

# 11 factors affecting the non-profit sector in 2023

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In the wake of the Covid-19 pandemic, and proposed legislative changes, some of the main factors affecting the non-profit sector in 2023 will be the need for long-term financial sustainability, legal compliance, and good governance.



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**1. Hybrid events:** Expect the return of more in-person events and peer sessions, but still the option of virtual attendance. With hybrid events, there is the opportunity to reach more people, whether peers or donors.

**2. Legislation:** Inyathelo and members of the NPO Working Group, representing NPOs and civil society organisations across South Africa, have volunteered their time and expertise for the past 13 months to analyse, interpret and share information on proposed legislation such as the NPO Act Amendment Bill.

Nonetheless, not enough stakeholders are aware of the legal implications, so campaigning and communicating will continue.

**3. Compliance:** With NPO governance and legal compliance increasingly under the spotlight, Nicole Copley of NGO Law, also a member of the NPO Working Group, has urged NPOs to implement actions such as establishing a risk register to assess, update, adjust to and mitigate against risks.

Conduct background checks on current and incoming board members. Update the members' register and make a list of people with powers to appoint or control. Apply for registration now if projects or beneficiaries fall outside South Africa and are not yet registered. Get annual reports up to date.



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**4. Risk management:** The previous rules-based approach to governance has evolved to the current risk-based approach. Attorney Ricardo Wyngaard has warned that NPOs are now on the radar, and even small organisations should embed risk management, which is essentially about protecting people. There are in fact opportunities in risk management, and mindful compliance adds value.

**5. Financial sustainability:** A decade ago, reserve funds and profit-making by an NPO were questioned, and the notion of making a surplus was often frowned upon. Today, the narrative has changed and social entrepreneurial models are now widely understood and adopted throughout the sector. This contributes towards a fair degree of self-reliance.

**6. Digital marketing:** NPOs must become competitive in fundraising by investing in learning how to boost their digital marketing, from internal processes to public-facing marketing.

**7. Overheads:** Donors previously funded programme costs only, but this changed during the pandemic when funders agreed that a portion of funds could be re-allocated to cover operational costs too. This has become a permanent feature at some NPOs whose supporters understand that unless core operational costs are covered, a non-profit cannot survive and in turn implement donors' programmes.

**8. Reserves:** The pandemic also highlighted the importance of a reserve fund to cushion a non-profit when conditions are extremely adverse. This can be achieved by social entrepreneurial and other revenue-generating initiatives. Some donors are also encouraging NPO management to allocate a percentage of their funding towards building a reserve.

**9. Community philanthropy:** The traditional approach of vertical philanthropy – where rich give to poorer – has evolved to greater recognition of horizontal or community philanthropy, when underresourced people help others also facing tough conditions.

An example is Community Action Networks (CANs) with volunteers feeding, clothing, and caring for the sick during the pandemic. We expect more organisations to consider putting formal steps in place, for example, registering their organisations to ensure that their work can continue. Inyathelo accordingly offered a programme for CANs on pathways to sustainability in 2022.



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**10. Financial ethics:** Over the past year, Inyathelo's finance unit has been actively involved in financial sustainability and budgeting training and advisory services based on the unit's solid experience in the field over the past 15 years.

There has been an increasing demand for financial governance as organisations strive for increased accountability, efficiency and the need to not only demonstrate, but live the values of financial ethics.

**11. Mutual partnerships:** Donors and supporters have evolved more and more into engaging in mutual partnerships with

their non-profit counterparts, working together towards a common mission. However, while this progress is notable, there is still much work to be done. Ongoing trust-building between grantmakers and grant-seekers must be prioritised.

The ongoing common theme of 'shifting the power' needs to be actionable with trust in those who have hands-on experience and exposure in understanding the complex nexus between need and impact, and the trajectory and time that this takes.

## ABOUT THE AUTHOR

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