'Some local and international grantmakers began the process in 1997 by adopting the Guidelines for Good Grantmaking of the Southern African Grantmakers' Association (SAGA). SANGOCO has followed up by engaging the northern NGOs in a constructive debate on good practice guidelines. As a result, the northern NGOs and Foundations Informal Network, in consultation with SANGOCO, has produced a draft set of guidelines and principles, which includes the SAGA text. This endeavour acknowledges the positive motivations of international NGOs and takes into account the diversity of the international development support community.'²⁹

²⁹ Smith, 2004.

Tracking international private giving

Most foundation funding goes to the non-government sector but the volume of funding to different NGOs remains particularly difficult to track because there is no centralised reporting mechanism in place for international aid to the NGO sector³⁰.

There has been a range of initiatives to bring transparency and coherence to the private international funding sector – from the formation of affinity groups, and the establishment of paid and free web-based donor and project databases and search services, to the commissioning of research into private aid flows.

Foundations, including Mott, Ford, Hewlett, Rockefeller, Kellogg, Aga Khan, and Bertelsmann, have established local organisations that support philanthropy, have offered training programmes for global donors, and have funded initiatives to bring donors together.

The oldest donor support organisation is the US-based Council on Foundations, set up in 1950 to promote global social investment by providing information (particularly on the legal issues involved in international grantmaking) and lobbying for the reform of US Treasury Department guidelines on international giving. The European Foundation Centre (EFC), established in 1989, supports a number of funders' networks that enable funders to exchange ideas and collaborate on projects in specific regions and areas of work. The EFC launched Europe in the World (EitW), a campaign to encourage European foundations to direct at least 5% of their spending outside Europe. Ninety foundations have already joined. Grantmakers Without Borders was established in the US to help individual funders and small and medium-sized foundations in their work directed to social change in the developing world³¹. BOND is the United Kingdom's broadest network of voluntary organisations working in international development. Founded in 1993, it now has more than 280 members, including 62 active in South Africa. The Synergos Institute convenes the Global Philanthropists Circle, comprising 50 philanthropic families from more than a dozen countries in all regions of the world who meet globally to learn from each other. Mott has made a grant to the African Grantmakers' Affinity Group based in New York to research levels of giving to southern Africa³². AGAG has announced plans for a series of research projects to document and analyse the experiences of US foundation funding to Africa, in the next three years. This will include mapping both private and corporate foundations funding in Africa and documenting the approaches and instruments they use.

³⁰ Ndlovu, 2005.

³¹ Information in this section from Simmons and Nielsen, 2004, p. 21.

³² Interview with Christa Kuljian.

4. Case studies

The Bill and Melinda Gates Foundation - the biggest international private donor

The Gates Foundation is by far the largest grantmaking foundation in the world. It has made some massive, high-profile grants but it is often difficult to find details of the disbursement of individual grants or grants to specific geographic regions. Grants are usually classified according to 'Programs' - Education, Global Health and Libraries (US). Most funding to Africa falls under the global health programme. Neither the Annual Report nor Auditors' Reports for 2002 and 2003 give a detailed breakdown of grants. It is very difficult, therefore, to disaggregate funding from the Foundation to Africa, let alone to South Africa. According to the Foundation, funds earmarked for South Africa topped US\$19 million in 2003/4. Many grants are for international programmes that benefit SA among other African countries. For example, in 1999 the Foundation gave Africare US\$1 996 750 over 3 years to strengthen and replicate the Southern Regional Adolescent Reproductive Health Initiative in four countries hardest hit by the HIV/AIDS pandemic: Zimbabwe, South Africa, Malawi and Zambia.

The Foundation made its first grant in 1995 and, since then, has made grants totalling US\$7 774 763 878. The grants are made on the initiative of the Foundation rather than through soliciting proposals, to international and US beneficiaries. HIV/AIDS is the major focus of the Gates Global Health Program. The priorities are: vaccine development, prevention/protection, microbicide development, comprehensive approaches to prevention, treatment and care, and support for orphans.

Some global health programmes are funded directly, while others are funded through other US institutions or UN agencies, such as the Global Fund. The Foundation's website shows that almost four billion dollars - US\$3 974 467 219 - has been spent on its Global Health Program since 1995. Most of this - almost US\$3.5 billion - has been given since 2000. Almost US\$1 billion (R6.5 billion) of the total has been channelled to health projects in Africa, targeting diseases that have been neglected by international drug companies³³.

The following grants are listed among the 'Grant Highlights' on the Foundation's website:

³³ Keeton, 2003.

Year	Grant details
1999	<p>Africare US\$1 996 750 over three years to strengthen and replicate the Southern Regional Adolescent Reproductive Health Initiative in Zimbabwe, South Africa, Malawi and Zambia.</p>
2000	<p>University of the Witwatersrand Foundation US\$455 000 over three years to support the Palliative Medicine Institute. This was the first grant made to a South African agency.</p> <p>Health Systems Trust US\$7 000 000 over 3 years to support and evaluate LoveLife Health Adolescents HIV/ AIDS campaign to reduce the incidence of HIV infection among young South Africans.</p> <p>African Comprehensive HIV/AIDS Partnerships, Inc. Botswana US\$50 000 000 over five years to develop a large-scale demonstration project that brings together the public and private sectors to significantly reduce HIV transmission and advance management and treatment. This is the largest single identifiable grant made in southern Africa</p>
2001	<p>Friends of the Nelson Mandela Foundation US\$10 000 000 over three years to combat AIDS, improve immunisation efforts and develop models of educational excellence in South Africa. (This is listed among the grants made by the Foundation for 'Special Projects').</p> <p>Global Fund US\$150 million pledged for the period 2002-5.</p>
2002	<p>Africare US\$1 193 500 over two years to provide continued support for the Adolescent Reproductive Health Initiative in Zimbabwe, South Africa, Malawi, and Zambia.</p> <p>Health Systems Trust US\$12 500 000 over three years to continue support of the LoveLife HIV prevention programme.</p> <p>Gauteng Partnerships for Grassroots AIDS Action US\$150 000 over two years to strengthen grassroots HIV/ AIDS response in South Africa.</p>
2003	<p>The University of Washington Foundation US\$29 989 259 over four years to facilitate a multi-site study in Africa to assess the efficacy of acyclovir treatment on the transmission of HIV.</p> <p>The Ark of Refuge, Inc. US\$26 000 over one year to equip gospel artists and leaders in South Africa to develop ways to reduce stigma and discrimination regarding HIV/ AIDS.</p>

Other donations that would benefit South Africa included: US\$60 million to the International Partnership for Microbicides; US\$168 million for research on malaria (announced in Mozambique); US\$250 million initiative for Tackling Grand Challenges in Global Health 'to accelerate research on scientific challenges that, if overcome, could lead to important advances against diseases in the developing world' (announced at the World Economic Forum, January 2003)³⁴.

The Ford Foundation – one of the oldest supporters of democracy in South Africa

The Ford Foundation is an independent international donor, based in New York but with offices in 12 countries in Africa, Asia, Latin America and Russia. It was created with gifts and bequests by Henry and Edsel Ford in 1950.

Its overseas offices are staffed by a mix of local and foreign nationals. About half of the staff are in New York. In 2004, Ford Foundation had 21 paid staff working in South Africa. Ford makes grants to people who are 'running innovative programmes in their own societies'.

The Ford Foundation's goals are to strengthen democratic values, reduce poverty and injustice, promote international cooperation and advance human achievement. It has a long history in South Africa, first supporting human rights, legal assistance, education, and community development organisations from outside the country, then opening offices in Johannesburg in 1993.

Ford targets NGOs that are 'doing something different' or have a specific niche – for example in children's issues, in legal/human rights work, or in HIV/AIDS. Former southern Africa representative Gerry Salole has criticised international NGOs that, as he put it, 'have not learned to work differently in SA than in other countries – they are still sending their people to work in their way on their programmes – they have their trademarks and you can anticipate how their programmes will look'.

All Ford Foundation funding is in the form of grants. Most funding is channelled directly to beneficiaries. Grants are multi-year (two or three); some organisations have been funded for ten years or more. Ford has made endowment grants to two community foundations over the years. It has made one recoverable grant (to Madikwe Lodge – where a community secured rights to the land and Ford lent them money to develop it – funding a business study, research, training, etc). The recipient was an existing grantee with whom Ford had a long-term relationship, having helped with their land claim.

Ford works very closely with Mott in South Africa. They, along with Kellogg and Carnegie, have committed US\$10m for commemorative grants and Ford has made joint grants with Carnegie and MacArthur in higher education. Generally,

³⁴ The Bill and Melinda Gates Foundation Annual Report 2003.

however, it prides itself on funding projects and organisations that are not being funded by others. Salole said: 'I am not convinced that colossal amounts of money managed by one institution on behalf of others works. My experience is that it is slower, more bureaucratic and more conservative in nature. My instinct is to say "What isn't being funded, what's being lost here?" and go for that.'

Ford makes grants of about US\$15m a year in southern Africa. Its core budget for southern Africa is US\$12m (of which about US\$10m goes to civil society and US\$2m to the state). It can supplement that through contributions of project funds from the various programme budgets. In this way, the southern Africa office raised an extra US\$5m for 2004/5.

Salole said: 'In terms of need, Zimbabwe should get about US\$10m annually but is currently getting about US\$3m. SA gets the lion's share (75-80% - this year [2004] around US\$12m). This is largely because the Foundation is based here but it's also because of the complexities here. The truth is that the proportion is arbitrary... I justify it as historical because of the human rights, constitutional and governance issues. For example, every member of the Constitutional Court spent time in the US supported by Ford - there is an invisible commitment to the process that SA is traversing.'

The Ford office in Zimbabwe closed in 1995/6, following the southern Africa office being opened in Johannesburg (in 1993). This was reportedly part of a decision to have all programme officers in one place. There has since been a reduction in Ford's funding to Zimbabwe but Salole stressed this was not a policy response to the regime but a consequence of the weakening of civil society in Zimbabwe and the reduced capacity of CSOs to apply for and manage grants. 'We would like to fund there but there have been fewer proposals.'

In terms of the US restrictions on overseas funding, Salole said there was pressure but not interference from the US government. The Ford Foundation makes grants for reproductive health services, including organisations that provide information/services on abortion. This has attracted criticism from the US government but no attempt to prevent it.

Although Ford suffered a severe reduction in its asset base as a result of market collapse at the end of 2002 (and had to retrench 15 field officers) it intends to maintain its commitments to South Africa and is committing more money to Africa in general. Ford has launched an independent African foundation, Trust Africa, with a US\$30m endowment. The Trust started making grants from New York but moved to Senegal under the directorship of sociologist Akwasi Aidoo. Trust Africa's work comprises convening experts and practitioners, making grants for collaborative projects and supporting the long-term development and strengthening of African institutions. It is conceived as a 'civil society think tank', convening, making grants

to African institutions, partnering with NEPAD and taking on issues of regional integration, citizenship and identity, and peace and conflict resolution.

Through Trust Africa, Ford aims to raise more money *within* the continent. According to Salole, this continental focus did not mean South Africa would get less because 'We can do things here in terms of civil and economic rights that you can't do anywhere else. South Africa is quite advanced in that regard.'

In terms of sectoral trends, Salole expected Ford to maintain its focus on poverty alleviation and social justice, and its approach of having experts in different sectors marrying horizontal and vertical work.

Interfund³⁵ - an international partnership

Interfund was founded in 1986 as a consortium of mainly northern European funders to support South African CSOs in their fight against apartheid. After the 1994 democratic elections, it became a locally based developmental grantmaker and was registered as a South African Section 21 Company in 1999.

Until 1998, it was still an international consortium and some founder members, such as the World University Service (WUS), were still part of it. Some big donors, such as HIVOS, came on in 1998/9. During that time the board was made up of donor members, but the donors and a focus group from the sector decided that for sustainability Interfund must localise. The organisation then recruited a southern African board, including the NDA and the Lotteries, with a view to moving into the region.

Ibis was the first international donor to withdraw – at the start of a trend that saw almost all donors opening local offices. Mott joined Interfund in 2000, Atlantic Philanthropies withdrew in 2001 and, in 2003, HIVOS decided to take back control of running their programme in SA instead of doing it through a consultant.

In December 1999, Barry Smith joined the European Union as director and Alicia Pieterse took over as director in March 2000. Until that time, many of the professional staff were still ex-patriates and Interfund operated through an intermediary grantmaker (IGM). It then became an implementing agency and had to integrate capacity building into all its programming. In addition to grantmaking, it provided, in partnership with the EU, a platform for debate and knowledge-sharing between civil society, academia, policy makers, donors and others. It published the Development Update journal and was active in advocacy and lobbying.

Interfund aimed to provide a model for international partnership in support of relevant, community-based and locally owned development projects. At the time of its demise, it was funded by the EU, HIVOS, Ibis, the Joseph Rowntree Charitable Trust, the Mott Foundation and the South African financial services company

³⁵ Interview with Alicia Pieterse, Director Interfund, July 2004.

African Harvest with NEDCOR. It broadly promoted freedom, democracy and human rights, but from 2000 it switched from a sectoral focus and made capacity-building a main thrust of its approach (supported by an EU grant of 4m Euros – about R32 million at today's rates – over five years, to give access to training, systems development, etc). It started to integrate gender and women's development into its HIV/AIDS programming and gave priority to projects supporting marginalised and rural black communities, women, youth and people affected by HIV/AIDS in KwaZulu-Natal, Limpopo, the Eastern Cape and Mpumalanga. When it closed in July 2005, it was supporting more than 70 non-governmental and community-based organisations nationally – from small community centres to national service providers and network organisations – and had been disbursing some R30 million annually.

Ironically, one of its criteria for appraising eligible beneficiaries was the prospect of long-term institutional sustainability and potential to attract resources and finance from International and other South African sources. This turned out to be what Interfund as a grantmaker was not able to do.

Pieterse was aware that, as long as local grantmakers could not generate their own funds, they would be subject to shifts in donor funding trends, particularly in the light of the post 9/11 move towards 'a more conservative, security-driven outlook'. For this reason, it had been focusing on how to penetrate CSI funding for development since 2002, when it appointed someone solely to reach out to the business community. By 2005, it still had only one corporate partner and no new international donors. Pieterse noted that some donors had supported the localisation process in principle 'but [had] found it difficult to adjust when local succession planning has resulted in black women from outside the donor network taking over leadership'. At the same time, the South African business community had not begun to invest on an adequate scale. It needed to do so, Pieterse said, in order to help 'develop a new cadre of leadership – especially among CBOs, poor women living with HIV/AIDS, people with a vision but lacking skills. These are often powerful people who lack something and if they are supported, they can then access decision-making structures and engage'.

In 2004, Pieterse identified a range of problems in the relationship between civil society and government in terms of promoting local development: lack of cooperation; lack of Public-Private Partnerships; resources sitting in special funds and not reaching community and non-government organisations that are doing important work. 'The National Treasury behaves like civil society doesn't exist but if we stop doing what we are doing, everyone will be affected. Civil society is picking up the pieces flying around because of our macro economic policy. Unless we reach a stage where civil society structures are engaged by government at every level, things are not going to change - we can't keep doing patch-up work.'

The main problem Interfund had identified in terms of mobilising local resources – and which its closure can only exacerbate – was the dependence of the most marginalised and vulnerable people on volunteers and charity to provide critical care and support at household level, while resources earmarked for such services are stuck in local and provincial budgets and special funds.

Pieterse’s aim had been to ‘use 18 years of grantmaking to give an analysis of the situation and needs, and make an informed response... One idea is to get big organisations, like TAC, to take small organisations under their wing and to share their successes. They should be saying “we did this and learned this and then changed”’.

Médecins sans Frontières³⁶ – international NGO

Médecins Sans Frontières (MSF) is an international humanitarian aid organisation that provides emergency medical assistance to populations in danger, in more than 80 countries. MSF has been carrying out emergency medical aid missions since 1971. Its mission in South Africa is to focus on HIV/AIDS treatment and care and provide low-cost, high quality ARV treatment in collaboration with provincial departments of health.

When MSF’s Head of Mission came on a fact-finding visit to assess HIV/AIDS treatment needs, he found that Pretoria was not enthusiastic about a national treatment programme, but after meeting Zackie Achmat of the TAC and finding that the director of health in the Western Cape was supportive of making treatment accessible, MSF began a collaboration with the province. Although there was a lack of political leadership to promote access to HIV/AIDS treatment, MSF found that South Africa’s legislation and decentralisation meant that such an agency could engage people on the ground and get innovative programmes working.

MSF only sends missions to disadvantaged communities with the least access to medical services, regardless of the economic status of the country. Deputy Head of Mission Bettina Schunter says: ‘The criteria are based on need and [promoting] equitable distribution of services.’ MSF only withdraws from an area/country if security becomes untenable.

MSF came to South Africa to help the Western Cape set up the first ever Prevention of Mother to Child Transmission (PMTCT) programme in the country, which it did in 1999. It hoped eventually to provide comprehensive HIV treatment and, since January 2003, has been working in one of the poorest areas in South Africa – Lusikisiki, a rural town in the Eastern Cape – where it has started hundreds of patients on ARVs. At MSF’s Khayelitsha AIDS programme, more than 1 200 people

³⁶ Informant: Bettina Schunter, Deputy Head of Mission, MSF.

were on ARV treatment by the middle of 2004 and many thousands more were receiving treatment for opportunistic infections and medication to prevent mother-to-child transmission of the virus. There is a rape follow-up clinic at the Khayelitsha site B Day Hospital, which is turning into an acute clinic. There are no plans yet to operate elsewhere in the country.

MSF is running treatment programmes in 15-20 countries. It also lobbies to bring down the prices of ARVs and for governments to register generic medicines. Its aim has simply been to show that ARV treatment is possible; it has never handed over an ARV treatment programme to a host government because no government could afford to take it over. However, South Africa has the resources to treat HIV and the Western Cape provincial government was due to take over the MSF programme by July 2005. MSF says it will remain active in South Africa as long as it is needed.

The majority of funds raised for MSF's work come directly from contributions from the general public. Donations to MSF Belgium, MSF Germany and MSF USA account for over half the funding for the South Africa programme. The rest comes from the Danish government, the Belgian government, urban renewal and the Global Fund (this funding is provincially managed). MSF does not accept donor funding that has political objectives. For example, it didn't take NATO money for its work in Kosovo or US money for its programme in South Sudan.

MSF provides material aid (mainly drugs), human resources and technical support. It employs 70 paid staff in SA. Funding is spent on drugs, personnel (MSF staff) and local support. MSF usually manages its own resources rather than making grants or payments. There are only two organisations that it supports in SA: TAC, which has to submit a financial report; and iKhwezi, a small theatre group, which receives payment for its work and provides a narrative report and financial receipts. In the past, MSF has funded PATAM (the Pan African Treatment Access Movement). All funding is treatment-related. Payments are made directly from MSF funds, except for activities funded by the Global Fund (they reimburse beneficiaries or pay directly).

The Khayelitsha clinic is run by the provincial health department although MSF provides the medical management. The Head of Mission is on the provincial and district HIV task forces. All MSF work is carried out in partnership with the TAC (which coordinates clinic education, advocacy and support groups); as Schunter says, 'they were the only project doing this kind of work so this is natural'.

The MSF budget for South Africa is flexible but was around 2.6-2.8m Euros (around R22.4 million at R8/€) for 2003/2004. Drug costs are the most expensive part of programme. When the Western Cape provincial government takes over financial responsibility for running the programme there will still be some financial commitment from MSF for programme support. In the Eastern Cape it will take a lot

longer for the provincial government to develop the capacity to take over the programme.

MSF's M&E is project based; the projects are designed as operational research and are moving towards the integration of HIV and TB treatment in SA. Rather than basing assessments on long-term plans, they 'are looking at treatment now and responding to changing needs and goals, in line with provincial and district goals. The Eastern Cape was easier to get started and the goals were clearer in terms of steps towards a full ARV rollout'.

In terms of impact, the Khayelitsha and Lusikisiki experience has shown how an ARV programme can improve health services and systems, and the healthcare-seeking behaviour of people who previously did not access services.

The MSF network anticipated there would be less private funds available for its work following the 11 September 2001 attack but this didn't happen. 'DFID started sending all their money to Iraq and cut funding to SA but that hasn't happened with other donors to MSF. We are very lucky because in general, private contributions are going down. Under Clinton, people felt more connected and had more money to spend. Now people feel less connected, more protective. But MSF has a good reputation. That is largely due to the fact we are doing emergency medical help on strict ethical lines and even though we have spoken out against the US government, we still have the support of US people; they know money is going where it is supposed to. About 87% of donations by private individuals reaches projects in the field – the balance covers administrative costs.'

Global Fund – the largest pool of resources

The Global Fund to Fight AIDS, Tuberculosis and Malaria was established in 2002 'to attract and disburse substantial new resources to fight three of the world's most deadly pandemics'³⁷.

By the end of 2004, pledges of almost US\$6 billion were made to the Global Fund by nearly 50 countries, as well as corporate, private foundation and individual donors³⁸ (Gates made the largest non-government donation – US\$150 million). However, only just over half of what was pledged was paid into the fund in the same period.

South Africa is a donor to as well as a beneficiary of the Fund. It pledged R20 million – a little over US\$3 million, for 2003 (of which it had paid R2 million by February 2005), while budget allocated to South Africa for 2003 and 2004 was US\$65 030 986 (approx R390 million)³⁹. It took one and a half years for South Africa to sign

³⁷ http://www.theglobalfund.org/cn/in_action/events/paris/summaryreport/

³⁸ See Appendix 2.

³⁹ Global Fund, 2004.

a US\$41-million (about R270-million) deal with the Fund due to disputes over how the aid would be distributed – in particular, whether it could be used to buy anti-retroviral drugs and whether funds could go directly to programmes and provinces rather than through the central government.

The Global Fund makes grants for programmes implemented by governments, NGOs, institutions and the corporate sector. This is generally done through country coordinating mechanisms (CCMs).

5. Conclusion

The three main themes emerging from the analysis of the international funding climate and the role of foreign private giving in South Africa are:

- a willingness to continue supporting poverty alleviation and development programmes, to strengthen democracy and reduce inequality;
- a concern that South Africa should be able to mobilise local (public, corporate and private) resources for both national and regional/continental development;
- recognition of the importance of consolidating and disseminating information to grantseekers and grantmakers about funding flows – both to improve access to funding and to improve coherence.

While aid flows from foreign private agencies are much lower than official flows, one of the major differences is that ODA constitutes a minute proportion of state spending, while private foreign funding is the mainstay of many non-profit organisations. Given that few NGOs have been able to tap into local funds, whether corporate or private, to improve their sustainability, until and unless there is an effective and efficient mechanism for channelling donor funding to the non-profit sector through a restructured NDA or another vehicle, this dependency (and unsustainability) is likely to continue.

The demise of Interfund is sobering in this regard: if a major grantmaker with a long history and relatively broad funding base was unable to retain external support or generate sufficient local support to replace foreign funding, how will NGOs and CBOs fare?

There is still significant international private funding available to support development and poverty alleviation in South Africa. Most of the major donors expect to continue supporting South Africa in the medium term. The major challenge is to bridge the gap between the tens of thousands of unsupported CBOs delivering services at community and household level and the plethora of foreign agencies wanting to target funds so that they will make a difference at that local

level but in a way that can be properly monitored and contribute to broader development goals.

Donors are clearly applying their minds to this dilemma. Mott has looked at how it can support mobilisation of local resources so that its US\$5 million a year will have lasting impact. It has highlighted the possible role of mechanisms for leveraging local funds, such as savings clubs, community foundations, tax incentives for giving, women's funds and workplace giving. One of its beneficiaries, the Wheat Trust in Cape Town, is developing a local funding base.

The US Kresge Foundation has announced a Special Initiative in South Africa, a five-year programme of up to US\$10 million to support the establishment of self-sustaining advancement, development and fundraising operations at South African institutions through grants to four institutions from January 2006.

Several commentators have expressed concern that Africa is slipping down donors' agendas but that does not seem to be the case with private donor funds. The Affinity Group for Grantmakers to Africa (AGAG), based at Rockefeller, and the Sub-Saharan group of the European Foundation Centre are some of the groups trying to encourage more foundations to put money into Africa.

Christa Kuljian, former Director of Mott's South Africa office, says: 'I don't get the sense that any of the big foundations or donors are looking at an exit strategy (apart from DFID and the Africa Trust). I think they are looking at continued involvement at least in the medium term but they can also look at how to strengthen SA institutions. That was part of the motivation behind Mott looking at strengthening the NPO sector. I don't advocate drawing a line in the sand and saying "you can all go home now". But philanthropy is not only about north to south giving but also strengthening African institutions.'

At the project level, several of the donors believe there is a role for external funding of pilot or experimental programmes that would be regarded as too risky for official aid or national government support. Gerry Salole believes the road to mobilising local resources to address local problems will be a long one but that the role of external resources needs to be more strategically planned and managed. 'The belief that outside funding is needed in this country is a joke. SA corporate business must begin picking up the slack – there are three Ferrari outlets and a Lamborghini outlet in Gauteng. The dynamic between outside and local funding must change. Power relations must change. Africans must say to other Africans "get your act together, produce your report on time, and be efficient". Such a scenario is not tomorrow - it's years ahead.'

Salole points out, for example, how little money the South African Grantmakers Association (SAGA) gets from internal sources: 'SAGA is sustained by Atlantic, Ford and Mott. If we were 20% of SAGA, fine, but we [foreign agencies] are 90%. There is a feeling that the US foundations may be dominating but we have no

say in what SAGA does. There are some things I may not like but I don't control it. SAGA has to wean itself off foreign funding. Why are corporates not putting money in although they are using the service?'

'There are enough resources in SA that you don't need foreign agencies but the resources are not being deployed in the right way so you need *avant garde* types of institutions to add to the critical voice, the cutting edge stuff. Implementation in this country is appalling and some NGOs from outside are sometimes more courageous than local organisations.

'Take TAC - there is an inside institution that knows how to work, supported by outside resources that are not intimidated.'

However, one recent trend that concerned Ford was the targeting of resources for 'AIDS orphans', with a danger of donors looking for macro-scale uniform solutions (e.g. institutional care, as opposed to maintaining the capacity of communities to respond). 'As the crisis gets bigger and people aren't in control of it, the knee-jerk reaction will be to come up with more massive solutions, like institutions', says Salole. 'I am of the old school approach, of holding back until you see what people are doing and where they are going and then giving urgent stop-gap funding to support that. The problem with that is, of course, what kind of resources you invest in - it shouldn't be a question of either/or.'

There is a need to address the lack of coordination of private donor funding to the non-profit sector, but in a way that does not result in over-regulation by the state. The upside of the current funding environment is that there is space for autonomy and creativity on the part of donors and recipients. Gerry Salole says South Africa is 'a remarkably free place to work in; no one in government has ever come in and investigated whom we are giving money to, though they could'.

The downside is that it is difficult to take full account of the role and potential of the NGO sector, let alone to align NGO programmes with government development priorities. Christa Kuljian says that since government wants to partner with NPOs on service delivery and there is a section of this sector prepared to do that, it is important to have adequate information sharing. 'You don't want government to regulate the entire spectrum of civil society; you want space for social movements to develop around needs that aren't being addressed and you want CBOs to exist without having to register with government. So departments of government have to be able to find organisations that want to partner and non-profit organisations have to be able to decide whether to accept government funding.'

Efforts to improve networking among donors and between donors and grantseekers are critically important in an era of growing, but concentrated, private wealth and extensive poverty at community level. Just as important as donors knowing what other donors are doing and encouraging sustained support for funding poverty alleviation and development efforts in South Africa and the rest of the continent, is the need for the

non-government sector within the country to know what the donor community is doing – and what it is not doing. Initiatives to develop up-to-date donor databases, to collate information on donor funding areas, criteria, funding cycles and application formats are long overdue. However, much of the critical information being generated remains beyond the reach of smaller grantseekers. On the one hand, there is loveLife⁴⁰, funded to the tune of hundreds of millions of rands by the SA government, international donors, local corporates and the lottery, to roll out HIV prevention and teen health campaigns. On the other, there are innumerable CBOs working directly with people affected by HIV/AIDS, which have no idea these funding agencies exist, let alone the means to approach them. Surely this is an expression of the inequity in South Africa that no amount of foreign-funded ‘capacity-building’ can address. It requires a national strategy to link local projects into information and support networks that will equip them to source available funding.

Government spokespeople are highly critical of non-governmental organisations that accept foreign funding, questioning their agendas, representation and accountability. Such criticism assumes that CSOs are choosing foreign rather than available local funding, or that foreign funding is supporting activities that are either unnecessary or subversive. The suspicion of foreign-funded CSOs overlooks several important aspects of the role of such funding. Firstly, within their areas of focus, private foreign donors generally fund organisations and projects whose objectives are aligned with national development priorities. Secondly, private foreign donors are often funding activities that the state supports in principle but for which there are inadequate resources (for example, early childhood development service provision). At the same time, foreign donors actively encourage CSOs to both diversify and localise their funding base. Thirdly, private foreign donors are supporting CSOs that are engaged in legitimate advocacy and protest, for which they would never get state or corporate funding. This is not because the activities are intended to undermine government but because they are upholding the constitutional rights of citizens where these are being violated or neglected by government or corporates. Examples would be lobbying around HIV treatment access and protest against polluting industries. There is both a lack of capacity within the smaller non-profits to access funding and a lack of alternatives to private foreign funding. However, even if CSOs were able to access local (state and corporate) funds, the role of private foreign funders in assisting organisations to fill service delivery gaps, to advocate for delivery and to protest and organise against violations of rights would not become redundant.

⁴⁰ The Global Fund approved two projects for loveLife, totalling US\$12 million (around R78 million), in its first round of funding. loveLife receives a third of its current annual budget from the South African Government and most of the balance from the Henry J. Kaiser Family Foundation, and the Global Fund. It is also supported by the Anglo American Chairman’s Fund, the South African National Lottery, the South African Broadcasting Corporation, the Independent Newspaper Group and the Vodacom Foundation.

6. References

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7. Appendices

1. Database of foreign-based private foundations and INGOs in South Africa

Foreign private foundations in South Africa	
1)	AT&T Foundation
2)	Amy Biehl Foundation Trust
3)	Atlantic Philanthropies
4)	Banyan Tree Foundation
5)	Bernard van Leer Foundation
6)	Bill and Melinda Gates Foundation
7)	Books for Africa Foundation
8)	Bristol-Myers Squibb Foundation
9)	Canada Fund
10)	Carnegie Corporation of New York
11)	Carthage Foundation
12)	Charities Aid Foundation
13)	Charles Stewart Mott Foundation
14)	Chase Manhattan Foundation
15)	Christensen Fund
16)	Citigroup Foundation/ Corporate Contributions Program
17)	Coca-Cola Foundation,
18)	Community Foundations of Canada
19)	Compton Foundation
20)	Cottonwood Foundation
21)	Daimler-Chrysler Foundation
22)	Delano Foundation
23)	Dell Computer Corporation
24)	Discovery Channel Global Education Fund
25)	Eastman Kodak Foundation
26)	Elton John AIDS Foundation

27)	Exxon Mobil Foundation
28)	Firelight Foundation
29)	Ford Foundation
30)	Foundation for Development of Democratic Rights (DemNet)
31)	Free Africa Foundation
32)	Freedom Forum
33)	Friedrich Naumann Foundation
34)	General Electric
35)	Greenville Foundation
36)	Heinrich Boll Foundation
37)	Henry J. Kaiser Family Foundation
38)	Hewlett Foundation
39)	Hilton Conrad Foundation
40)	HIVOS (Humanistic Institute for Development Co-operation)
41)	IBM Foundation
42)	International Finance Corporation Foundation
43)	International Foundation for Children and Christian Education
44)	International Foundation for Human Development in India
45)	Irish Aid Foundation
46)	Irvin L. Young Foundation
47)	Israel South Africa Foundation
48)	J Paul Getty Trust
49)	J. P. Morgan Chase, Manhattan Bank, Corporate Foundation,
50)	Jones Foundation, Inc, W. Alton
51)	Kellogg Foundation W. K.
52)	Konrad Adenauer Stiftung
53)	Levi Strauss Foundation
54)	Liberty Foundation
55)	McKnight Foundation

56)	Medtronic Foundation
57)	Mellon Foundation, Andrew W.
58)	Minnesota, Mining & Manufacturing (3M),
59)	New-Land Foundation Inc
60)	Open Society Foundation
61)	Packard Foundation, David and Lucille
62)	Pfizer Foundation
63)	PG Foundation
64)	Rockefeller Brothers Fund. Inc.
65)	Rockefeller Foundation
66)	Rotary Foundation
67)	Soros Foundations Network,
68)	Starfish Foundation
69)	Stewardship Foundation
70)	Texaco Global Fund
71)	Timeken Foundation of Canton
72)	Turner Foundation
73)	Women's Initiative Foundation

International NGOs and FBOs in South Africa

1)	ActionAid
2)	African Women's Development Fund
3)	Africare
4)	American Jewish World Service
5)	Amref – African Medical and Research Foundation
6)	Association for Women's Rights in Development (AWID)
7)	BooksForAfrica.com
8)	Bread for the World
9)	Broederlijk Delen
10)	Brotherhood of Blessed Gérard
11)	Cafod (Catholic Agency for Overseas Development)
12)	CARE (Catholic Relief Services) International
13)	Charities Aid Foundation
14)	Christian Aid
15)	Christian Development Trust Foundation
16)	Diakonia, Sweden
17)	Entraide et Fraternité
18)	FARM-Africa
19)	Feed SA
20)	Foundation for Human Rights
21)	Global Fund for Women
22)	Habitat for Humanity
23)	Helpage International
24)	Hunger Project
25)	Ibis (previously WUS – Denmark)
26)	ICCO, Interchurch Organisation for Development Cooperation
27)	Institute for International Cooperation and Development (IICD)
28)	InterAction
29)	International Fundraising Consortium (Interfund)
30)	Japan International Volunteer Centre,

31)	Malnutrition Matters (Canada)
32)	MAP International Relief and Development
33)	Mennonite Central Committee
34)	Misereor (German Catholic Bishops' organisation for international cooperation)
35)	MSF
36)	Norwegian Church Aid
37)	Norwegian People's Aid
38)	Novib (Oxfam Netherlands)
39)	Oxfam – Australia, Canada, UK & Ireland
40)	PATH: Program for Appropriate Technology in Health – Culture & Health Grants Program for Africa
41)	Peace Corps
42)	Plan International UK
43)	Save the Children Alliance
44)	SOS Children: Aids Africa
45)	Synergos
46)	Terre des homes (tdh)
47)	Transaid (child safety) www.transaid.org
48)	Trocaire
49)	VSO
50)	War on Want www.waronwant.org
51)	Water for Children Africa
52)	WOMANKIND Worldwide http://www.womankind.org.uk
53)	World Assembly of Muslim Youth
54)	World Council of Churches Grants,
55)	World Hope Foundation
56)	World Vision
57)	Y-Care International (YMCA support)

	Donor	Type of programmes	Overseas contact details
a.	Amy Biehl Foundation Trust	Peace, youth, educational programmes	Ms Ashleigh Murphy Broadway Centre, Hertzog Blvd, Foreshore, Cape Town 8001 Tel: (012) 425 0094 Fax: (012) 425 0323 Email: abftrust2@africa.com Website: www.amybiehl.org
b.	AT&T Foundation	HIV/AIDS, animals/wildlife preservation/protection, arts, cultural/ethnic awareness	AT&T Foundation 32 Avenue of the Americas, 24 th Floor New York 10013 Tel: (212) 387-4801 Fax: (212) 387-5809 Website: www.att.com/foundation
c.	Atlantic Philanthropies	Ageing, disadvantaged children & youth, health of populations, reconciliation & human rights	Postnet Suite 63 Private Bag X42 Braamfontein 2017 South Africa Tel: +27-11-339-4054 Fax: +27-11-339-4057 Email: SA@atlanticphilanthropies.org Website: www.atlanticphilanthropies.org
d.	Association for Women's Rights in Development (AWID)	Policy, institutional and individual change to improve the lives of women and girls	215 Spadina Ave. Suite 150, Toronto, ON, Canada, M5T 2C7 Tel: +1 (416) 594-3773 Fax: +1 (416) 594-0330 Email: awid@awid.org Website: www.awid.org
e.	Bristol-Myers Squibb Foundation	Health care, health education and humanitarian assistance	Bristol-Myers Squibb Foundation 345 Park Ave, 43 rd Fl., New York, 10154 Website: www.bms.com/sindex/data/ www.bms.com/aboutbms/index.html
f.	Banyan Tree Foundation	Education and programme support, seed money	700 11th Street, NW, Suite 460 Washington, DC 20001, USA Tel: +1 (310) 558-3888
g.	Bill & Melinda Gates Foundation	Education, global health, community giving, technology, youth development	Bill and Melinda Gates Foundation P.O. Box 23350 Seattle, W.A. 98102 Tel: (206) 709-3100 Website: www.gatesfoundation.org/
h.	Books for Africa Foundation	Distributing books and knowledge into African countries	Website: www.booksforafrica.org

i.	Carnegie Corporation of New York	Democracy issues, program development, technical assistance, education, international peace and security, public interest law, science and technology policy development and research on women	Carnegie Corporation of New York 437 Madison Ave, New York 10022 Tel: (212) 371-3200 Website: www.carnegie.org
j.	Charities Aid Foundation	Advocacy, capacity building, corporate and social investment, funding and information	Mr. Eugene Saldana Tel: (011) 339 1136 Email: info@npp.org.za Website: www.cafonline.org
k.	Development Trust Foundation Inc.	Christian development and social development	Mr Allan Wentzel PO Box 70485 Bryanston 2021 Tel: (011) 463 1809 Fax: (011) 463 1640 Email: allan@cdtrust.co.za Website: www.cdtrustm.co.za
l.	Carthage Foundation	Political Science, public policy research, crime/law, gov/public admin, etc	Carthage Foundation, 1 Oxford Ctr., 301 Grant St, Suite 3900, Pittsburg, PA 15219-1489 Tel: (412) 392- 2900 Website: www.scaife.com
m.	Chase Manhattan Foundation	Artistic development, community development, education, and public policy issues	Chase Manhattan Foundation 600 5 th Ave, 3 rd Floor NY 10020 Tel: (212) 332-4100 Website: www.chase.com Website: www.scaife.com/carthage
n.	Charles Stewart Mott Foundation	Civil society, environment, and poverty	1. Charles Stewart Mott Foundation Postal address: P.O. Box 32088 Braamfontein 2001, South Africa Physical Address: 1st Floor, Braamfontein Centre 23 Jorissen St Tel: (011) 403 6934 Fax : (011) 403 7566 Email: 1molapo@mott.org Email: ckuljian@mott.org 2. 1200 Mott Foundation Bldg, Flint, Michigan 48502- 1851 Tel: (810) 238 5651 Fax: (810) 766- 1753 Website: www.mott.org
o.	Citigroup Foundation/ Corporate Contributions Program	Career training, human life enhancement, arts and culture, community development, education, environment and health	1. Citigroup Foundation 850 3 rd Ave, 13 th Floor NY 10022 Tel: (212) 559-9163

			<p>Website: www.citigroup.com 2. Citigroup Corporate Contributions Program Tel:(212) 559-0173 Website: www.Citibank.com/corporate_affairs/pf_oco.htm</p>
p.	Community Foundations of Canada	Assisting community foundations	<p>301-75 rue Albert St Ottawa ON Canada K1P 5E7 Tel: +1-613-236-2664 Fax: +1-613-236-1621 Website: www.comunity-fdn.ca</p>
q.	Cottonwood Foundations	Assisting small community foundations and CBOs.	<p>Mr Paul Moss Executive Director P.O. Box 10803 White Bear Lake MN 55110 Tel: 1 651 426 8797 Fax: 1 651 426 0320 Email: cottonwood@igc.org Website: www.cottonwoodfdn.org</p>
r.	Coca Cola Foundation	Scholarships, the building of schools, libraries, donating books, environment and international exchange programmes	<p>The Coca-Cola Foundation, Inc, P.O. Box 1734, GA Atlanta, 30301- 3009 Tel: (404) 676-2568 Website: www.thecoca-colacomany/foundation</p>
s.	Compton Foundation	Peace & security, environment & sustainability, and population & reproductive health	<p>Compton foundation, Inc. 535 Middlefield Road, suite 160, Menlo Park, CA 94025 Phone: (650) 328-0101 fax: (650) 328-0171 website: http://www.comptonfoundation.org</p>
t.	Christensen Fund	Visual arts, conservation science and education	<p>145 Addison Ave Palo Alto, CA 94301 USA Tel: 650-462-8600 x 113 www.christensenfund.org</p>
u.	Daimler Chrysler	Cultural, social, and youth projects	<p>Daimler Chrysler Auburn Hills, MI 48326-2766 Tel: (248) 576 5741 Fax: (248) 276 4742 Website: www.daimlerchrysler.com</p>
v.	David & Lucille Packard Foundation	Program development, seed money and technical assistance	<p>300 2nd St, Suite 200, Los Altos, CA, 94022 Tel: 650-948-7658 Website: www.packard.org</p>
w.	Dell Computer Operation	Internet leadership, education, technology, internet literacy and access	<p>Dell Computer Corporation 1 Dell Way Round Rock, TX 78682 Website: www.dell.com/us/en/gen/corporate/vision_000_initiatives.htm</p>

x.	Discovery Channel Global Education Fund	Technology access and education	Discovery Channel Global Education Fund 7700 Wisconsin Ave Bethesda, MD 20814 Tel; (301) 986-0444 ext. 3804 Fax (301) 771-4065 Email: global_education_fund@discovery.com Website: http://discoverygloaled.org/educationfund.html
y.	Eastman Kodak Foundation	Education, community development, conservation	The Director, Community Relations & Contributions Eastman Kodak Company 343 State St. Rochester NY 14650-0517 Tel: 724- 2783 Website: www.kodak.com/US/en/corp/community.shtml
z.	Elton John AIDS Foundation	Educational programs targeted at HIV/AIDS prevention & elimination of bias against HIV/AIDS-affected individuals, and funding for programs that provide services to people living with/at risk from HIV/AIDS	Website: www.eltonjohn.com
aa.	Esso (Mobil)	Community giving, jobs, local growth, health improvements, AIDS and STDs programs, community outreach, environmental enhancement, etc	Esso Exploration & Production Chad, Inc. P.O. Box 146, Houston, TX 77001, 0146 Website: www.esso.com
bb.	Firelight Foundation	Focuses on children affected by AIDS in sub-Saharan Africa.	Firelight Foundation 510 Mission St, Santa Cruz, California, 95060, USA Tel: 1+831-429-8750 Fax: 1+831-429-2036 Email: info@firelightfoundation.org Website: www.firelightfoundation.org
cc.	Ford Foundation	Focus on strengthening democratic values, AIDS, early childhood development, education, reduce poverty and injustice, international cooperation and advance human achievement, community and resource development, economic development, media and governance and much more	Postal address: P.O. Box 30953, Braamfontein, Johannesburg, 2017 Physical Address: 5 th Floor, Braamfontein Centre 23 Jorissen St Tel: (011) 403 5912 Fax: (011) 403 1575 Website: www.fordfound.org
dd.	Freedom Forum	First amendment issues, media	Freedom Forum World Centre 1101 Wilson Blvd. Arlington, VA 22209 Tel: (703) 528 0800 Fax: (703) 284 28836 Email: news@freedomforum.org Web: www.freedomforum.org
ee.	Friedrich Naumann Foundation	Political education, political dialogue and political advice in	Friedrich-Naumann-Stiftung Karl-Marx-Straße 2

		various countries	14482 Potsdam Tel. +49 331/ 7019-0 Fax +49 331/ 7019-188 Email: fnst@fnst.org Website: www.fnf.org.za
ff.	General Electric	Educational quality, higher education, basic education in primary and secondary schools	GE Fund 3135 Easton Turnpike, Fairfield, CT 06431 Tel: Information line: (203) 373- 3216 Fax (203) 373 3029 Email: gefund@corporate.ge.com Website: www.ge.com/community/
gg.	Gender Action	Promotes women's rights and gender equality and ensures women and men equally participate in and benefit from International Financial Institution (IFI) investments in developing countries	Email: elainez@genderaction.org Website: www.genderaction.org
hh.	Greenville Foundation	International development, peace and justice, community development, and conflict resolution	Greenville Foundation 283 2 nd St E. Sonoma, CA 95476 Tel: (707) 938- 9377 Fax: (707) 939- 9311 Website: www.greenvillefoundation.com
ii.	Hewlett Foundation	Supports charity organisation, conflict resolution, education, environment, family, and community development	William and Flora Hewlett Foundation 525 Middlefield Road, Suite 200, Menlo Park, CA 94025 Tel: (650) 329- 1070 Fax: (650) 329 9342 Website: www.hewlett.org
jj.	Heinrich Boll Foundation	Environment, media and women	Mr. Stefan Cramer Tel: (011) 403 0186 Email: hbssa@wn.apc.org Website: www.boell.org/home.html
kk.	Henry J. Kaiser Family Foundation	Program development and research	Renee Wells 2400 Sand Hill Rd Menlo Park, CA 94025 Tel: 800-656-4533 Website: www.kff.org
ll.	Hilton Conrad Foundation	Special emphasis on children, domestic violence, early childhood development, housing for the mentally ill, homeless, hotel & restaurant management education, safe water development, substance abuse	Conrad N. Hilton Foundation 100 West Liberty Street, Suite 840 Reno, Nevada 89501 Tel: (775) 323 4221 Fax: (775) 323 4150 Website: www.hiltonfoundation.org
mm.	HIVOS (Humanistic Institute for	Economy, environment & sustainable development, human	HIVOS Raamweg 16

	Development Co-operation)	rights, HIV/AIDS, gender, women and development, arts & culture and ICT	PO Box 85565 2508 CG The Hague Tel: +31 70 376 5500 Fax: +31 70 362 4600 mail: info@hivos.nl website: www.hivos.org/publish website: www.hivos.nl/english
nn.	IBM Corporate Community Relations	Education, workforce development, arts and culture, communities in need, etc	Corporate Community Relations IBM Corporation, New Orchard Rd, Armonk, NY 10504 Tel: (914) 766 1900 Website: www.ibm.com/ibm/ibmgives Website:www.ibm.com/ibm/ibmgives/grant/grantapp. hml .
oo.	International Foundation	Program development, seed money	Dr. Edward A. Holms Grants Chair 170 Changebridge Rd No. C5-3, Montville, NJ 07045 Tel : 973-227-6107 Website: www.ifebp.org
pp.	Irvin L. Young Foundation	General funding	15535 St. Therese Blvd. Brookfield, WI 53005 Tel: 262-495-2485 Website: www.foreveryoung.org
qq.	Irish Aid Foundation	Education, health, funding and rural development	Ms Nicole McHugh P.O.Box 4174, Pretoria, 0001 Delheim Suite, Tulbagh Park 1234 Church St Pretoria Tel: (012) 342 5062 Fax: (012) 342 4752
rr.	Israel South Africa Foundation	Jewish-based charities and community development	Mr Forb Tel: (031) 301 2882
ss.	International Federation of University Women Est. 1919	The recognition and protection of human rights, scholarships and grants to women., women's rights and protection	International Federation of University Women Headquarters 8 rue de lancing-Port CH-1201 Geneva, Switzerland Phone: (+41) 22.731.23.80 Fax: (+41) 22.738.04.40 Website: IFUW Web site E-mail: info@ifuw.org
tt.	J. Paul Getty Trust	Visual arts	1200 Getty Center Drive Los Angeles, CA 90049-1679 Tel: (310) 440-730 Website: www.getty.edu
uu.	Japan International Volunteer Centre	Bursaries, education, environmental issues, funding, volunteerism	M's Naoko Tsuyama Matom Tel: (011) 403 3212 Email: jvcsa@wn.apc.org

			Website: www.janic.org
vv.	Jones Foundation, Inc, W. Alton	Global environmental protection and prevention of nuclear war, international affairs, arms control, peace	W. Alton Jones Foundation, Inc 232 East High St, Charlottesville VA 22902 – 5178 Tel: (804) 295- 2134 Fax: (804) 295 1648 Email: earth@wajones.org Website: www.wajones.org
ww.	Levi Strauss Foundation	Community development, health, economic & business development	Mr. Alan Christie Director of Community Affairs 489 Ave Louise Brussels B-1050 Belgium Website: www.levistrauss.com/responsibility/foundation
xx.	Liberation Foundation	Educational, social developmental and charitable endeavours; promotes individual empowerment and sustainable economic development	1 Ameshoff St Braamfontein Johannesburg South Africa 2001 Liberty Group Limited P.O. Box 10499 Johannesburg South Africa 2000 Tel: +27 11 408 2767 Email: info@liberty.co.za Website: www.tif.org
yy.	Kellogg Foundation, W. K.	Basic education and youth, community / civil society organisations; food systems, development; philanthropy and volunteerism	W. K. Kellogg Foundation 1 Michigan Ave East Battle Creek, Michigan 49017- 4058 Tel: (616) 968- 1611 Website: www.wkkf.org/howtoapply/default.asp . Website: www.wkkf.org
zz.	Medtronic Foundation	Program development and providing seed money	Penny Hunt (ex-director) 7000 Central Ave, NE, Minneapolis, MN 55432-5376 Tel: 763-514-4000
aaa.	McKnight Foundation	Conflict resolution, health services, women and economic opportunities, human rights, etc	Ms. Candace Nelson Consultant, Africa Grants Program 321 Hayward Mill Rd, Concord, MA 01742 Tel: (978) 371- 8817 Fax: (978) 369 5596 Website: www.mcknight.org/apply.htm Website: www.mcknight.org
bbb.	Mellon Foundation, Andrew W.	Religious, charitable, literacy, educational purposes, conservation, environment, forced	Andrew W. Mellon Foundation 140 East 62 nd St, NY 10021 Tel: (212) 838 8400

		migration	Website:www.mellon.org
ccc.	Minnesota, Mining & Manufacturing (3M)	Arts and Culture, community development, democracy and governance, education, health and social welfare	Contributions Program 3M Community Affairs 3M Center, Bldg 591-30-02 St. Paul, MN 55144-1000 Website: www.3m.com/profile/community/index.html
ddd.	New-Land Foundation, Inc.	Arms control, peace and population studies, child development, education, civil rights, environment, international affairs	New-Land Foundation, Inc 1114 Ave of the Americas NY 10036- 7798 Tel: (212) 479 6162 Website: 1) www.undueinfluence.com 2) www.uoregon.edu
eee.	Open Society Foundation	Civil Society development, economic reform, education, law, public administration	Colinton House Norwich Oval 1 Oakdale Rd, Newlands, 7700 Cape town Tel: (012) 683 3489 Fax: (012) 683 3550 Email: admin@ct.osf.org.za Website: www.osf.org.za
fff.	Packard Foundation, David and Lucille	Arts, children, families and communities, conservation, organisational effectiveness, philanthropy, population, science	David and Lucille Packard Foundation 300 Second St, Suite 200, Los Altos, CA 94022 Tel: (650) 948 7658 www.packfound.org
ggg.	Pfizer Foundation	Promotes access to quality health care and education, to nurture innovation and to support the community involvement of Pfizer people	Pfizer, Inc. 235 East 42 nd St NY 10017- 5755 Tel: (212) 573 2323 Website: www.pfizer.com/pfizerinc/philanthropy
hhh.	Rockefeller Brothers Fund, Inc.	Sustainable resources, global security, education *In SA to improve the quality and accessibility of basic education for children and women; early childhood development, lower primary learning and basic education and training	Rockefeller Brothers Fund, Inc 437 Madison ave., 37 th Floor New York, NY 10022- 7001 Tel: (212) 812 4200 Fax: (212) 812 4299 Website: www.rbf.org
iii.	Rockefeller Foundation	Education, healthcare, training, community development	Rockefeller Foundation 420 Fifth Ave NY 10018- 2702 Tel: (212) 869 8500 Website: www.rockfound.org
jjj.	Rotary Foundation	Provide scholarships, creating international understanding and friendly relations among people of different countries; ambassadorial	1 Rotary Centre 1560 Sherman Ave, Evanston, Illinois, 60201, USA Tel: (847) 866- 3320; Fax: (847) 328- 8281

		scholarships	Email: scholarshipinquiries@rotaryintl.org Website: www.rotary.org/foundation
kkk.	Starfish Foundation	AIDS awareness and support	Postal address: Postnet suite 510, Private Bag X9, Benmore, 2010 Physical Address: 82 Wessels Rd, Metropolitan Life Office Park, Block H, Rivonia Tel: +27 (0) 11 259 4199/ (a/h): +27 (0) 82 858 1161 Fax: +27 (0) 11 259 4230 Website: www.starfishfoundation.org
lll.	Soros Foundation Network	Arts and culture, children and youth, civil society development, economic reform, education, health care, legal reform and public administration, media and communications	400 W. 59 th Street NY 10019 Tel: (212) 548- 0600 Fax: (212) 548- 4679 Website: www.soros.org
mmm.	Stewardship Foundation	Evangelical religious organisations whose ministries reach beyond the local community, grants, foreign missions and youth ministries	Stewardship Foundation Tacoma Financial Center, Suite 1500, 1145 Broadway Plaza, Tacoma, WA 98402 Tel: (253) 620 1340 Fax: (253) 572 2721 Website: www.stewardshipfdn.org
nnn.	Timeken Foundation	Program development, seed money	Don D. Dickes 236 3 rd St, SW, Canton, OH 44702 Website: www.timken.com
ooo.	Turner Foundation	Energy, forests/habitat, wildlife, population, water/toxics	Turner Foundation One CNN Centre, Suite 1090 South Tower, Atlanta, GA, 30303 Websites: www.turnerfoundation.org [www.turnerfoundation.org/turner/application.html]
ppp.	Women's Initiative Foundation	Women's development, rights and protection	Ms Sharon Bailey P.O. Box 23855 Claremont 7735 Tel: (012) 670 4600 Fax: (012) 670 4651 Website: www.africanharvest.co.za

2. Global Fund – schedule of pledges and commitments

Notes:

- 1 (a) For pledges made in currencies other than US dollars, the pledge amount in USD comprises the actual USD value realised from any contributions made plus the USD equivalent of the remainder of the pledge calculated using UN operational rates of exchange at: 1 February 2005

(b) Where pledges have been made that are not specific to individual years, the amount shown as pledged for a period is the sum of contributions received in that period. The remainder is shown under "Pledge Period to be Confirmed".
- 2 Contributions in process are amounts expected to be received within one month, and for which a contribution agreement has been signed or which have been deposited in a holding account with the Trustee pending signature of a contribution agreement.
- 3 The United States contribution to the Global Fund is subject to certain U.S. legislative restrictions, including that, during 2004-2008, no U.S. government contribution may cause the total amount of U.S. government funds contributed to exceed 33% of total contributions.

**The Global Fund to Fight AIDS, Tuberculosis and Malaria
Contributions To Date**

DONORS	2001-2002 (in USD)			2003 (in USD)			2004 (in USD)			2005 (in USD)				
	AMOUNT PLEGGED	AMOUNT CONTRIBUTED	NOT YET PAID	AMOUNT PLEGGED	AMOUNT CONTRIBUTED	NOT YET PAID	AMOUNT PLEGGED	AMOUNT CONTRIBUTED		AMOUNT PLEGGED	AMOUNT CONTRIBUTED		NOT YET PAID	
								Paid In	In Process		Total	Paid In		In Process
Countries														
Andorra	100,000	100,000												
Australia				13,827,500	13,827,500		3,878,976			3,878,976				3,878,976
Austria	1,075,900	1,075,900												
Barbados				100,000	100,000									
Belgium	12,207,409	12,207,409		10,270,518	10,270,518		6,601,307			6,601,307				6,601,307
Brazil				50,000	50,000									
Burkina Faso	75,000	75,000												
Cameroon				100,000		100,000								
Canada	25,000,000	25,000,000		50,000,000	50,000,000		56,451,613			56,451,613				56,451,613
China				2,000,000	2,000,000		2,000,000			2,000,000				2,000,000
Denmark	14,816,511	14,816,511		16,188,433	13,790,866		16,188,433			24,604,569				24,604,569
European Commission	137,064,385	137,064,385		264,413,350	50,360,226		264,413,350			56,209,150				56,209,150
France	58,981,250	58,981,250		196,078,431	63,679,739		196,078,431			196,078,431				196,078,431
Germany	11,995,200	11,995,200		37,427,325	37,427,325		45,944,850			107,189,542				107,189,542
Hungary				10,000			10,000			12,000				12,000
Iceland				206,299			206,299							
Ireland	9,835,000	9,835,000		12,299,000	11,161,430		12,299,000			12,299,000				
Italy	100,000,000	108,616,673		130,718,954	106,541,600		130,718,954			130,718,954				130,718,954
Japan	80,000,000	80,400,337		104,726,233	79,993,443		104,726,233							
Kenya	8,273	8,273												
Korea				500,000			500,000							

Foundations and Not-for-profit Organizations											
Gates Foundation	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Int'l Olympic Committee	100,000	100,000									
Other		20,124	31,838			71,505				71,505	
Total	50,100,000	50,120,124	50,000,000	50,031,838	50,000,000	50,071,505	50,000,000	50,071,505	50,000,000	50,071,505	
Corporations											
Eni S.p.A.	500,000	500,000									
Winterthur	1,000,000	1,044,225									
Other		17,755	2,033			296,498			296,498		
Total	1,500,000	1,561,980	2,033	2,033		296,498		296,498		296,498	
Individuals, Groups & Events											
Mr. Kofi Annan	100,000	100,000									
Amb. D. Fernandez	100,000	100,000									
Health Authorities of Taiwan	1,000,000	1,000,000			1,000,000				1,000,000		
Real Madrid Soccer Match	112,487	112,487									
Treatment Action Campaign			10,000								
Other		242,213	120,343			499,356			499,356		
Total	1,312,487	1,554,700	10,000	131,242	1,000,000	499,356		1,000,000	499,356	1,000,000	
Grand Total	947,506,694	956,930,935	931,039,074	935,402,988	2,332,905	1,568,785,224	1,430,368,587	7,520,572	1,437,889,158	131,768,954	1,012,000
											1,193,258,231

