



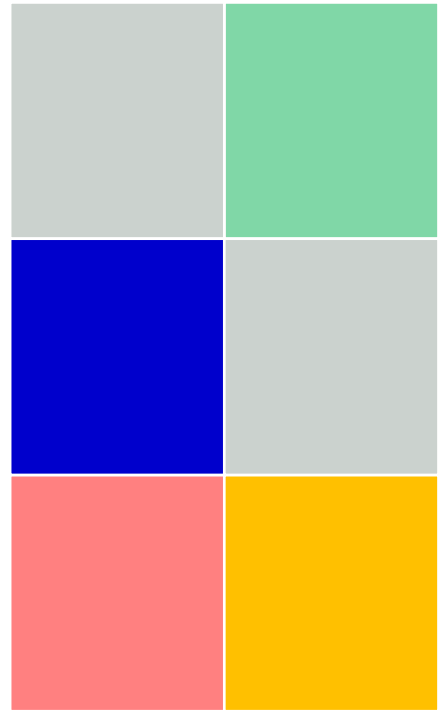
NATIONAL LOTTERIES COMMISSION

a member of **the dti** group

# National Lotteries Commission

## STRATEGIC PLAN

2018/19



## Foreword by the Minister



The National Lotteries Commission has successfully gone through various phases of transition. The improvements as laid out in the Amended Legislation work toward the delivery of the brand promise of Changing Lives – be it through the provision of grants to good causes or protection of the public through compliance enforcement for competition organisers.

The NLC has already demonstrated the difference that lottery funding is making to people and communities as the organisation seeks to drive continuous improvements in their grant-making and wider activities.

A handwritten signature in blue ink, appearing to read 'Rob Davies', written over a faint, circular watermark or logo.

**Dr Rob Davies, MP**  
**Minister of Trade and Industry**

**Official Signoff**

It is hereby certified that this strategic plan was developed by the management of the National Lotteries Commission and accurately reflects the strategic outcome orientated goals which the NLC will endeavor to achieve over the period.


**X. Ntuli**  
**Chief Financial Officer**

Signed: 

**A. Maharaj-Domun**  
**Official Responsible for Planning**


Signed: 

**TCC Mampane**  
**Commissioner**

Signed: 

**Approved by:**

**Prof NA Nevhutanda**  
**Chairman**  
**31 January 2018**

Signed: 

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Table 1: Acronyms and Definitions

<b>Acronym/Term</b>	<b>Description/Definition</b>
<b>Act</b>	Means the Lotteries Act No.57 of 1997 as amended.
<b>Applicant</b>	Means the juristic person making an application for funding.
<b>Board</b>	Means the National Lotteries Board, established in terms of Section 2 of the Act.
<b>Chairperson</b>	Means the Chairperson of the Board appointed in terms of Section 3(1) (a) of the Act.
<b>Grant Funding</b>	Means the division of the NLC responsible for performing all administrative and associated functions in respect of the Distribution of Funds.
<b>CM</b>	Means the Commissioner of the NLC appointed in terms of Section 7(1) (a) of the Act.
<b>Distributing Agency (DA)</b>	Means the agency appointed in terms of Section 27, 28, 29 or 30 of the Act.
<b>GMS</b>	Means the Grant Management System used by the Board to record and track all applications received.
<b>King Report</b>	Means the current version of Report on Corporate Governance published by the King Committee on Corporate Governance.
<b>Key Performance Indicators</b>	Means qualitative/quantitative statements measures/observed parameters that can be used to describe performance and measure change or trends over a time period.
<b>Minister</b>	Means the Minister of Trade and Industry.
<b>NLDTF</b>	Means the National Lottery Distribution Trust Fund.
<b>PFMA</b>	Means the Public Finance Management Act.
<b>Procedure Manual</b>	Means the Grant Procedure Manual as used in Grant Funding.
<b>Programmes</b>	Means a collection of projects that together achieve a beneficial change for an organization.
<b>Projects</b>	Means temporary structure designed to achieve specific objectives within allocated budget and timeframes.
<b>Policy Directive</b>	Means the directions issued by the Minister to the Distributing Agencies in terms of Section 32 (3) of the Act.
<b>PISE</b>	Means Post Indaba Stakeholder Engagement
<b>Strategic Initiatives</b>	Means broad actions that an organization undertakes to achieve its objectives.
<b>Strategic Objectives</b>	Means organizational intentions geared towards responding to

Acronym/Term	Description/Definition
	organizational mandate, aspirations and challenges.
<b>Strategic Outcomes</b>	Means organizational results generated through the implementation of programmes, and should correspond to strategic objectives.

## Introduction

The National Lotteries Commission (NLC) was established in terms of the Lotteries Act (No 57 of 1997) to regulate the National Lottery as well as other lotteries, including Society Lotteries to raise funds and promotional competitions. The NLC also advises the Minister of Trade and Industry on policy matters relating to the National Lottery and other lotteries.

In 2015, the Lotteries Amendment Act was promulgated in order to provide the following:-

- *the establishment of a National Lotteries Commission;*
- *to provide for the extension of the powers of the Board;*
- *to provide for the licensing of an organ of state to conduct the National Lottery;*
- *to provide for a clear accountability process for the distributing agency;*
- *to provide for the professionalism of the distributing agency;*
- *to eliminate overlapping of functions between the Minister and the Board;*
- *to provide for the removal of the reconstruction and development programme as a category; entitled to be allocated money of the fund;*
- *to provide for matters connected therewith.*

The salient provisions of the Act (which is a strategic guide in the implementation of the mandate of regulation and distribution) as envisaged in the amendments further included these provisions:

- The Amended Lotteries Act stipulates that the National Lottery Commission shall be established;
- The Commission shall be a juristic person;
- The Commission is governed by a Board appointed in accordance with the Lotteries Act;
- The Commission shall, applying the principles of openness and transparency, exercise the functions assigned to it in terms of the Act by the Minister;
- The Commission may, upon request by the Minister, board or on its own initiative in consultation with the Board, conduct research on worthy good causes that may be funded without lodging an application in terms of the Act;
- The Commission may upon request by the Minister, board or on its own initiative in consultation with the Board, solicit applications for grants from good causes.

Furthermore the Commission must ensure that:



- The National Lottery and sports pools are conducted with all due propriety and strictly in accordance with the Constitution, the Lotteries Act and all other applicable law and the licence for the National Lottery. (Licence agreements)
- The interests of every participant in the National Lottery are adequately protected.
- The Commission shall promote public knowledge and awareness by:-
  - Development and implementation of measures to educate and inform the public about the lotteries and provisions of this Act.
  - Educate the public on the process, requirements and qualifications relating to the application for grants in terms of the Act.
- Manage the staff, financial, administrative and clerical functions or any duties of the distributing agency as directed by the Minister or the Board, except the function to adjudicate upon applications to the distributing agency for grants in terms of the Act.
- Exercise any other function as delegated or directed by the Minister or the Board.

This document is based on a review of the strategic intent of the NLC. The review took cognizance of the following:

- (a) the needs of the NLC Stakeholders,
- (b) NLC's dual mandate,
- (c) the role that the organization can play in meeting South African national outcomes and key priorities.

As such, this plan provides a broad overview of the strategic intent the NLC has adopted and it includes the strategic goals, outcomes and objectives.

In conclusion, the review process takes cognizance of the strategic context within which the NLC operates.

## **PART A**

### **PART A: Strategic Overview**

#### **1. Vision**

A vision statement paints a picture of an organisation's destination and provides a rationale for going there. The vision statement is the inspiration of the organization. It provides the framework for which the development of all strategies and plans that the organization intends to achieve. Most importantly, it should be the point of departure in developing the strategic intent for the NLC. The Vision of the NLC is crafted as follows:

***“The catalyst for social upliftment”.***

The NLC is the forerunner in regulating the national lottery, all societal lotteries and promotional competitions, thereby advancing social upliftment of people of South Africa. The NLC further endeavors to ensure that raised funds are distributed equitably and expeditiously.

The entity further advocates and advances the socio-economic well-being of communities in need.

#### **2. Mission**

The mission statement of the NLC is a brief description of the organization's fundamental purpose and it advocates and articulates the reason for its existence.

The Mission of the NLC is:

- ***To regulate all lotteries and sport pools with integrity and ensure the protection of all participants.***
- ***To maximize revenue for good causes in a responsible manner.***
- ***To distribute funds equitably and expeditiously.***

### 3. Core Values

The NLC is committed to achieve sustainable growth through the practice of good corporate governance, provision of excellent service and sound regulatory practice. In fulfilling the mission statement the NLC lives the following core values as tabulated below:

Table 2: NLC Core Values

Value	Description
<b>Integrity</b>	To be honest, open, accessible and fair in all our dealings, decisions and actions.
<b>Performance Excellence</b>	To take ownership of our responsibilities, to work effectively, efficiently, with professionalism and ensuring a positive sustainable impact on the communities we serve.
<b>Service Excellence</b>	To provide a level of service which is of a high quality, target based and meets the expectations of all stakeholders.
<b>Social Consciousness</b>	To be sensitive to the needs of the community in order to initiate social upliftment.

## 4. Legislative and Other Mandates

### 4.1. Constitutional Mandate

The NLC does not have any direct constitutional mandate. However, it carries its work having due regard to the rights as contained in the Constitution of the Republic of South Africa, which guarantees every citizen certain rights to ensure a democratic and open society in which every citizen's rights are recognized and protected.

### 4.2. Legislative Mandate

The organization has been established through the Lotteries Act (Act 57, 1997). The Board consists of a Chairperson, one member designated by the Minister and five other members.

The Functions of the Board are set out in the Lotteries Act as follows:

- Advise the minister on the issuing of the licence to conduct the National

Lottery.

- Ensure that the National Lottery and Sports Pools are conducted with all due propriety.
- Ensure that the interests of every participant in the National Lottery are adequately protected.
- Ensure that the net proceeds of the National Lottery are as large as possible.
- Administer the National Lottery Development Trust Fund (NLDTF) and hold it in trust.
- Monitor, regulate and police lotteries incidental to exempt entertainment, private lotteries, society lotteries and any competition contemplated in Section 54.
- Advise the Minister on percentages of money to be allocated in terms of Section 26(3).
- Advise the Minister on the efficacy of legislation pertaining to lotteries and ancillary matters.
- Advise the Minister on establishing and implementing a social responsibility program in respect of lotteries.
- Administer and invest the money paid to the Commission in accordance with the Lotteries Act.
- Perform such additional duties in respect of lotteries as the Minister may assign to the board.
- Make such arrangements as may be specified in the licence for the protection of prize monies and sums for distribution.
- Advise the Minister on any matter relating to the National Lottery and other lotteries or any other matter on which the Minister requires the advice of the board.

The amended legislation further provides for the following:

- the establishment of a National Lotteries Commission;
- to provide for the extension of the powers of the Board;
- to provide for the licensing of an organ of state to conduct the National Lottery;
- to provide for a clear accountability process for the distributing agency;
- to provide for the professionalism of the distributing agency;
- to eliminate overlapping of functions between the Minister and the Board;
- to provide for the removal of the reconstruction and development programme as a category; entitled to be allocated money of the fund;
- to provide for matters connected therewith.

## 5. Situational Analysis

The National Development Plan (NDP) aims to eliminate poverty and reduce inequality by 2030. South Africa can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society. NLC is the largest organisation with a gaming regulatory and funding mandate in

Africa. In line with its mandate, vision and mission, NLC's formulation of programme activities and targets is aligned to the political, social and economic realities of South Africa.

In particular, the NLC's role and functions as outlined in the Lotteries Act (as amended) places an obligation on the organisation to support (directly and indirectly) the electoral mandate of Government. From a strategic perspective, the sight of government priorities provides a major opportunity for the NLC within the disciplinary context of social development and social upliftment. These include addressing unemployment and alleviating poverty in alignment with the NDP. The NLC is therefore driven by government policies on economic and social development.

The NLC is governed by policy which is significantly influenced by the political landscape in the country. The looming 2019 National Elections could possibly influence a shift in the mandate of the organization whilst the political instability in all spheres of government also contributes to the negative impact on the economy. The organisation has positively contributed to the outcomes in the NDP through funding initiatives that have created employment, alleviated poverty and empowered women.

South Africa's economy is no longer regarded as stable and has experienced increasing economic pressure which has been a major driver of strikes and protests. The revenue received from the National Lottery Operator has been stagnant for the past 5 years. In addition, the number of registered NPO's has doubled to approximately 136 000 from 2010 to 2015 implying the additional demand for funding. The high levels of unemployment also negatively affect disposable income. These falling levels in disposable income implies that basic needs come first and the purchase of a lottery ticket might not be a priority. This could contribute to people participating in alternative illegal activities that exhibit higher success of winnings. Through these tough economic times, it is envisaged that selling "hope" through a game of chance may prove to be lucrative on the sale of national lottery tickets. In addition, the NLC has positively contributed by creating and sustaining approximately 25 000 jobs in the 2016/17 financial year.

Stats SA's estimate for the 2016 mid-year population puts the total at 54.9 million people. (Growth of 6% in 5 years). The age profiles are as follows: 0-14 years: 28.34%; 15-24 years: 18.07%; 25-54 years: 41.44%; 55-64 years: 6.59%; and 65 years and over: 5.57%. These statistics indicate that the majority of SA's population is eligible to play the lottery (18 years and older). Despite the general decline in poverty between 2006 and 2011, poverty levels in SA rose in 2015. When applying the upper-bound poverty line (R992 per person per month in 2015 prices), we see that more than one out of every two South African's were poor in 2015, with the poverty headcount increasing to 55,5% from a series low of 53,2% in 2011. This translates into over 30,4 million South Africans living in

poverty. It was also noted that richer children get a better quality of education; they are more likely to progress to higher levels of education, which in turn bring them much higher rewards in the labour market. Since these two lines have a strong slope in South Africa, inequality is likely to perpetuate itself from generation to generation. In the previous financial year, the NLC invested around R600 million in building Early Childhood Centres nationally in order to address issues on inequality created through education and poverty.

Playing the National Lottery could still be considered taboo in certain religious and cultural groups but the trend is rapidly changing due to the NLC exhibiting all the good causes that have been funded through proceeds from the sale of lottery tickets.

In the context of the Fourth Industrial Revolution and its disruptive effect on all economies, there are three things to consider as Africa aims to maintain its “Africa rising” narrative:

- (a) The development of digital skills is paramount;
- (b) All industries are being digitally disrupted, which presents an opportunity for a growing digital economy;
- (c) Public-private partnerships are powerful levers for change.

The real economy and the digital economy are not mutually exclusive. The two have become one and the same as technologies blur the lines between the physical, digital, and biological spheres. The vast and growing potential of the Fourth Industrial Revolution is yet to be fully grasped. The ICT sector, industry and governments have a responsibility to unlock its potential for citizen service delivery, customer experience and innovative solutions, for a better life for all. The NLC’s Enterprise Wide Architecture aims to do exactly this from both an internal as well as external perspective. Entire systems of production, management and governance are being affected and, as digitization continues, the issue becomes intimately intertwined with addressing youth unemployment, manufacturing and harnessing human innovation. Furthermore, the increase of mobile and internet use comes with its own threats – namely cybersecurity, which has become a massive global problem. Prioritizing cybersecurity capabilities is not only important for protecting organizations and their customers’ data, assets and reputations, but also fundamental to successful digital transformation. For the NLC, online gambling has changed the landscape as people want to participate at their convenience. The scourge of illegal online lotteries and gambling has encroached into the Lottery space. The promotion of Fantasy gaming further exacerbates the situation.

NLC has set aside necessary investments to enable staff and external stakeholders to participate in and benefit services from a secured infrastructure and enterprise architecture. Innovation remains a tool towards success, especially within an era of increasingly advancing business, social, and

economical environments. We plan to introduce innovative methods of interaction, for example through use of mobile devices to allow stakeholders take on new roles as enabled and empowered participants. In order to capitalise on these opportunities, the NLC shall ensure that the developed technology roadmap encapsulates principles of a flexible, scalable, cost-effective and risk tolerant infrastructure and enterprise environment. It must however be noted that introducing new services in a network often presents challenges, among them security. At the NLC, this is addressed through the enacted ICT Governance Framework.

The proposed amendments to the Gambling Bill could positively impact on the NLC. Amendments to the Gambling Legislation in the country could possibly provide the enforcement powers the NLC to combat illegal lotteries as well as provide opportunities through licensing bookmakers for taking bets on the outcome of the National Lottery. However, the lack of alignment between the Provincial Gambling Legislation and the National Gambling Bill implies that illegal lotteries will still remain a threat. Fantasy Gaming is also not addressed by the legislated amendments.

During this period, we introduced the “open-call” system for receipt of applications that heralded the end of the previous model of “Call for Applications” for funding good causes. The “Call for Applications” model permitted the NLC to accept applications only if they were submitted during a fixed window period (usually 3 months) on an annual basis. This had often resulted in worthy and deserving causes not being able to access funding if the window period was closed. The open-call on the other hand means that applications will be accepted throughout the year at all NLC Offices and there is no closing date.

Making inroads into reducing inequalities through provisions in the Act that now allow the NLC to pursue proactive funding based on research will help us to support innovative projects with greater impact and provide emergency support where the need arises.

The NLC through its mandate has also played a role to bring about this growth by ensuring that funds are distributed to qualifying beneficiaries. Sectors funded by the NLC contribute to job creation, rural development, infrastructure development, promoting wellness and social cohesion. This aligns to the objectives of the NDP as well as the Nine Point Plan in order to eliminate poverty and reduce inequality by 2030 and also bring about economic growth. Over R22 billion has been distributed to good causes since its inception. However, the reliance on a single source of funds does not make it possible to address the needs of the entire NGO/NPO sector in South Africa.

Corporate Governance is crucial to business sustainability and growth of the organization. The development and implementation of a proper corporate governance framework is endorsed by the Board. The Board accepts responsibility for the application and compliance with the principles of ensuring that effective corporate governance is practised consistently throughout the organisation. The Board discharges this role through its charters based on a Corporate Governance Framework which includes amongst others the principles of the Lotteries Act, PFMA, Treasury Regulations and good governance principles. These are further aligned to the organisations top strategic risks and reviewed annually.

### **Performance Delivery Environment**

In order to achieve its dual mandate of regulator as well as distribution of funds to good causes, the NLC provides the following key services:

#### **Regulation**

The NLC's mandate to regulate all lotteries and sports pools with integrity and ensure protection of all participants is realised through the activities of the Regulatory Compliance Division. The NLC's regulatory mandate continues to be one of the main priority areas, focusing on monitoring compliance and performance of the National Lottery Operator (Operator) with the Lotteries Act (Act) and Licence Agreement.

We have also noted the impact that public awareness created on the scourge of scams and illegal lotteries to prevent lottery participants from falling victim to illegal activities. The Regulatory Compliance Division therefore increased its efforts in protecting the public against illegal lotteries through identifying, investigating and closing down some of these activities. The Division also continues to collaborate with other regulators to enforce on illegal lotteries through joint prosecution and exchanging valuable information on the modus operandi of these unlawful activities.

#### **NATIONAL LOTTERY COMPLIANCE AND PERFORMANCE MONITORING:**

##### *Regulating the National Lottery Operator*

The National Lottery comprises of various games of chance, and is mainly built on integrity, which is the main objective of our regulatory work to ensure that the integrity and reputation of the National Lottery is maintained. The protection of lottery participants further remains top of our agenda for the reviews that we conduct to ensure adherence to the Act and Licence Agreement by the Operator; coupled with the NLC's legislative mandate outlined in the Act to ensure that:

- The National Lottery and sports pools are conducted with all due propriety and strictly in accordance with the Constitution, the Act, all other applicable laws, as well as the Licence for the National Lottery;
- Interests of every participant in the National Lottery are adequately protected; and



- Net proceeds of the National Lottery are as large as possible.

#### *National Lottery Game Design*

The NLC further ensures that measures are in place to mitigate the negative social impact of gambling in the design and development of any National Lottery game, with particular emphasis on preventing under-age play, curbing excessive play and not over-stimulating the lottery industry.

#### *National Lottery Proceeds*

Apart from generating revenue for good causes, the Operator is currently focusing on reinvigorating the National Lottery by regularly communicating during live draws and various media channels of jackpots that are won. In addition to raising funds for good causes and paying prizes to lottery winners, the Operator is required to pay commission to retailers who sell lottery tickets and pay out prizes.

#### *Participant protection*

We continue to create awareness to lottery participants on game rules and the claim period for prizes to ensure that winners claim their prizes in a timely manner. We also assist participants who had their tickets lost or stolen through the verification processes of the Operator, as well as reporting such theft to the relevant law enforcement agencies.

### LOTTERIES COMPLIANCE AND ENFORCEMENT

#### *Society Lotteries*

With the introduction of the Lotteries Act in 1997, the Fund-raising Act was repealed and introduced a new method for Non-Profit Organisations (NPOs) to raise funds through conducting society lotteries (which must be authorised by the NLC), private lotteries and lotteries incidental to exempt entertainment. The Regulatory Enforcement Department assesses applications for societies and lottery schemes. As part of our campaign to promote sustainability of non-profit organisations (NPOs), we encourage civil society organisation's to register society lotteries for the purpose of fund-raising to support their various community-based initiatives. The Act allows an NPO to operate up to 6 schemes in a year raising a maximum of R2 million per scheme.

#### *Competition for the National Lottery*

Betting on the outcome of the National Lottery was allowed as a form of bookmaking for betting operators registered with respective provincial gambling boards. This remains a great concern both for the Operator and the regulator as it is seen to be in direct competition with the National Lottery. At face value, prize pay-outs from these games offered by bookmakers are far greater than those won when playing the National Lottery. This undoubtedly requires policy review.

### *Illegal Lotteries*

There is a general consensus that business innovation is always advancing at lightning speed and regulation is often-times playing catch-up. It emerged that regulation was not seen as the complete solution to deal with illegal lotteries, and alternative approaches to restrict illegal lotteries had to be identified through conducting research.

The NLC conducted research on the impact of illegal lotteries and other forms of gambling that may influence lottery participants. The main challenges pertaining to the effective prohibition and combatting of unlawful lotteries in the country include:

- The lotteries' legislation is not clear on exactly what constitutes an illegal lottery, where many current forms of illegal lotteries, such as Fafi, being open to interpretation. Currently, there are some instances where different authorities regard and perceive illegal lotteries in different ways.
- Current lotteries legislation is not clear on sports pools and their authorisation (GRC, 2011).
- In many instances, provincial licensing authorities, particularly in the provinces in which illegal lotteries are prominent, are actively enforcing the law in terms of combatting these unlawful activities. However, the cases that result cannot be successfully prosecuted due to issues around the mandate of provincial authorities to combat illegal lotteries, which are a national competence and not a provincial competence.
- Collaboration and coordination between the lottery and gambling authorities is infrequent, particularly at the national level. Further, engagement within the trinity of lottery and gambling authorities, law enforcement and prosecutors is disorganised.
- While the current operator has rebranded the National Lottery and even tried to implement new lottery games, the feedback from punters indicates that there are some issues. Most importantly, many people do not understand what 'Phanda Pusha Play' is and how it relates to the previous 'Tata ma Chance' – many think it is a different lottery and are thus, sceptical. Also, the willingness to participate in the new lottery games implemented by the national operator, such as their own version of Fafi, is low for very similar reasons. The fact that illegal lotteries offer better chances, are cheaper to play, and are more accessible contributes to this feeling.

### *Investigations*

Illegal lotteries and Promotional competitions, which are regulated under the Consumer Protection Act, taking the form of lotteries, have been the subject of investigations. Operators of these activities who are found to be in contravention of the Lotteries Act are issued warning letters, letters of demand, and mostly signed undertakings to cease with their operations and properly register their lotteries where applicable.

With the Gambling Amendment Bill (Bill) underway, a legal study was conducted to identify contentions between the lotteries and gambling legislation. Proposals in the Bill, which the NLC supports, include the exclusion of the National Lottery from the definition of a contingency on which bets can be taken.

Taking bets on the outcome of foreign lotteries was also creating unfair competition and is against the aim of the Act in creating the National Lottery as a monopoly. Furthermore, it was difficult to identify parties responsible for such schemes as most occur through the internet, and the few that were successfully identified were not operated within the borders of the country, but were targeting South African players. Consequently, our comments on the Bill included the prohibition of taking bets on the outcome of foreign lotteries, as well as adhering to Schedule 4 of the Constitution, which deems the National Lottery as a national competence of the National Lotteries Commission. The Bill further states that bookmakers wishing to take bets on the outcome of the National Lottery may do so, subject to approval of the Board of the NLC; and will have to contribute a portion of their proceeds towards good causes through the NLDTF. Policy recommendations from the research, which would result in amendment to our Act and other legislation were:

- Promotional competitions be moved back to jurisdiction of the Lotteries Act;
- NLC to investigate and prosecute illegal lotteries;
- Expressly state powers of inspectors in the Act
- Similar inspector responsibilities as gambling authorities
- Registration of other forms of lotteries besides society lotteries; and
- Consider licensing/regulating other unlawful lotteries and schemes.

The focus now is to conduct a feasibility study on whether identified forms of illegal lotteries can be regulated, and if so, how this should be legislated. The NLC is committed to discharging our regulatory mandate through applying compliance and enforcement principles of transparency in our processes, ensuring confidentiality of information relating to the National Lottery and other lotteries, timely investigation of any illegal schemes, consistency and fairness in the application of the Act and other laws.

### **NLDTF Distribution**

The funding of grants to good causes is the second mandate of the NLC.

#### *Funding for Impact*

As alluded to earlier, the revenue received from the Operator has been stagnant whilst the number of NPO's has grown considerably since 2010. The NLC therefore finds itself in a place where it is required to do more with less, as demand for funding outstrips what is available. In response, we have revised the

underpinning philosophy of our funding model to be based on “Funding for Impact”. This calls for a much more systematic and deliberate approach to grant making that enables the NLC to do more with less. It is the provision of funding to targeted projects and programmes that are catalytic in nature that lead to measurable, positive social change and community upliftment.

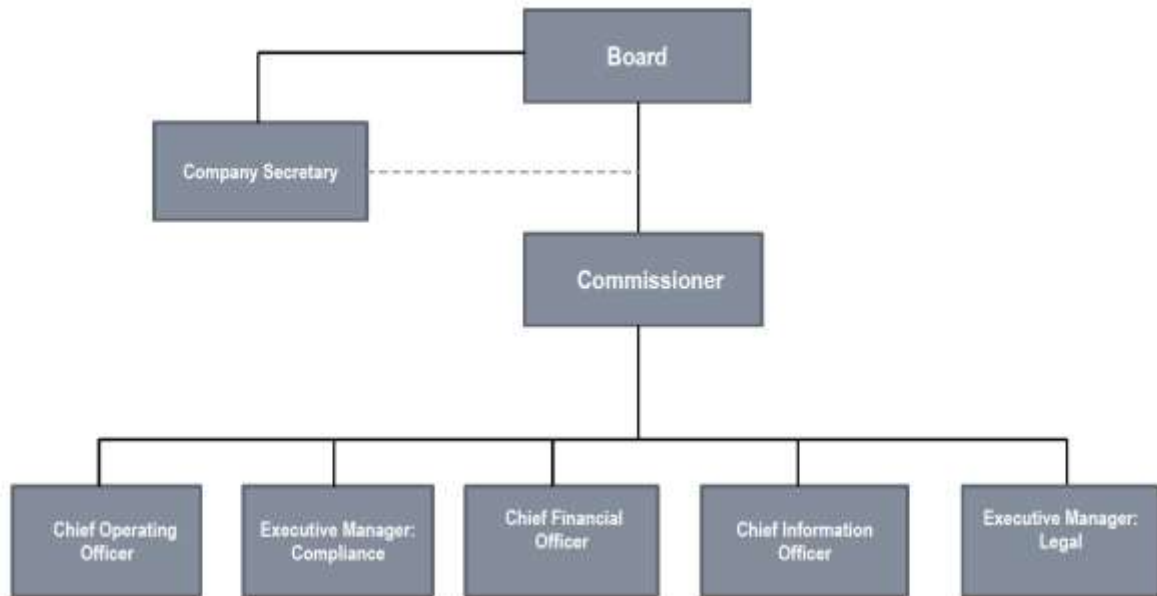
### *Beneficiary-Centrism*

Apart from developing a better understanding of local needs, the NLC is committed to the optimisation of beneficiary support. In order to achieve impact in funding organisational capabilities such as a programmatic approach as well as results based management are being developed. **A programme approach** recognises that development takes place through interconnected actions within a specified geographical location. It further recognises that there may be multiple needs that are often better addressed by multiple actors. Development is not a linear occurrence but a cross pollination of multivariate factors coalescing to produce desired change. A programme approach is better positioned to impact various socio economic and political factors which produce a “defective” social system in a specific environment. Adopting a programming approach goes some way in unearthing the underlying factors which produce the social conditions that grant funding aims to address. The conceptual relationship between funding for impact and beneficiary-centricity is a causal one. Beneficiary-centricity is one of the key interventions, that if undertaken successfully will enable more impactful funding in the context of the NLC. Beneficiary-centricity is therefore one of the strategic and operational capabilities that should be developed by the NLC in order to achieve impact in funding. The NLC’s vision is to be a catalyst for social upliftment with a brand promise of “changing lives.” The broad societal impact that we aim to achieve extends beyond financially sustaining the organisations that we fund but to change lives of the beneficiaries that benefit from our funding as well as the communities in which they live.

### *Proactive Funding*

One of the strategies introduced to address the shortcomings in priority areas in general is the introduction of the funding model, which aims to respond to social problems and opportunities through a strategic and evidence-based mixed funding model. The amended legislation made provision for proactive funding (research based funding) which can emanate from three sources, viz. the Minister, the Board or the Commission. NLC has already successfully implemented Proactive Funding Projects.

Figure 1: NLC High Level Organizational Structure



### 5.3 Stakeholder Analysis

The NLC has a variety of stakeholders which assumes substantial influence over the operation of the organization. These stakeholders have respective expectations that must be fulfilled as tabulated below:

Table 3: Stakeholder Analysis Matrix

Stakeholder	Influence	Expectation
<b>The Board</b>	<ul style="list-style-type: none"> <li>Strategic direction</li> </ul>	
<b>Licensed Operator</b>	<ul style="list-style-type: none"> <li>Revenue</li> <li>Sustainability</li> <li>Influence Public Perception</li> <li>Image and Integrity of the Board</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory Fairness</li> <li>Interaction</li> <li>Predictability</li> <li>Promptness</li> <li>Approvals Continuity</li> </ul>
<b>Department of Trade and Industry (The DTI)</b>	<ul style="list-style-type: none"> <li>Approvals and Timing of:               <ul style="list-style-type: none"> <li>Approvals</li> <li>Assistance</li> </ul> </li> <li>Appointment of Board/ Distributing Agencies Legislation</li> </ul>	<ul style="list-style-type: none"> <li>Conformance</li> <li>Governance Continuity Reporting</li> </ul>
<b>Parliament Portfolio Committee's</b>	<ul style="list-style-type: none"> <li>Sanction</li> <li>Legislation</li> </ul>	<ul style="list-style-type: none"> <li>Accountability</li> <li>Governance Integrity Ethics</li> <li>Contribution to National Priorities</li> </ul>
<b>Applicants</b>	<ul style="list-style-type: none"> <li>Quality of Grants</li> <li>Public Perception</li> </ul>	<ul style="list-style-type: none"> <li>Clarity of Criteria</li> <li>Transparency</li> </ul>

Stakeholder	Influence	Expectation
	<ul style="list-style-type: none"> <li>• Turnaround</li> <li>• Risk Profile of the Board</li> <li>• Geographic Spread of Funding</li> </ul>	<ul style="list-style-type: none"> <li>• Responsiveness</li> <li>• Turnaround</li> <li>• Mentorship/guidance</li> <li>• Interaction</li> <li>• Accessibility Fairness</li> <li>• Consistency Feedback</li> </ul>
<b>Beneficiaries</b>	<ul style="list-style-type: none"> <li>• Quality of Grants</li> <li>• Social Impact</li> <li>• Risk</li> <li>• Public acknowledgement and declaration of grants received</li> <li>• Public Perception</li> <li>• Turnaround</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency</li> <li>• Responsiveness</li> <li>• Turnaround</li> <li>• Mentorship/guidance</li> <li>• Interaction Accessibility</li> <li>• Fairness and consistency</li> <li>• Visibility</li> <li>• Sustainability Feedback</li> </ul>
<b>Distributing Agencies (DA)</b>	<ul style="list-style-type: none"> <li>• Quality of Grants</li> <li>• Fund Management</li> <li>• Public Perception</li> <li>• Risk Profile of NLC/NLDTF</li> <li>• Equitable Distribution</li> <li>• Turnaround</li> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Support</li> <li>• Consistency</li> <li>• Quality</li> <li>• Interaction with Board</li> <li>• Communication/Reporting</li> <li>• Turnaround</li> </ul>
<b>Lottery Players</b>	<ul style="list-style-type: none"> <li>• Revenue</li> <li>• Sustainability</li> <li>• Public Perception</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency</li> <li>• Integrity</li> <li>• Assistance and Counseling</li> <li>• Visibility</li> <li>• Communication</li> <li>• Fair chance of realizing their aspirations of winning</li> </ul>
<b>Staff</b>	<ul style="list-style-type: none"> <li>• Productivity</li> <li>• Morale</li> <li>• Public Perception</li> <li>• Performance Effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Fairness</li> <li>• Respect of Worker Rights</li> <li>• Equity</li> <li>• Involvement</li> <li>• Best Practice HRM policies/practices</li> <li>• Conducive work environment</li> <li>• Adequate resourcing</li> <li>• Transparency</li> <li>• Ethical Behaviour</li> </ul>
<b>Interest Groups</b>	<ul style="list-style-type: none"> <li>• Public perception</li> <li>• Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency and Fairness</li> <li>• Control of excessive</li> </ul>

Stakeholder	Influence	Expectation
	<ul style="list-style-type: none"> <li>Structure</li> </ul>	<ul style="list-style-type: none"> <li>Participation</li> <li>Communication Involvement</li> <li>Enforcement</li> </ul>
<b>Auditor-General (AGSA)</b>	<ul style="list-style-type: none"> <li>Governance</li> <li>Compliance</li> <li>Public Perception</li> </ul>	<ul style="list-style-type: none"> <li>Conformance to Legislation/Standards</li> <li>Integrity</li> <li>Comprehensiveness and Accuracy of Information</li> <li>Reporting</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>Public Perception</li> </ul>	<ul style="list-style-type: none"> <li>Regular Communication</li> <li>Transparency</li> <li>Access to Information</li> </ul>
<b>Relevant Ministries</b>	<ul style="list-style-type: none"> <li>Policy Implementation</li> <li>National Priorities alignment</li> </ul>	<ul style="list-style-type: none"> <li>Involvement</li> <li>Transparency in allocation of grants</li> <li>Consultation</li> <li>Align policy &amp; pay out</li> <li>Information sharing</li> </ul>
<b>Grant Makers</b>	<ul style="list-style-type: none"> <li>Best Practice</li> <li>Fairness</li> </ul>	<ul style="list-style-type: none"> <li>Uniformity</li> <li>Capacity Building</li> <li>Share Information</li> <li>Collaboration/ Partnerships</li> </ul>
<b>Organized Labour</b>	<ul style="list-style-type: none"> <li>Policies</li> <li>Productivity</li> </ul>	<ul style="list-style-type: none"> <li>Framework for engagement</li> <li>Willingness to work</li> <li>Transparency Communication</li> <li>Fairness</li> <li>Structures</li> <li>Enabling environment for association</li> </ul>
<b>The Public</b>	<ul style="list-style-type: none"> <li>Operations</li> <li>Strategy</li> <li>Culture</li> </ul>	<ul style="list-style-type: none"> <li>Transparency</li> <li>Fairness</li> <li>Consistent Delivery</li> <li>Integrity</li> <li>Values orientation</li> <li>Information Sharing</li> </ul>
<b>National Treasury (NT)</b>	<ul style="list-style-type: none"> <li>Regulatory environment</li> <li>Remuneration</li> </ul>	<ul style="list-style-type: none"> <li>Reporting</li> <li>Governance</li> </ul>

Stakeholder	Influence	Expectation
Other Lotteries	<ul style="list-style-type: none"> <li>Revenue</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory Fairness</li> </ul>
Operators	<ul style="list-style-type: none"> <li>Enforcement</li> </ul>	<ul style="list-style-type: none"> <li>Interaction</li> <li>Predictability Promptness Approvals</li> <li>Continuity</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Risk</li> <li>Effectiveness</li> <li>Turnaround</li> </ul>	<ul style="list-style-type: none"> <li>Transparency</li> <li>Fairness</li> <li>Consistency Ethical Behaviour</li> </ul>

## 5.4 SWOT Analysis

A SWOT analysis is a simple but powerful tool for sizing up an organisation's resource capabilities and deficiencies. It examines and assesses the impacts of internal strengths and weaknesses, and external opportunities and threats, on the success of the "subject" of analysis. An important part of a SWOT analysis involves listing and evaluating the organization's strengths, weaknesses, opportunities, and threats. The Section below provides a summarized description of SWOT analysis elements, as follows:

### Strengths:

These are the factors that give an organization the competitive edge within the environment within which it operates. Strengths are those factors that give the organization a distinctive advantage which boosts its competitiveness. However, strengths are, in effect, resources, capabilities and core competencies at the organization's disposal. The organization can use such factors to accomplish its strategic objectives.

### Weaknesses:

These are a limitation, fault, or defect within the organization that refrain it from achieving its objectives; it is what an organization does poorly or where it has inferior capabilities or limited resources as compared to other organizations within which it operates.

### Opportunities:

These include any favorable current or prospective situation within the organization's environment, such as trends, change or factors overlooked which could be facilitated to allow the organization to enhance its competitive edge.



Threats:

These entail any unfavorable situation, trend or impending change in an organization's external surrounding environment which is currently or which has potential of damaging or threatening its ability to compete successfully within the environment that it operates in. Threats may be a barrier, constraint, or anything which may inflict challenges, damages, harm or injury to the organization.

Table 4: List of Strength and Weaknesses

Strength	Weaknesses
<ul style="list-style-type: none"> <li>• Leadership</li> <li>• Financial independence</li> <li>• Organizational competence</li> <li>• The largest funder of the NPO/NGO Sector</li> <li>• Sole lottery regulator in the industry</li> <li>• National footprint</li> <li>• Strong brand</li> <li>• Industry knowledge and skill</li> <li>• Strong participant protection</li> <li>• Proactive Funding</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of enforcement powers for regulating illegal lotteries</li> <li>• Reliance on a single major revenue source</li> </ul>

Table 5: List of Opportunities and Threats

Opportunities	Threats
<ul style="list-style-type: none"> <li>• Increased social impact</li> <li>• Enhanced operational efficiency</li> <li>• Technology advancement</li> <li>• Increased monitoring of project efficiency</li> <li>• Technological infrastructure localisation</li> <li>• Repositioning of the organization</li> <li>• Regulatory improvement</li> <li>• Partnerships with other stakeholders</li> <li>• 4th Lottery Licence</li> <li>• "Africanisation" of the lottery</li> </ul>	<ul style="list-style-type: none"> <li>• Fraud and Corruption / collusion / fraud</li> <li>• Illegal lotteries</li> <li>• Sustainability (One major source of revenue)</li> </ul>

## 6. Strategic Outcomes Orientated Goals of the NLC

Table 6: Strategic Outcome Goals

<b>Strategic Outcome Orientated Goal 1:</b>	<b>Enhance management of the NLC business</b>
<b>Goal Statement</b>	Provide leadership and administrative capacity and capability to ensure effective service delivery, whilst enhancing financial sustainability of the NLC
<b>Programme</b>	Administration and Support Services
<b>Strategic Outcome Orientated Goal 2:</b>	<b>Compliant and Regulated Lottery Industry receptive to the NLC mandate</b>
<b>Goal Statement</b>	<ul style="list-style-type: none"> <li>• Improve regulatory practice through the regulation of society and other lotteries</li> <li>• Improve regulatory practice through the enforcement of illegal lotteries</li> <li>• Improve regulatory practice through the monitoring of the 3<sup>rd</sup> National Lottery Licence</li> </ul>
<b>Programme</b>	Compliance and Regulation
<b>Strategic Outcome Orientated Goal 3:</b>	<b>Fair and Equitable distribution of Grant Funding</b>
<b>Goal Statement</b>	<ul style="list-style-type: none"> <li>• Ensure equitable distribution through the prescripts of the amended legislation</li> <li>• Provide administrative support to the Distributing Agencies to ensure equitable distribution of funds</li> </ul>
<b>Programme</b>	Grant Funding and Service Delivery

## **PART B**

### **PART B: Strategic Objectives**

The Strategic goals will be achieved through the implementation of the following programmes:

#### **7.1 Programme 1: Administration and Support Services**

The purpose of the programme is to provide leadership and support to the entire organization particularly the core business for effective service delivery. It focuses on general administration and provision of support services to ensure compliance and governance.

Compliance and governance requirements of the NLC are outlined in the Act, PFMA and National Treasury Regulations. The Minister of Trade and Industry is the Executive Authority and the Board of Directors is the Accounting Authority.

**Table 7: Administration and Support Services Strategy Matrix**

<b>Programme</b>	<b>Administration and Support Services</b>
<b>Strategic Objective [1]</b>	To enhance administration of the NLC and ensure compliance with applicable legislation and policy prescripts
<b>Strategic Outcome</b>	Enhanced management of the NLC business
<b>Baseline</b>	<ul style="list-style-type: none"> <li>• Knowledge Management Strategy</li> <li>• Stakeholder Engagements conducted nationally</li> <li>• E-system (Project Dibanisa)</li> <li>• Ethics Strategy</li> </ul>
<b>Resource Considerations</b>	<ul style="list-style-type: none"> <li>• Dedicated resources for Public Affairs, Stakeholder Management, Human Capital Management and ICT</li> <li>• ICT Capital expenditure budget</li> <li>• Effective Corporate Governance</li> </ul>
<b>Risk Description</b>	<ul style="list-style-type: none"> <li>• Reliable ICT infrastructure</li> <li>• Fraud &amp; Conflict of interest</li> </ul>
<b>Risk Mitigation</b>	<ul style="list-style-type: none"> <li>• Upgraded infrastructure</li> <li>• Create awareness &amp; implement ethics related policies</li> </ul>
<b>Strategic Initiatives</b>	<ul style="list-style-type: none"> <li>• To develop a Knowledge Hub</li> <li>• Education and Awareness through stakeholder management</li> <li>• To integrate the E-system</li> <li>• Conduct organization wide ethical behavior interventions</li> </ul>
<b>Strategic Objective [2]</b>	To ensure financial sustainability, control and discipline in line with applicable legislation and policy prescripts
<b>Strategic Outcome</b>	Creating a sustainable and financially efficient NLC
<b>Baseline</b>	<ul style="list-style-type: none"> <li>• Percentage of grants paid in accordance with GNR644, 6(c)(iv)</li> <li>• Per capita allocations</li> <li>• Interest income received on investments</li> <li>• Percentage of localised procurement</li> </ul>
<b>Resource Considerations</b>	<ul style="list-style-type: none"> <li>• Dedicated resources for finance</li> <li>• Approved Investment Strategy</li> <li>• Appropriate ICT systems for monitoring allocations and supply chain</li> </ul>
<b>Risk Description</b>	<ul style="list-style-type: none"> <li>• Non-performing markets</li> </ul>

Programme	Administration and Support Services
	<ul style="list-style-type: none"> <li>Inadequate performance of the National Lottery Operator</li> </ul>
<b>Risk Mitigation</b>	<ul style="list-style-type: none"> <li>Capital Preservation guarantee</li> <li>Enhanced monitoring of Operator performance</li> </ul>
<b>Strategic Initiatives</b>	<ul style="list-style-type: none"> <li>To ensure a higher percentage disbursement of grants within the 60 day regulated timeframe</li> <li>To increase the per capita allocation to beneficiaries</li> <li>To ensure growth of surplus funds through implementation of strategies to improve return on investments</li> <li>To ensure that a higher percentage of procurement benefits local businesses</li> </ul>

## 7.2 Programme 2: Compliance and Regulation

The purpose of this programme is to ensure compliance and to regulate the entire Lottery Industry in line with the NLC mandate. It ensures that mechanisms are instituted to ensure compliance with applicable laws and regulations as they relate to the lotteries environment. The programme also plays a role in ensuring adequate monitoring, regulation and policing of lotteries.

**Table 8: Compliance and Regulation Strategy Matrix**

Programme	Compliance and Regulation
<b>Strategic Objective [3]</b>	To implement relevant initiatives geared towards ensuring compliance with the Act
<b>Strategic Outcome</b>	Compliant and regulated Lottery Industry receptive to the NLC mandate
<b>Baseline</b>	<ul style="list-style-type: none"> <li>Lotteries Act and existing legislation and regulations</li> <li>Regulatory Compliance Strategy and Policy</li> <li>3<sup>rd</sup> National Lottery Operator</li> </ul>
<b>Resource Considerations</b>	<ul style="list-style-type: none"> <li>Dedicated resources for Compliance Enforcement</li> <li>Improved capacity and capability</li> </ul>
<b>Risk Description</b>	<ul style="list-style-type: none"> <li>Lack of enforcement powers in combatting illegal lotteries</li> </ul>
<b>Risk Mitigation</b>	<ul style="list-style-type: none"> <li>Develop partnerships with stakeholders</li> </ul>
<b>Strategic Initiatives</b>	<ul style="list-style-type: none"> <li>Investigate reported and identified illegal lottery schemes</li> <li>Feasibility Study to determine the regulation of illegal lotteries</li> <li>To implement the 3<sup>rd</sup> National Lottery Licence Monitoring</li> </ul>

Programme	Compliance and Regulation
	Matrix/Scorecard

### 7.3 Programme 3: Grant Funding and Service Delivery

The purpose of this programme is to provide administrative support to the Distributing Agencies and to ensure that the grant funding is distributed according to the legislated mandate. It is responsible for the management of grant funding processes and ensures evaluation of distribution impact of grants.

Table 9: Grant Funding and Administration Strategy Matrix

Programme	Grant Funding and Service Delivery
<b>Strategic Objective [4]</b>	To ensure fair and equitable grant allocations
<b>Strategic Outcome</b>	Fair and Equitable distribution of Grant Funding
<b>Baseline</b>	<ul style="list-style-type: none"> <li>• Implementation of 150 days turnaround time</li> <li>• Percentage allocations to provinces as per GNR182</li> <li>• Sound Monitoring &amp; Evaluation Systems</li> </ul>
<b>Resource Considerations</b>	<ul style="list-style-type: none"> <li>• Full-time Distribution Agencies</li> <li>• Human and financial resources</li> <li>• ICT Systems</li> <li>• Compliant applications</li> </ul>
<b>Risk Description</b>	<ul style="list-style-type: none"> <li>• Lack of compliant applications</li> <li>• Non-compliance to monitoring and evaluation requirements</li> </ul>
<b>Risk Mitigation</b>	<ul style="list-style-type: none"> <li>• Enhanced education and awareness campaigns in underperforming provinces</li> <li>• Enhanced monitoring and evaluation to assess impact of NLDTF</li> </ul>
<b>Strategic Initiatives</b>	<ul style="list-style-type: none"> <li>• Percentage Implementation of 150 days turnaround times</li> <li>• Allocate at least 5% of funding to all provinces</li> <li>• Conduct impact assessments</li> <li>• Conduct impact evaluation studies in 5 provinces</li> </ul>

## **PART C**

### **PART C: Links to other plans**

#### **8. Links to the long-term infrastructure and other capital plans**

##### **8.1 Capital expenditure projects (Capex)**

This predominantly relates to the final phase of upgrading the NLC's ICT Infrastructure and the integration thereof with other relevant National Departments.

##### **8.2 Infrastructure plans**

NLC plans to embark on acquiring long term accommodation.