

Impact of Covid-19 on the NPO sector

Non-profit organisations (NPOs) play a vital role in trying to resolve the challenges and inequalities within our communities and society at large. The important role they play in South Africa cannot be underestimated.

Tshikululu Social Investments, one the country's leading social investment fund management and advisory firm, has undertaken a survey of over 170 NPOs around South Africa to assess the effect that Covid-19 has had on this crucial sector.



The twin burden

"We are keenly aware of the twin burden of financial survival in the midst of increasing and overwhelming need within the NPO sector. As part of our role in supporting these organisations, we wanted to understand the nuances of how the Covid-19 pandemic has specifically impacted NPOs during this time," says Graeme Wilkinson, Social Investment Specialist at Tshikululu.

"We also wanted to give these organisations an opportunity to share with us, and the broader social investment community, how they were coping with the challenges that Covid-19 presents," he says.

The significant impact of Covid-19

Unsurprisingly, the results of the survey confirm the significant impact that the pandemic has had on NPOs, with the subsequent lockdown further

perpetuating many of these challenges.

Sixty-six percent of respondents have experienced a decline in income since lockdown and anticipate things to remain difficult over the next 18 months. In terms of impact on staff, 35% of those interviewed had already taken steps, such as the temporarily laying off of staff or reducing working hours, in order to reduce their monthly salary costs (with 10% reporting that they had to retrench staff).

Despite these challenges, approximately 60% of organisations reported that they did not apply for relief funding from either the public or private sector. Some were unaware that relief funding was available while others benefited from relief in the form of social investment (budget allocations and grant conditions) or top-up funding from donors. In fact, 67 organisations surveyed were awarded funding for Covid-19-specific interventions to the value of R37,305,062.

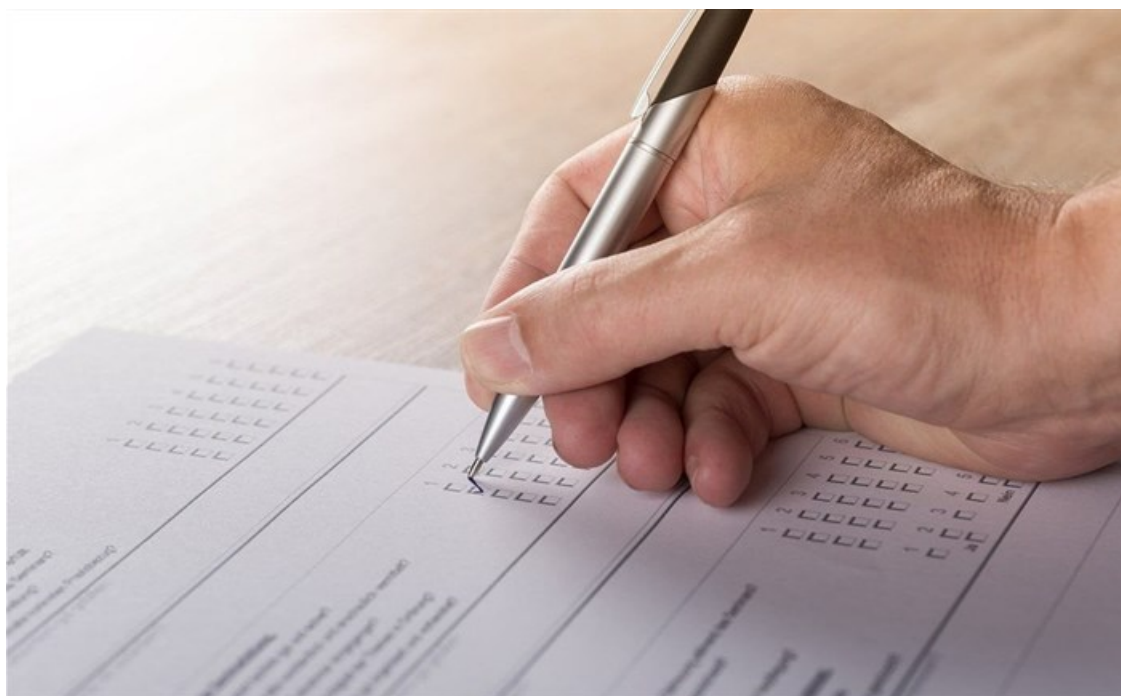
Using resilience to respond

"The world has changed fundamentally. The change has been rapid and ubiquitous, and it has required new levels of resilience from individuals, communities, companies and organisations alike," says Mandisa Diza, a monitoring and evaluation specialist at Tshikululu.

As one of Tshikululu's core values, Diza says that resilience refers to the ability to respond to competing priorities with mindfulness, optimism and energy. "It is the ability to adapt and succeed, regardless of the circumstances. Striving to do better every time, pulling together and persevering when the going gets tough. As a nation, such resilience has been needed like never before in 2020," she says.

Tshikululu's resilience index

Based on the survey results, Tshikululu developed a resilience index that summarises the overall state of respondent NPOs.



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"While the pandemic and subsequent lockdown have had more negative impacts on organisations than positive ones, our resilience index demonstrates that most respondents are encouragingly categorised as either strongly or moderately resilient, and are doing their best to ensure that the impact on their organisational sustainability and their beneficiaries is minimised," says social investment analyst, Tamika Mtegha. In fact, 63% of responding NPOs were categorised as being moderately resilient, with a further 31% found to be strongly resilient.

Optimism prevails

What this research has also revealed is that despite the negative impact on the NPO sector in South Africa, a sense of optimism prevails. The majority of respondents said they are hopeful about the long-term future of their organisation and their ability to counter the damage.

Many organisations also reported embracing innovation and/or adjusting to new ways of working to continue serving their beneficiaries. Like most of society, pivoting during a pandemic helped to keep many afloat.

"Almost two thirds of respondents interviewed said that they expect income to return to 2019 levels in the next three years, with 61% of respondents believing that the damage from the pandemic could either be partly or fully countered," says Mtegha.

Recommendations going forward

Although the Covid-19 pandemic will eventually pass, its impact will no doubt be felt for years to come. NPOs and social investors alike should be thinking about how to (a) respond to effectively maximise social impact in these unprecedented times; and (b) change their work to prepare for and optimally respond to what the future might bring.

Having analysed all of the findings, Tshikululu has drafted seven recommendations in order to build the resilience of both NPOs and social investors.

Some of these recommendations include focusing on real partnerships and prioritising the retention of existing donors, especially during an economic downturn. Communicating with these donors is essential and NPOs need to keep them abreast of challenges and successes.

In turn, social investors are urged to approach everything they are doing with a sense of true partnership and support, which includes not making unrealistic demands on NPOs, remaining flexible and always being willing to listen as things evolve. In terms of flexibility, this could include loosening or eliminating grant restrictions, accelerating payment schedules and/or ensuring there are no delays in releasing funds already promised.

In terms of scenario planning and sustainability, Tshikululu encourages NPOs (and social investors) to plan management of their reserves over the long-term and to set out a low, medium and high road income scenarios for the next 12, 24 and 36 months. Above all else, remain strategic, creative and patient.

"At the best of times, South Africa has massive need for impactful social investment and NPO delivery. This reality has been exponentially amplified during the Covid-19 pandemic. The need will always be far greater than whatever one social investor or NPO can do, but every effort is an important part of our national response," says Diza.

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