Review of the Special Company Funding Programme
A Report for the National Arts Council of South Africa

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Submitted August 2009

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Executive Summary

This report has been developed in the context of a request from the National Arts Council for a review of its Special Company Funding Programme, an initiative aimed at addressing the disparities that exist in the distribution of NAC resources to the sector.

The review recognises the fact that the Special Company Funding Programme potentially opens the door to a very wide and diverse variety of demands being made on the limited funding base of the National Arts Council. In developing the programme, this review notes four basic strategic issues/problems that the Special Company Funding programme makes visible:

- The funding needs of organisations that are in an emergent condition and have an essentially regional/provincial compass will place unreasonable strain on the funding base of the NAC and frustrate the ability of the Council to make rational funding decisions in the face of a pool of potentially unlimited and undifferentiated demand
- The entirely legitimate funding expectations of the large population of individuals, groups and organisations that practice traditional art forms has the potential to place a similar impossible burden on the Council, if each is considered individually
- Without a conscious focus on organisational development in the award of funding to emergent and marginalised groups and organisations, a cycle of dependence is likely to be created on NAC funding in these areas
- The funding of for-profit entities raises a set of conceptual and practical issues that require careful consideration

The review proposes a suite of regional arts development programmes that involve growing the organisational infrastructure in prioritised provinces and promoting partnership and connection both within the cultural sector and between the cultural sector and other significant actors at a local and provincial level. Service providers – or consortia of service providers with arts development expertise – would be engaged over (at least) a three year period in developing a programme that would bring together:

- Network development
- Cultural auditing at a regional level
- Capacity-building
- And the realisation of a set of exemplary projects working with local practitioners, groups and organisations

The review additionally notes a set of issues related to the funding of for-profit organisations and proposes that the development of tailored start-up financing, equity financing and loan instruments be developed in association with financial services firms involved in the issuing of loans and the provision of venture capital – with the potential involvement of a private foundation partner. Concrete propositions in this regard lie outside of the scope of the present assignment, but it is felt that such an intervention could have a far-reaching impact within the cultural sector. The review also recommends that specialist advice should also be solicited with regard to addressing tax difficulties that may arise from current funding of for-profit entities.

1. Scope of the Assignment

The Special Company Funding programme was introduced by the National Arts Council as a result of two circumstances:

1. The recognition that there is an uneven spread in the allocation of NAC resources across provinces, and a need to invest in emergent organisations and projects in particularly disadvantaged areas of the country in terms of objects f) and g) of the NAC Act[1], so as to ensure that they are able to compete on an equal footing with historically strong and established organisations and projects largely located in the three main urban centres.

2. The opportunity to address this deficit outside of the ordinary 'responsive grant-making' framework of the NAC occasioned by the availability of unclaimed funds from the NAC's company funding programme

It is acknowledged that the Special Company Funding Programme is a short-term measure related to a set of very specific circumstances. Nevertheless it is felt that it represents an important initiative for the NAC in pursuance of its legislated mandate.

The present summary report outlines some preliminary propositions regarding the manner in which this initiative might be regularised within the overall funding framework of the National Arts Council.

The present paper has four interlocking dimensions:

- To review the operations and impact of the Special Company Funding Grant programme
- To consider work done to date in reviewing the funding model of the National Arts Council
- To consider comparative programmes internationally – looking primarily at Arts Councils from other contexts – that address similar concerns to those of the Special Company Funding programme
- In light of the above to make informed recommendations regarding the mainstreaming of the Special Company Funding grant programme within the overall funding framework of the NAC – and considering what other interventions might be required in more effectively addressing the legislated obligations of the NAC.

It is understood that this work would both provide the Board of the NAC with a basis for decision-making regarding the development of the Special Company Funding grant programme, and the developmental mandate of the NAC more generally.

[1] "f) to give the historically disadvantaged such additional help and resources as are required to give them greater access to the arts; g) to address historical imbalances in the provision of infrastructure for the promotion of the arts"

2. Methodology

The review involved:

a. Review of available existing work on the NAC funding model
b. Consideration of international comparators addressing the area of need defined by the Special Company Funding programme
c. Review of existing documentation related to the funding programme documentation and minutes of meetings associated with programme
d. Review of documentation associated with funded projects (financial and narrative reports, funding officer reports)
e. Interviews and correspondence with NAC officials involved in the design and administering of the programme
f. The writing of a report on the funding programme, including recommendations relating to:

   - the rationale for the programme
   - funding criteria and process
   - support, monitoring and evaluation mechanisms

Site visits to a representative sample of funded projects, and interviews with key personnel and project participants were contemplated in the original brief. It is proposed that the question of whether such visits are required should be addressed once this report has been reviewed internally.

3. Programme Review

3.1 Process

As reported by the NAC officer responsible for the programme (Thato Monamodi), R2,806,000.00 of surplus finance from company funding allocations was allocated to organisations from targeted priority provinces: Mpumalanga, Limpopo, Northern Cape, North West, Free State and Eastern Cape. Provincial representatives on the Board of the NAC were tasked with identifying projects and soliciting proposals using a simplified version of the normal project application form. These proposals were then reviewed by a committee of (Art Form) Panel Chairpersons and approved by the EXCO of the NAC board based on recommendations from this committee. In adjudicating the proposals the standard criteria of the NAC with regard to national and artistic significance and impact on project beneficiaries, were broadly applied and maintained.

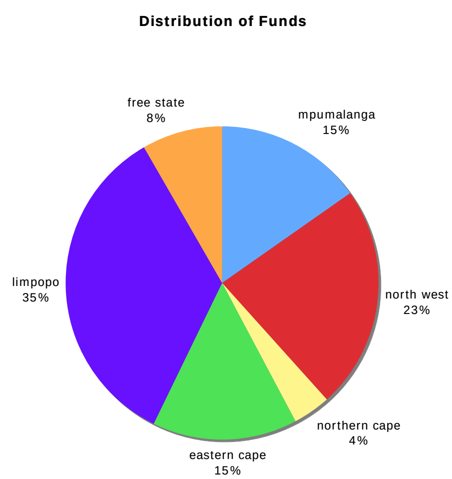
The normal administrative requirements of the NAC were relaxed in the selection of projects with regard to formal company registration and tax clearance, and the process of final approval and disbursement of funds was made contingent on all organisations being formally registered as legal entities, with the NAC advising and offering to cover legal costs associated with this process. Organisations were advised to register as either NPOs or Closed Corporations in order to qualify for funding through the programme.

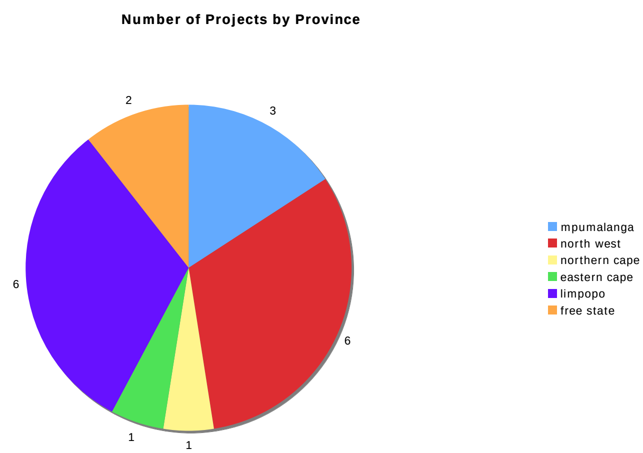
Approval letters were sent out in November 2007 specifying additional requirements regarding company registration, where necessary.

An additional R720 000 was subsequently made available for organisations located on the North West province which had not participated in the first round of submissions. Approval letters were sent to six organisations based in the North West province in November 2008.

3.2 Profile of Beneficiaries

19 organisations/groups were allocated a total of R3 094 100 across 6 provinces, as follows:





Most of the projects awarded funding were theatre, dance or multi-disciplinary projects, with only one craft project being awarded funding, and no projects in the literature of visual arts fields receiving support.

A striking aspect of the programme has been the variety of organisational types receiving funding, specifically the number of organisations that operate within a for-profit framework:

Table 1: Organisational Types

organisational form	**number**
NPO	7
Section 21 company (NPO)	1
cc	6
pty ltd	1
statutory body	1

These organisations demonstrated greatly varying levels of organisational development and capacity – from a mature section 21 structure (the PE Opera House) staging a complex project involving multiple funding sources and partners, through to a small craft co-operative (Vutivi) with no other sources of support and a rudimentary organisational and administrative infrastructure. For the great majority of organisations supported the NAC funds represented their sole source of income.

A number of the organisations that were not registered at the time of their submissions being approved were assisted by the NAC in formalising themselves as NPOs and the like. This led to some delays in funding being released to organisations, owing to the fact that receipt of funding was made contingent on their registration. Only one of the organisations (the Caravan Dance Group) has not yet received their first tranche of funding on account of not having met this requirement.

4. Key Issues for Consideration

Based on a review of existing research, the project submissions and administrative documentation associated with these submissions, four key issues have been extracted for consideration by the Board of the NAC in taking the programme forward.

4.1 Funding Model

Peter Stark – a UK cultural consultant – produced (on a pro-bono basis) a review of the NAC's funding model in 2006 – "Issues in Budget Strategy & Structure: Policy Analysis and Observations". The document draws on funding data from all of the major governmental arts funding sources operating at a national level (NAC, DAC, NLDTF, BASA) and examines patterns of disciplinary and geographic spread, taking into account population densities across regions. The 2006 review provides a valuable analytic context and frame for the current review and raises a set of propositions that have direct relevance to thinking through the future of interventions like the Special Company Funding programme.

There are two dimensions of Stark's review that are relevant in this context: firstly, issues related to the 'geography of funding', and secondly, issues related to the overall conceptual and strategic framework within which funding decisions are made by the NAC.

4.1.1 Issues related to the overall funding context

Stark's review presents an analysis of the overall distribution of all **national** sources of arts funding to the sector, as well as a disaggregation of NAC funding based on geography, as follows:

Table 2: Distribution of all Sources of National Funding

Province/ Values	E, Cape	Free State	Gauteng	KZN	Lim popo	M'ma langa	N West	N Cape	W Cape	Total
NAC	3,360	2,405	21,930	6,490	1,300	630	1,300	735	8,570	46,720
BASA	173	65	628	282	43	22		22	541	1,776
DAC PArts		15,303	36,472	21,520					24,845	98,140
DAC MGH	10,479	18,406	51,543	15,955				3,510	61,181	161,074
NLDTF	13,402	11,468	73,039	32,653	11,244	174	8,646	2,988	80,041	233,655
Totals	27,414	47,647	183,612	76,900	12,587	826	9,946	7,255	175,178	541,365
% of grants	5.1	8.8	34.0	14.2	2.3	0.2	1,8	1.3	32.4	
Population	7,040	2,950	9,020	9,650	5,640	3,220	3,820	900	4,650	46,890
% pop	15.0	6.4	18.9	20.7	11.8	7.0	8.2	1.9	9.8	
Rpcapita	**3.9**	**16.2**	**20.4**	**8.0**	**2.2**	**0.3**	**2.6**	**8.1**	**37.7**	**11.5**
% nat av	**34**	**141**	**177**	**70**	**19**	**3**	**9**	**70**	**328**	

Table 3: Distribution of NAC funding

Province/ Values	E, Cape	Free State	Gauteng	KZN	Lim popo	M'ma langa	N West	N Cape	W Cape	Total
NAC	3,360	2,405	21,930	6,490	1,300	630	1,300	735	8,570	46,720
% of grant	7.2	5.2	47.0	13.9	2.8	1.4	2.8	1.6	18.3	
Population	7,040	2,950	9,020	9,650	5,640	3,220	3,820	900	4,650	46,890
% pop	15.0	6.4	18.9	20.7	11.8	7.0	8.2	1.9	9.8	
Rpcapita	**0.48**	**0.82**	**2.43**	**0.67**	**0.23**	**0.20**	**0.34**	**0.82**	**1.84**	**1.0**
% nat av	**48**	**82**	**243**	**67**	**23**	**20**	**34**	**82**	**184**	

Salient overarching issues to be drawn from this analysis:

- the national analysis throws into stark relief the extent to which the NAC is in fact a relatively small player in the overall national arts funding landscape, with the NLDTF and direct funding from DAC (not all of it accounted for here) playing a substantially larger role; this emphasises the need both for new programmatic directions to be supported by new resources and partnerships, and the (often expressed) need for greater levels of coordination between these different agencies
- there are indeed extreme disparities between particularly the Western Cape and Gauteng on the one hand, and the rest of the country on the other – Mpumalanga receives 30c of national art funding per person, while the Western Cape receives R32.40 per person – 81 times as much as Mpumalanga
- the general assumption (shared by the decision-making framework informing the Special Company Funding Grant programme) that KZN belongs in a category of advantaged provinces (largely by virtue of the presence of Durban) is one that should be interrogated based on the above figures – KZN receives less per capita than the Free State, and is in fact more closely comparable from a statistical point of view to the Northern Cape.
- the figures also suggest a direct correlation between the historical presence of homelands in particular provinces and current levels of disadvantage from an arts funding point of view – and almost certainly relative to a variety of other socio-economic indicators
- Mpumalanga, North West and Limpopo can be naturally grouped as 'most disadvantaged'
- Northern Cape is in a category of its own in terms of disadvantage (not immediately apparent from these statistics) – it has a small but extremely dispersed population, together with huge wealth disparities

4.1.2 Issues Related to the Conceptual and Strategic Framework for decision-making

The 2006 review suggests that while the NAC has made significant progress in fulfilling a "responsibility to the arts" as a response-based grant making body working on the basis of proposals submitted, significant work still needs to be done in addressing its "responsibility to the population" in terms of the more equitable distribution of arts infrastructure and resources across the country. Stark proposed that the balancing of these two fundamental responsibilities involves a third, internal responsibility – 'the responsibility to choose'. Key findings extracted from the analysis of funding data include the following:

- "Per capita public investment in arts and culture by Province ranges from 328% of the national average (Western Cape) to 3% of that average (Mpumalanga)
- In general, the poorest Provinces receive the worst return
- Total funds invested nationally total R541 million in 2004/5
- NAC funds represent under 10% of the total committed

"These facts, together with the legislated objects of the NAC lead to the clear conclusion that change in NAC strategy and budget structure will be required to address developmental needs in previously (and currently) disadvantaged areas of the country. Such a change will need to be supported by new resources if there is not to be a risk of substantial damage to an already fragile art form infrastructure in even the provinces currently receiving the best return from the NAC." (Stark/JCCPM 2006: 19)

In this context, the decision – through the Special Company Funding programme - to prioritise provinces that normally receive a very small proportion of NAC funding is laudable and in line with the intention to achieve redress. However, it also potentially promotes a situation in which the NAC is seeking to address a set of problems that it has neither the resources nor the capacity to make a meaningful impact on, on a sustained basis.

The dilemma that the NAC faces with a programme such as the present one can be stated very simply: for the majority of projects supported through the programme, there undoubtedly exist an excessively large number of similar projects in each province that could have equal claim to being awarded such a grant. Such a situation places enormous strain on Stark's 'third responsibility': the 'responsibility to choose' becomes impossibly arbitrary when one of the primary criteria for the award of funding is 'developmental need', and the potential for special interests to inform (*and/or be perceived to inform*) such selection therefore increases. The dilemma that the NAC faces is then essentially one of how to address the pressing mandate of redress in a manner that enables rational funding choices to be made within constraints of the funding base that the NAC operates from.

It is proposed that the issues which the Special Company Funding programme seeks to address are ones which need to be addressed through programmatic intervention, outside of the existing responsive grantmaking framework of the NAC – a similar conclusion is reached by Stark in his 2006 analysis. Such an intervention cannot only be aimed at making more resources available to individuals and organisations in disadvantaged parts of the country. It also needs to ensure that there is adequate capacity in place to translate those resources into meaningful projects that can be meaningfully reported on.

The solution to this challenge is perhaps partially contained within the present programme. The support provided to the Limpopo Arts and Culture Council (LACC) – where the NAC supplemented funding provided to the LACC by the Provincial Department of Sports, Arts and Culture for the staging of a festival of indigenous performance forms - has the potential to evolve into a model for how the NAC addresses this issue.

The sound principle of 'subsidiarity' that underpins our constitutional framework suggests that the provision of services and support should be devolved to the lowest possible level.

Within such a principled framework, the great majority of projects supported through Special Company Funding should in fact be being supported through developmental involvement of provincial arts councils (for financial support) and local government (for in kind support). It is however also clear that provincial arts councils and local and district municipalities have both extremely limited resources and capacity to do so effectively.

Within this kind of developmental funding framework the NAC should then be positioned as playing a supporting and catalysing role that could have a number of dimensions:

- Advocating for local and provincial government to make finance and infrastructure available for the strategic support of arts programmes and organisations at a local and provincial government level through structures such as the provincial arts councils and the South African Local Government Association, as well as through direct advocacy to municipalities - ideally using best practice examples of municipal support for cultural infrastructure and programming.

- Advising and building the capacity of both local and provincial government to establish equitable and fair mechanisms and procedures for making such support available, drawing on best practice locally and internationally

- Facilitating the development of a stronger, more coherent and connected cultural infrastructure in priority provinces able to generate programming that can make a compelling case for new resources from new sources at local and provincial level. This would involve:
    - Network development
    - Cultural auditing
    - Capacity building
    - Programming
- It is proposed that the detailed development and realisation of such a scheme should be the main priority of the NAC in seeking to fulfil this area of its mandate, rather than in providing direct funding to individual organisations and projects. This approach is elaborated in greater detail in the 'Consolidated Analysis and Recommendations' section below

4.2 Funding of Traditional Art Forms

From the grants awarded, a tacit purpose of the Special Company Funding programme can be assumed to involve the support of projects that are concerned with the promotion of traditional/indigenous art forms, a purpose which is supported by the NAC's legislated mandate to "to foster the expression of a national identity and consciousness by means of the arts".

Virtually all of the applications make reference to the significance of indigenous dance, performance, musical, craft and oral-literary traditions in their submissions. As is well-known, the practice of these forms are widespread within particularly rural communities and are inculcated from an early age. It is also clear that very large numbers of groups that practice these forms for purposes of both recreation and income exist. As with the issues raised earlier, this places pressure on the NAC's 'responsibility to choose' – how does one prioritise funding for one group over another? This situation is additionally complicated by the fact that many of the more developed groups are registered as business entities (usually closed corporations), which brings to the fore some of the issues discussed in greater detail below.

It is recommended that a different mechanism be established to provide collective support to groups practicing traditional art forms for the purpose of recreation or income. Such a mechanism should provide financial support for organisations involved in working with groups – as opposed to the groups themselves - in the context of developmental programmes which support the growth and dissemination of these practices within the wider society. Three areas in which such targeted funding could be focussed could include:

- Conferences and Exhibitions (for the sharing/dissemination of knowledge about a particular form)
- Festivals and Competitions (for the large scale public showcasing of talent in a traditional art forms, such as the Zindala Zombili festival)
- Work in schools (for the integration of knowledge embedded in traditional art forms into the curriculum)

The present grant to the Limpopo Arts and Culture Council provides a precedent and potential model for precisely this kind of intervention in this area. Such a mechanism could be integrated into the coordinated programme of joint funding between the NAC and Provincial Art Councils contemplated in the preceding section, and elaborated in greater detail in the 'Consolidated Analysis and Recommendations' section below.

4.3 Organisational Development vs Project Support

In all instances, the funds applied for were deployed for the development and realisation of particular projects. At the same time, it also became clear from discussions with the acting CEO and the funding officer responsible for the programme that the development of the beneficiaries to the point where they would be able to apply for NAC company funding on a competitive basis with other organisations. As previously noted, the NAC provided assistance and advice to organisations with regard to the technical requirements of the NAC vis a vis company registration and tax clearance. Organisational development however encompasses a wider set of issues than these relatively technical matters – the development of a leadership and strategic management competence, the ability to manage project activities and finances, account for money spent, report-writing and so on. These issues were not addressed in organisational plans and it is no clear how they would be achieved within the framework of the present programme.

In the absence of these organisational development issues being addressed, the NAC is likely to unwittingly support a cycle of dependence on NAC funding from the majority of these organisations. Without the skills to develop a strategic plan, analyse the funding environment, effectively lobby for support from other (particularly more local) sources of support, write coherent proposals that address the expectations and criteria of other sources of potential support and therefore diversify their funding base, organisations will be inclined to go back to those who have supported them in the past in sustaining their project activities – in this case the NAC. For the NAC, this would again represent a strategic cul-de-sac, with exponentially increased demands not being matched by any foreseeable increase in its revenue base.

It is recommended that a targeted programme of capacity-building be developed, working in conjunction with provincial Arts Councils or, where Councils do not yet exist or have extremely limited capacity, provincial departments that have a competence in the arts/cultural realm. Such an approach is outlined in greater detail in the "Consolidated Analysis and Recommendations" section below.

4.4 The Financing of For-Profit entities

An issue noted in this review is the extent to which the Special Company funding scheme has enabled funding to be made available to for-profit entities (principally, Close Corporations) for the realisation of particular projects. This raises a set of complex policy-related issues which are briefly explored in what follows.

In the normal course of things, the state makes finance available to for-profit entities primarily through a competitive bidding process in relation to the delivery of a particular and specified set of products or services that the state requires in fulfilment of its overall mandate of service delivery to the citizenry of a country. Local examples would include:

- The City of Johannesburg putting out to tender the management of the Arts Alive Festival to events management consortia and companies
- A provincial department requiring craft businesses to bid for the supply of branded conference paraphernalia using traditional craft forms
- A national department commissioning policy-related research into a particular sub-sector within the arts industry

In the normal course of things, a profit making entity would not be subsidised to develop its core business idea.

Non-profit entities are funded by the state because their core business involves the servicing of a public good in a particular area of service delivery, and do not seek to derive a profit from their endeavours. Artists are provided with resources to develop concepts that have no likely wider commercial application or direct return on investment. The fundamental aim of for-profit entities is normally and legitimately the generation of profit, and the serving of a public good or artistic return is generally an ancillary – but nevertheless often profoundly important - priority of business activity in the creative and cultural sector.

The funding or subsidising for-profit entities may be justified in two particular sets of circumstances, drawing on international and local experience:

1. small business development or venture capital schemes which provide low interest loans, equity finance or start-up funding. Incentives and rebates may apply to businesses

that fulfil particular criteria in relation to industry development/transformation policies of the state

2. where the entity is involved in the realisation of a good or service that is associated with a defined 'public good'. The subsidising of the Joburg Theatre (formerly the Civic Theatre) by the City of Johannesburg would fall into this category of support.

This tension comes into focus, for example, around the support provided for the Tsivuvu Textile group. This group came about as a result of a CSIR intervention around product and business development, funded originally by the DAC. Notionally, this group should now be at the point where it can operate as a 'normal' business – the National Arts Council should arguably not be sheltering failed business entities to enable them to sustain further business failure, and ongoing demand for funding. On the other hand, entities whose core purpose is to maintain and develop traditional arts forms and knowledge should be funded within a different framework – see preceding discussion of how the NAC might be involved in a structured way in the funding of traditional art forms.

More broadly, it can be argued that there is a real gap in the provision of start-up finance and loan opportunities tailored to emergent entrepreneurs in the creative and cultural industries. In this context, a distinction needs to be drawn between entrepreneurs on the one hand and artists seeking to make a living from their work on the other. The latter are driven out of a primarily artistic agenda (and fall within the mainstream of the NAC funding framework), while the former are driven out of a business/commercial imperative that translates cultural and creative material into profit.

Should the NAC wish to do so, it could develop a set of relationships with a bank and/or venture capital firm/s around the provision of start-up funding or loans, and develop an accessible instrument for investment in business ideas that integrates the need for capital with the need for capacity-building and project development. A number of Foundations have developed generic schemes along these lines that have demonstrated significant business success rates. Such a proposition falls outside of the scope of this review, but it is one that could be pursued in greater detail should the NAC so wish.

Tax implications associated with funding business entities

An ancillary difficulty that this review draws attention to are potential problems associated with the taxation of grants for these organisations. As profit-making entities, they are not in a position to apply for or receive tax exemption from SARS. Conceivably, all of these organisations will become liable for the payment of company tax on money received from the NAC. It is understood that this is also an issue that is likely to impact on the standard company and project funding programmes.

Companies (cc s etc) effectively pay tax on profit at the end of a financial year. In theory all income into the company is taxable - there is then tax deductible expenditure which takes away much of this tax liability. Expenditure that is tax deductible includes all wages, purchases, raw materials etc - depending on local rules some items may be excluded. There are rules locally which also show what can be claimed against capital expenditure as depreciation.

The limited company will pay company tax on any net profit made within a financial year - an NGO would not have that tax liability and would be able to bring forward its funds in their entirety into the next financial year. If massive profits are not foreseen then there should not necessarily be a problem with this structure. If however activity is not what has been predicted and a surplus of grant funding is left in the company at the year-end there is a risk that not all funding can be carried forward without paying company tax on the net profit. This would be likely to particularly relevant for start-up organisations with limited financial management and planning systems in place. It is recommended that more specialist advice should be solicited on this issue and organisations that might be affected advised of how they should address this issue.

5. Consolidated Analysis and Recommendations

The following is presented as a summary framework of analysis and recommendation for seeking to fulfil the mandate addressed through the Special Company Funding Programme.

Points of Departure

1. The NAC's core funding revolves around project and company funding, and the provision of bursaries. This core funding available to the NAC to disburse addresses a range of criteria and seeks to award funding to projects across art forms and across provinces within a responsive grantmaking framework. Such a framework inevitably accords priority to proposals that reflect the greatest degree of coherence in addressing the core criteria of the Council, which in turn derive from the Objects of the NAC as articulated in the Act.

2. As noted in this report, one consequence of this framework is that there is presently an uneven spread in the allocation of these funds, both across art forms, and across provinces, the latter considered on a per capita basis. The former disparities are partly a function of the nature of the art forms with which the NAC is concerned – internationally, for example, the performing arts secures a larger proportion of public funding than the visual arts, a function of the different operational and organisational models that characterise working practices in each of these sectors. The disparity between provinces is both a function of a history of disenfranchisement and separate development, with the bulk of arts and cultural infrastructure and resources concentrated in the major urban centres. These disparities in the distribution of resources across and within provinces is an ongoing trend, one which is mirrored in the social and economic domains.

3. The ongoing character of these disparities within the cultural sector are to a significant degree a function of a failure to develop organisational infrastructure and connection within these regions of disadvantage. Infrastructure in this sense does not refer primarily to physical infrastructure, but to the capacities of individuals, groups, organisations and institutions to conceptualise, resource and realise arts and cultural projects and programmes that are able to effectively attract resources from a variety of sources. The paucity of resources often leads to a situation where a competitive

and mutually undermining dynamic comes into play, where individuals, groups and organisations engage in negative competition with one another as they seek to compete to secure a small pool of opportunities on which they become dependent – rather than working in relationship with one another to broaden the existing pool of opportunities.

Proposed Intervention

4. This report suggests that a strategic intervention is required in order to build the cultural infrastructure of the more disadvantaged provinces in a manner that makes a significant impact in 'leveling the playing fields' and building a dynamic and vibrant cultural sector that is able to work in a connected way to achieve common goals. While it is unlikely that, for example, Mpumalanga will in the foreseeable future enjoy a proportionate share of cultural infrastructure, programmes and resources, there is a compelling case for a set of interventions that would make a significant contribution to growing the existing 'soft' cultural infrastructure to a point where it can compete on an equal basis to arts organisations and companies located in the major urban centres.

5. It is proposed that such an intervention would need to target four interlocking areas for development:

   - network development: strengthening the organisational fabric of a particular region through growing connection between individuals, organisations and groups in a particular region, as well as between the cultural sector and government at a local and provincial level

   - cultural audits: network development provides a basis for conducting cultural audits which seek to identify the cultural assets, opportunities for development, and specific problems that obtain for arts and culture within a region

   - capacity-building: the development of networks and audits in turn provide an informed basis for identifying what the skills development needs and priorities for individuals, groups and organisations in a particular region might be, and for these to be addressed through fit-for-purpose capacity-building interventions responsive to the particularities of these needs. Interventions could take the form of workshops, courses and project-based training, and ideally they should enjoy direct linkage with the implementation of programmatic interventions.

   - programmatic intervention: resourcing programmes that bring the three previous dimensions together through artistic interventions that bring individuals, groups and organisations together in the realisation of a variety of projects that draw on the skills, talents and cultural assets of a particular region. The aim would be to facilitate exemplary projects that grow the capacity of the existing organisational infrastructure of a region to a point where new initiatives can be independently developed and resourced.

6. The inter-relatedness of these dimensions should be emphasised: conducting a cultural audit in the absence of connection to a network of cultural practice is not

possible; doing capacity-building in the absence an audit of skills needs and a network of practitioners and groups to work with leads to isolated and disassociated skills development interventions that fail to achieve impact; capacity-building and networking in the absence of a programmatic intervention that animates and gives meaning and purpose to meetings and workshops is also difficult. All four dimensions need to be developed simultaneously and in connection with one another, focussed around a set of linked projects in different locations working with different partners across a region.

Such projects should involve connection to local and/or district municipalities as well as a variety of existing local-level social and economic infrastructure – community halls, schools, clinics and the like – in developing a basis for sustainable programming and infrastructure. The design of such programmes will also need to be responsive to the particular circumstances prevailing in particular provinces, and the availability of partners at a provincial/regional level – a programme in the Northern Cape will necessarily be different to one in Mpumalanga.

The proposed interventions should also not be limited to only those provinces as identified within the framework of the Special Company Funding Programme – as this review makes clear, the assumptions regarding where disadvantage lies need to be interrogated. For example, the Free State currently enjoys higher per capita investment than Kwa-Zulu Natal. There are areas of localised disadvantage in both Kwazulu Natal (outside of Ethekwini) and the Western Cape (outside of the greater Cape Town region) that would warrant intervention as much as Limpopo or Mpumalanga.

7. Similar proposals are emerging at a national level out of the Arts and Institutional Governance and Investing in Culture Directorates of the DAC in relation to the community arts centre and Expanded Public Works Programme mandates respectively. There is significant potential for synergy and pooling of resources to enable an intervention of the kind contemplated above, noting that the bulk of the NAC's existing resources are invested in sustaining the established – but nevertheless fragile – existing arts infrastructure.

   There is also significant potential for partnership and synergy with the MAPPP SETA in resourcing and accrediting the training and capacity-building dimension of this kind of intervention – in many respects, the MAPPP SETA finds itself in a similar position to the NAC with regard to its training mandate – a small resource base is invested in often isolated initiatives that fail to achieve significant and sustained impact at a regional level.

   The NAC might elect to concentrate its investment in the building blocks of network development and cultural auditing, with other resources being drawn down from the MAPPP SETA, DAC, NLDTF and provincial departments/arts councils to address the programmatic and training dimensions of the proposed intervention.

8. It is proposed that the NAC (together with its partners at a national and provincial level) should seek to engage external service providers or consortia of service providers in each region to address these four areas through (at least) a three year

programme of intervention in close relationship with the Provincial Arts and Culture Councils (where they exist). A regional arts development function is contemplated that would be realised through a series of projects that would address the four dimensions of the proposed strategy in an integrated fashion, working closely with provincial and local government. Such a service provider or consortium of service providers would need to:

- have competence across a range of art forms and types of programme (education, training, production, presentation and participation)
- have demonstrable regional knowledge of the arts and cultural sector
- have significant involvement of individuals, groupings and organisations that are of the region being targeted
- have experience in organisational development and facilitation, monitoring and evaluation

6. Conclusions and Proposed Next Steps

A clear conclusion from this review is that the Special Company Funding Grant Programme is not sustainable in its current form. The decision to disburse funding on this basis was partly a pragmatic one driven out of a need to ensure expenditure of unclaimed funds from the mainstream company funding programme. The programme has nevertheless played an important role in highlighting a variety of issues critical to the mandate of the NAC as a statutory body, and an approach to addressing these issues is outlined in the present document.

It is also recommended that in future, means should be sought for the NAC to invest unclaimed funds in areas of established strategic intervention and programming, rather than a hasty assembling of a programme to address an immediate need to allocate unspent money. It is hoped that the present document provides a point of departure for considering what the shape of such strategic intervention/programming might be.

In terms of practical next steps in relation to the core propositions contained in this review, it is recommended that the NAC should in consultation with the partners identified here, develop – through internal capacity and/or external advice/assistance – a detailed programmatic framework for regional development programmes, which can then be formally tabled with these partners with a view to securing complementary investment. The NAC would also need to assess what scale of funding it might invest in the intervention – as suggested in this document, the NAC should be playing primarily a catalytic and championing role rather than a resourcing role in this regard.

There are also compelling longer-term propositions that could emerge from the proposals indicated in this review:

- Through these programmes, securing greater engagement and increased levels of investment from local and district municipalities in arts development, thereby alleviating some of the strain/burden from the NAC and PACCs. This would in the first instance be through in-kind support related to existing areas of competence and mandate – for example, in making available facilities that are already owned/managed by local municipalities.

- Considering the integration of the proposed development agency function as an extension of the activities of PACCs
- Developing an infrastructural dimension to the proposed programmes that act as physical nodes for arts activity within different regions - a locus for training, workshops, festivals, residencies, local and international exchanges, arts incubation and so on. Infrastructure funding could be made available through national DAC and/or the NLDTF for fit-for-purpose facilities that are designed out of the considered and genuine needs of a critical mass of focused arts activity that the proposed regional development programmes stimulate/catalyse/generate. Such facilities - relevant to the social geography of the post 1994 South Africa and responsive to the particularities of the arts in different regions - could also make a compelling case for being elevated to the status of national cultural institutions, and have their core operations and programming sustained through joint funding from provincial and national government. This would be a profound and visible legacy for the present Board of the NAC to have laid the foundations for.