The National Lottery Distribution Trust Fund (NLDTF), established in terms of the Lotteries Act, is the distributing agency for funding from the proceeds of the National Lottery. Each week the licensed operator of the National Lottery transfers funds generated for good causes to the NLDTF. This amount is calculated using a pre-determined formula based on ticket sales in terms of the licencing agreement. Under the current operator, Gidani, 34% of the revenue is paid to the NLDTF, up from an initial 2%. Six percent of revenue is paid as retail commission, 10% percent is retained as operational costs and 50% is paid in prizes. In addition to the category of reconstruction and development, the Lotteries Act identifies the following three broad categories as potential beneficiaries of these funds:

- Charities
- Sport and recreation
- Arts, culture and national heritage

The financial year of the National Lotteries Board and the NLDTF runs from 01 April to 31 March. Funds generated for good causes in a particular financial year are only available for distribution in the following year. This section contains details on recent budgets as well problems regarding the distribution of the money, including a detailed submission of complaints. For more information on how to apply for funding and contact details please consult the National Lottery entry in the AIDSbuzz Donor Directory.

History

The South African Lottery was launched in 2000 with Uthingo as the licenced operator. In July 2006 the Gidani Consortium was judged the preferred bidder to operate the lottery for seven years starting April 2007. The operating licence was awarded in October 2006 but in March 2007 the Pretoria High Court set aside that award on application by incumbent Uthingo, finding that there were possible conflicts of interest following the failure to adequately investigate the shareholders in the bidding consortia. Following the final draw by the incumbent operator Uthingo, the lottery was indefinitely suspended in April 2007. However in September that year the operating licence was awarded to Gidani again.

Distrubtion of funds

The National Lottery (Lotto) is currently the most popular form of gambling in the country. Research in 2006 found that 82% of South Africans played the lottery on a weekly basis and that 53% of the population did not engage in any other form of gambling. The average player spent around R80 per month on tickets. This is disturbing in light of earlier research in 2003 which reported that almost 30% of lottery players were unemployed and that over 40% earned less than R2 000 a month. Even more disturbing is the fact that the NLDTF is consistently failing in its mandate to support charities in South Africa.

In 2008 it only distributed around a quarter (R634 million) of its R2.9 billion allocation. 2009 does not look much better with only R948 million so far having reached NPOs out of a total allocation of R3.3 billion. Lottery Board salaries are in excess of R7.5 million per annum and yet NPOs report that it is difficult to get hold of anyone or get a response; many NPOs are being

asked to resubmit documents or are having their applications rejected with no explanation. Some NPOs have been awarded funding but the money fails to materialise. The NLDTF has responded to these complaints by saying that they scan and copy everything that is received so it is impossible for documents to go missing. They also say that many NPOs submit incomplete applications or don't fulfill the requirement of having at least two years' worth of audited financial statements.

The 2009 budget (R3.3 billion) is of a similar order to the total expected Corporate Social Investment (CSI) spend in South Africa for 2009. The NLDTF therefore respresents the single most important donor, after the government, and must be held to account so that these funds are effectively distributed back into the communities that need them the most. **2010**

Update on concerns about the distribution of funds

A statement issued by the Department of Trade recently showed that the Trade Minister, Rob Davies, was addressing these concerns. Below are some excerpts: ??*In the past years a number of concerns were raised by the public and beneficiaries that the funds do not reach the beneficiaries on time and that there are no effective measures in place for expedient distribution of these funds.* ??*The Minister has therefore directed that at least 50% of the total available for distribution must go to priorities that include expansion of home based care services, development of facilities for disabled persons and substance rehabilitation and treatment services, sports and recreation for talent development, education designed for early childhood, adult literacy and vocational training.*

Davies has, more importantly, removed the requirement for two years of audited financial statements for first-time NPO applicants. This requirement effectively excluded new and deserving NPOs from accessing the Lottery funds. Checks, including site visits and reference checks, will be implemented to assess first-time applicants that do not yet have audited financial accounts.

Extracts of National Lottery complaints submitted to the Democratic Alliance (2008)

Executive summary (click here for full document)

South Africa has the benefit of many hundreds of non-profit organisations (NPOs) staffed by South Africans who are devoted to making our country a better place for all its people. It is well known that organisations such as these struggle to raise funds, and, for this reason, the South African government has established the National Lottery Distribution Trust Fund (NLDTF) to distribute funds raised through the national lottery to needy organisations performing crucial social services.

But it has become evident to us, on the basis of a deluge of despairing accusations against the Lotto that we have received, that this body is not functioning effectively. The result is that many ill, hungry, illiterate, disabled or poor South Africans are not receiving the care from these organisations that they would otherwise receive. Over the last three years, the NLDTF has accumulated three years of funds, of which only a small fraction appears to have been distributed.

We present a document detailing all their complaints, either anonymously or not, in the hope that by shining a public light on this situation it will receive the necessary political attention. The document that has been compiled and distributed makes it clear how endemic and enormous the problems facing these NGOs really are.

The complaints have come from a wide range of organisations, including several substantial national institutions with branches across the country, and including also several small community-based groups. They provide many different but extremely important services, ranging from hospice care, to orphan support, to crisis and trauma counselling to special needs education and many more. All together, we included responses from 88 institutions. Only two of these responses were positive or neutral and most identified several common problematic themes.

It appears that the payments system was reasonably effective up until 2006, under the previous distribution agency. But no money at all was distributed in 2006, and the situation has not improved substantially since then, to the point where it is now so dire that many NPOs are cutting staff, cutting salaries and reducing services, while several are anticipating closure unless money comes through.

Many institutions report that they applied timeously for funding, but thereafter enquiries about the progress of their claims have simply met with excuses, empty promises, evasion, avoidance or, more commonly, simply no response at all. Massive inefficiency appears to be the biggest problem. In the words of one aspirant claimant, “it is the Lottery that overshadows all for incompetence, unreliability and sheer mystery”. Correspondence is regularly lost. One institution said it had experienced several problems with sending progress reports to the NLDTF by courier, with NLDTF officials claiming these had never arrived despite signed receipts indicating otherwise. One document needed to be sent three times.

Receipt of correspondence is almost never acknowledged, so applicants have no idea whether or not their applications have been received. Almost all of the institutions which contacted us complained that calls and emails were never returned. Some institutions have been allocated project numbers, but others have been waiting for a year or more just for a number. One institution was informed that its application had been rejected because it had not been submitted in time, even though information had been delivered by hand and an acknowledgement of receipt had been received. It appears that the agency moved offices recently resulting in no work being done for THREE WEEKS. This move also resulted in at least one institution’s documents being lost.

Another common thread was that applicants were seldom kept informed about the process of

their applications. One had applied each year for five years but had never received anything more than an acknowledgement of receipt. Applicants were also almost always told that it is impossible to say how long the processing of their applications will take. Only one institution was given any time frame, and in this case it was told to expect an acknowledgement of receipt ONE YEAR after submitting the application, followed by an unknown time for evaluation.

A further common complaint was about intransigence and stubbornness on the part of officials, and an arrogance and lack of respect for the hard, poorly paid and valuable work that charities perform. A range of tactics appear to be used to avoid or delay payments. Some institutions have been told that the information they provided was wrong, but have not been told what was wrong, have not been able to contact anyone to tell them, and have not been able to identify any problems themselves in terms of NLDTF's stipulations – even after having auditors investigate. One institution reported that funding was denied because the service felt that "the core activities of the organisation fall outside the funding of the Distributing Agency", even though funding had previously been granted in terms of the same system. An application the following year was also declined on the basis of a misreading of the institution's financial statements, which led the official to misinterpret the capital budget as "profit".

Applicants are frequently told that their application payments were "imminent" or would be coming through "next month" or payment was only awaiting a signature. But these promises are never fulfilled. Critical staff involved in authorising payments appear to be unavailable, often reportedly overseas, for weeks at a time.

The site from which to retrieve an application form has been closed. Multi-year funding approvals given by the previous board have not been honoured and officials have not responded to requests for information about these. The representative of one institution which wrote us described the situation as follows: "For me I don't think that they have actually realised that their mission is to give money away to good causes and that these causes are in fact their clients. At the moment the attitude is we must make sure that we don't give to the wrong people and oh how they bother us and waste our time".

The effect of the negligence and sluggishness in the processing of applications has been disastrous for many charities. One NPO, which had previously received three grants from the NLDTF, now has a shortfall of 34% on its budget and is currently negotiating with staff for them to take a 33% reduction in salary for a period of three months to create time to raise money from other sources. If this is unsuccessful, the service will probably have to close. Another charity reported that it has until June to receive its funding or it will be closing. Another said it had not been able to pay March salaries at all, and the director of another was the only person remaining at her organisation – and she had not received a salary for five months.

Charities are in a no-win situation. Not only is the NLDTF not doing its job, but its existence is a constraint on NPOs' ability to raise their own funds independently. Several NPOs commented that many local and international donors were reluctant to continue making donations, in the belief that the NLDTF was now filling that gap. NPOs are also now legally prohibited from

running certain kinds of fund-raising competitions, so as not to compete with the NLDTF.

In addition to the financial problems faced by NGOs, this situation raises several general problems. Long term planning and expansion is virtually impossible. The NLDTF apparently claims that institutions should not rely solely on Lotto funding and should not put it in their budgets. One NLDTF official told NGOs at a workshop that “nowhere (was it) stated in his official policy documents that applications should be invited every year or that NGOs should expect to receive funding on an annual basis”. This makes a mockery of financial planning and, furthermore, places charities in situations where they start projects and then have to let beneficiaries down when money does not come through.

It also dents confidence in South Africa. One institution lost a major international donor because it felt that it was doing a job that the government should have been doing. One institution, in its report to us, summed up what seems to be a widespread feeling among previous beneficiaries: “We have given up on the Lottery… we do not intend to depend on them at all and considering how much they have to give away, this is sad situation”.

It is of great concern that so many organisations wished to remain anonymous, and mentioned specifically that it had been intimated to them by officials that if they complained, their allocations would be cut. It is impossible to tell from the information which we have received what the specific problems relating to the distribution agency are. However, the Democratic Alliance will be asking detailed questions about staffing, staff training, equipment and management capacity to establish this. In addition, we will write to the Chairman of the Portfolio Committee on Social Development to request that those in charge of the distribution agency be urgently summoned to appear before the committee to explain themselves and address the above-mentioned complaints.

In addition, we will further propose:

- That all staff be placed on performance-based contracts with pay conditional on meeting specific delivery targets relating to grant payments; and,
- Deadlines and timetables be standardised so that all potential beneficiaries know exactly what requirements they must fulfil

South Africa’s NPO community does a great deal of critical work in serving the needs of those who fall outside of the government’s net. It is unacceptable that the NLDTF’s inefficiency should be making their task so difficult.