

**ADDRESS BY MINISTER DAVIES AT THE NATIONAL LOTTERIES BOARD
NATIONAL CONFERENCE, HELD AT THE GALLAGHER CONVENTION CENTRE,
MIDRAND, 20 JUNE 2011**

Program Director

Chairperson Prof Alfred Nevhutanda,

CEO Prof Vevek RAM

Chairperson of National Lotteries Board, Namibia

MEC, Arts and Culture, Eastern Cape

Chairperson of the Lottery Operators, Prof Bongani Khumalo

Members of the Distributing Agencies,

Delegates to this Indaba

It is a pleasure for me to address this important indaba of stakeholders of the National Lotteries Distribution Trust Fund. This gathering is a first of its kind and I commend the Lotteries Board for the effort in bringing together key stakeholders affected by funding from the NLDTF in order to shape the future of Lottery funding in our country.

Today's event builds on the engagements with stakeholders initiated by the board in 2010 through information workshops conducted throughout the country. These were followed up in the past few weeks with provincial consultations. The issues raised through these interactions have been documented and will be presented later in the program.

The National Lottery is a game of chance played by large numbers of people in South Africa. Research commissioned by the NGB tells us that this includes significant numbers of low income people. By the nature of the game playing the lottery probably involves a smaller stake out by players than is the case with other games of chance. Nevertheless the fact that the lottery involves payments by large numbers of members the public, including low income people, means that we have a obligation to our people

to make sure that the lottery meets the public interest obligations held out when we launched it , i.e., that it distributes the good cause funds efficiently and timeously to deserving recipients and in fact that it does so more effectively than the alternative of permitting a proliferation of lottery type games run by good causes themselves or by a range of other entities.

The good causes we expect to benefit from distribution of lotteries funds include but are not confined to charities. They include sports and Arts and Culture development, and it was also envisaged at the time the Lotto was launched that there would be an “RDP” category dealing with developmental projects and job creation.

When I was appointed Minister of Trade and Industry in May 2009, I was confronted with a barrage of complaints about large amounts of unspent Funds, the long time taken to decide on and distribute to successful applicants, and regulations and procedures that effectively excluded smaller community based organizations that could often reach poor and needy people.

We organised a number of Round Table discussions involving the former Board, the Distribution Agencies and officials from the Department to unpack the issues and define a way forward.

Essentially we tried to break down the necessary reforms into three categories; (1) Administrative Actions that can be quickly carried out by the Board and the DA's to achieve efficiencies and reduce time frames, (2) Regulatory changes that could be relatively rapidly introduced in terms of the powers available under the Act as it stands, (3) Amendments needed to the Act that would inevitably take more time to effect.

An example of an administrative reform was the streamlining of the oversight procedures under which the board checked and verified each and every decision of the DA's. Through a combination of regulation and amendment we are also seeking to replace the requirement that an applicant must submit two year's audited financial

statements (sometimes not required now even of smaller companies in terms of the new Companies Act). We would also like to see a move towards an arrangement in which applications can be submitted at any time.

I am pleased to report that the Board under the leadership of the Prof Nevhutanda has made good progress. For example, there has been major improvement in reducing the time taken between adjudication and payment to recipients. In the first 6 months of 2009, only 11% of applications were adjudicated and paid out within 3 months. In the first six months of 2010, this number had increased to 44% and I believe that the current figure is 90%. In other words, 90% of all applications adjudicated are now paid within 3 months of adjudication.

But while our reforms to date have yielded positive results the process is not yet complete. We need to make a number of changes to the Act as well as further regulatory reforms. We have accordingly launched a review of the Lotteries Policy Framework and we hope this will lead to the introduction of a lotteries Amendment Bill later this year.

I have high expectations that this indaba will help us shape the way forward but I should say it will be necessary for the policy review recommendations will also need to be informed the outcomes of the consideration by Parliament of the National Gambling Commission Report, and a Regulatory Impact assessment.

Program Director, this exercise is not about overhauling the current legislative framework, simply for the sake of it. Where things have worked, we will not change it. There are some strong elements in the current model and the NLDTF has assisted thousands of organizations and impacted the lives of millions of people in our communities in one way or another.

Since inception, the National Lottery has raised R12.3 Billion through ticket sales. With interest, the amount available for distribution to good causes increased to R16 Billion of which R11 Billion has been paid out in the following proportions: R2.3 Billion to 938 organizations in the Arts, Culture and National Heritage Sector, R2.7 Billion to 3564 organizations in the Sports and Recreation Sector and R5.8 Billion to 4051 organizations in the Charities Sector. Many of beneficiary organisations have been funded for more than one project bringing the total number of grants made to over 15000. A comprehensive list of these beneficiaries has been included in the conference pack. However, allow me to mention a few highlights so that we can get an idea of the broad range and extent of our funding and the people that benefit directly.

Firstly, there have been several significant funding initiatives in the sports sector. For instance, 18 communities throughout South Africa have a lasting soccer world cup legacy in Astro turf soccer pitches funded by the Lottery to the amount of R170m. This has been accomplished through partnerships with the South Africa Football Association (SAFA) and the municipalities in which they are located.

Through the South African Sports Confederation and Olympic Committee (SASCOC), the lottery funds all the sports federations in the country to undertake grassroots development as well as high performance sport activities. Lottery funds are furthermore disburse to fund the participation of our athletes to the Olympic Games, the Commonwealth Games, the All Africa Games, the Disabled Games, the International Games for the intellectually impaired and many others. Several rural schools have received funding for facilities improvement as well as for new equipment and clothing. Many sports related community recreation projects organized by local Municipalities have also received funding. .

In Arts and Culture almost every segment of the sector are recipients. For instance R54m went to the Africa Resources Trust for indigenous agricultural methods, cropping systems & soil enrichment as well as to support research for further permaculture

development. Major festivals including the internationally renowned Grahamstown Festival regularly receive funding.

R34m has been awarded to the Fuba School for a programme that aims to develop homeless children into professional artists. Museums, ballet companies and many of the professional orchestras are also recipients.

Lastly our highest value contributions go to the welfare sector where the greatest need exists. Here again we have funded a wide range of projects from early childhood development to home based care to HIV.

For instance the South African National Institute for Crime Prevention and the Reintegration of Offenders (NICRO) has received over R100m over the years. The Cancer Association of South Africa (CANSA) has received over R99m and Child Welfare over R36m. The South African National Tuberculosis Association (SANTA) has received over R12m for programmes aimed at the prevention and cure of TB. Over R24m was granted to BADISA, a church based NGO is involved in community upliftment programs. The SOS children villages and thousands of other similar organizations have also benefited.

Each of these organizations serves hundreds of people in our communities and makes a great difference to their lives. Besides the direct impact that our grants have on the community, they also prevent the shedding of jobs in NGOs. In many cases, new jobs are created through these grants. It is estimated that 2 jobs can be created or 4 jobs sustained for every R1m granted.

Program Director, it is sometimes said that there is in excess of R6 Billion lying unspent in the NLDTF. I can report that R3.2 Billion is held for future tranche payments of already approved grants and R1.5 Billion is available in the current year. I can assure everyone here that there is no R6 Billion sitting idle as revenue coming in from the Lottery and the grants going out are increasingly matched.

Program Director, the NLDTF is a relatively young organisation. Much has been achieved but your attendance at this forum indicates that we agree that it has the potential to achieve even more. We need to retain the good that we are doing and to fix the elements that constrain our effectiveness in respect of greater social impact and greater alignment with national priorities.

While we are clear that funding from the National Lottery is separate and distinct from Government funding, we need to avoid pulling in different directions. The greatest impact will be achieved where there is synergy and coordination.

In your deliberations later today, Ladies and Gentlemen, when you make inputs gleaned from your own experiences, I would ask you to consider several important attributes of nation building that will assist in achieving the required alignment.

As you are aware, Government has agreed on 12 outcomes as a key focus of work between now and 2014. Each outcome has a limited number of measurable high-impact priority outputs and sub-outputs with targets. In turn, each output is linked to a set of activities that will help achieve the targets and contribute to the outcome. Each of the 12 outcomes has a delivery agreement which in most cases involve all spheres of government and a range of partners outside government.

The NLDTF, as a partner, is already contributing to several of these outcomes such as Improved Quality of Pre School Education which is Outcome 1, Poverty alleviation and a healthy life for all which is Outcome 2, Vibrant, equitable and sustainable rural communities which is Outcome 7, Sustainable human settlements which is Outcome 8 and Protection of Environmental and Natural resources which is Outcome 10.

The NLDTF also contributes to the following Job Drivers: Infrastructure development, Climate Change and green economy. Rural Agriculture, Tourism and Social Economy Development

However, these contributions are largely accidental and not by design. In our future funding model, should we not consider the level of contribution to these areas formally in the adjudication and grant award process and also in the manner in which we solicit applications?

I am aware that funders in other jurisdictions require applicants to specify how many jobs will be created through the grant. We need to be able to move toward this type of funding where the impact of the fund is both visible and measurable. I am not convinced that this is currently the case.

Program Director, an important element of any social intervention is the monitoring and evaluation of our activities. It may appear to be an insurmountable task to be able monitor twenty thousand beneficiary organisations but we need not do this alone. There are several agencies that are already on the ground in all parts of the country doing exactly that. What I'm alluding to program director, is that we need to explore partnerships with other funders and agencies who operate in the same space in order to take advantage of the coverage and also to prevent duplication and wasted resources.

Program Director, there are certain elements of our funding process which affect our service delivery and are administrative in nature but also require legislative changes.

The first of this is the time it takes from application to payment. I do not believe it is fair to applicants that they have to wait an excessive time (sometimes in excess of a year) to know the outcome of their submission. As I have said earlier, the Board has already made impressive improvements to the turnaround time from adjudication to payment which now is at 90% within three months.

But while this turnaround is commendable, we are aware that the time from application to adjudication remains a bit of a blockage. We know that the appointment of part-time Distributing Agencies has had an impact on turnaround times between application and

adjudication and I understand that this matter has been raised in every consultative session in all provinces. I expect that in the breakaway sessions today you will discuss this matter further and I look forward to reviewing your recommendations in this regard. I would like to encourage you to think beyond the current structures but also to be wary of creating new unwieldy bureaucracy as an antidote.

The second problem that was brought to my attention early on in this administration is the complicated compliance requirements to be considered for funding. I do not believe that the same requirements should be imposed on all types of applicants. The requirements should be matched with the size of the grant and the risk involved. There should be a simplified process for small grants. We should also seriously consider whether it is fair to exclude natural persons as applicants.

I also believe that the funding model should be flexible and not be exclusively application based. There should be opportunities for targeted interventions and rapid response processes for dealing with disasters and emergencies. We should also begin to look at partnerships and appropriate elements of social investment funding.

The issue of conflicts of interest of people serving on the Distributing Agencies is also a challenge and the dti is working closely with the Board to develop a code of conduct that will prevent any irregularity.

Program Director, I do not want to preempt the subject of your deliberations today and tomorrow, but it is clear that all of us want to see improvements in the NLDTF funding process and our attendance bears testimony that we are serious about achieving change in a consultative manner.

Finally I wish to again convey my appreciation to the Board for organizing this forum and I hope that you have an enjoyable and productive two days.

Thank you.