



NATIONAL LOTTERIES COMMISSION (NLC)

Annual Performance Plan | 2022/23

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Executive Authority Statement



The Annual Performance Plan (APP) identifies the outputs, output indicators and targets that an entity aims to achieve in the new financial year. The Executive Authority is responsible for providing direction on the development and implementation of policies and strategic priorities of entities in line with their respective mandates, and to ensure the APP is aligned to government's priorities.

The environment in which the APPs of the Department of Trade, Industry and Competition (the **dtic**) and our entities have been formulated remains challenging, given the impact of the COVID-19 pandemic, the July 2021 unrest and more recently the Russia/Ukraine war. At the same time, determined efforts by the Administration has seen signs of economic recovery and greater investor confidence in economic prospects.

In this light, Government's priority focus continues to be the recovery of growth, investment and employment, guided by the Economic Recovery and Reconstruction Plan adopted in 2020, and the tasks outlined by President Ramaphosa in the 2022 State of the Nation Address.

This APP is expected to take forward the strategic shift initiated in 2021/2022 toward strengthened implementation and impact of **dtic**'s work, through greater integration of efforts within the department and our entities, guided by shared, crosscutting outcomes and joint performance indicators. In this regard, the work of the **dtic** and the entities will be evaluated in relation to three over-arching Outcomes (which incorporate the previous "Joint- KPIs") namely **Industrialisation**; **Transformation**; and **Capable State** (Implementation/ Effective Delivery). In this way these Outcomes more deliberately and directly inform respective outputs and KPIs of the department and entities.

In turn, the scope of the outputs collectively still encompass the identified **dtic**'s priorities which include among others, the work of sector masterplans, initiatives to boost levels of investment and localisation in the economy, expanding trade within the continent, enabling better local economic development, supporting the growth of new industries (in the green economy and through beneficiation) and building a capable state, in particular addressing red tape as prioritised by the President in the 2022 State of the Nation Address.

Every entity in the **dtic** has been requested to align their APPs to the three outputs, it being recognised that a particular entity's core business links more clearly and strongly to one or the other of the overarching Outcomes, than to others.

This APP represents the outcome of the work done by the National Lotteries Commission. Following the tabling of the APP by the **dtic** itself, each entity of the Department will be expected to consider such additional refinement and additions to be made and following completion of the review, such an addendum to this APP may be submitted in due course after the tabling.

This APP is therefore not about many new objectives but rather on a new way of implementation, with the focus on integration, to enhance the development impact of the work.

In light of the concerns relating to governance and corruption affecting the NLC, the Board that has been recently reconstituted will be requested to review this APP and identify new performance indicators to address the outcomes of the forensic investigations and the findings of the Special Investigating Unit (SIU) into the affairs of the NLC.

I accordingly table the APP for 2022/23 in accordance with the request by the Speaker.



Ebrahim Patel
Minister of Trade, Industry and Competition

Accounting Officer Statement



The COVID-19 pandemic and resultant lockdowns pushed the nation and the global community into a new economic reality, and many nations are grappling with efforts to bring economies back on track while balancing the risk of the persistent pandemic. The obvious domino effect on organisations such as the National Lotteries Commission (NLC) are an increased demand for funding as sources of relief dry up.

The increased prevalence of online lotteries require regulation to be tighter to protect the resources of households from illegal operators, and the need for the types of services rendered by NGOs has increased as a result of the economic impact of measures implemented to keep COVID-19 at bay.

All government services need to be reliable and stable, yet dynamic in the face of a constantly changing landscape of needs. In keeping with this theme, NLC continues to evolve through efforts aimed at organisational renewal and digital transformation to enhance its dual mandate of regulation and grant making.

The term of the current National Lottery Operator expires in May 2023 and the Board has fulfilled their legal obligation of ensuring that the 4th National Lottery Licence Strategy was developed and timeously submitted to the Executive Authority. The respective legal teams of the NLC and the Minister are engaged in a process of legal clarification relating to the RFP document.

The NLC has continued to chart plans to ensure integration between the work of the department through the applicable Joint-Indicators (J-KPIs), with continual progress reported to the Ministry.

This APP is not about many new objectives but rather on a new way of implementation, with the focus on integration, to enhance the development impact of the work of the NLC.


Thabang Mampane
NLC Commissioner

Official Signoff

It is hereby certified that this Annual Performance Plan was developed by the management of the National Lotteries Commission (NLC) under the guidance of the Board of Directors and takes into account the relevant policies, legislation and mandate of the NLC. The plan accurately reflects the impact, outcomes and outputs which the NLC will endeavour to achieve over the 2022/2023 MTSF period.


X. Ntuli
Chief Financial Officer

Signed: 

A. Maharaj-Domun
Official Responsible for Planning

Signed: 

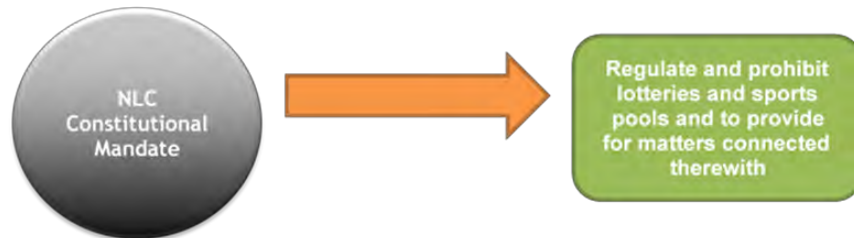
Approved by:
TCC Mampane
Commissioner
03 March 2022

Signed: 

PART A: OUR MANDATE

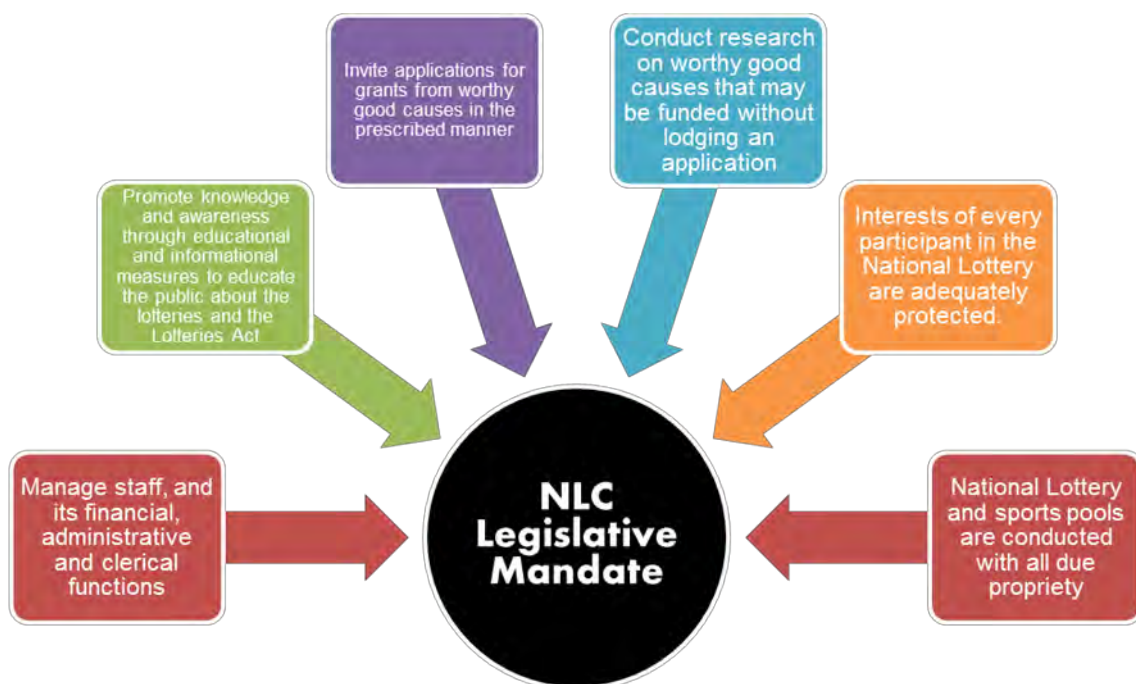
PART A: NLC's MANDATE

1. Constitutional Mandate



The NLC has the sole mandate to regulate and prohibit lotteries and sports pools and to provide for matters connected therewith.

2. Legislative and policy mandate



- o To ensure that the National Lottery and Sports Pools are conducted with all due propriety and strictly in accordance with the Constitution, all other applicable law and the licence for the National Lottery, together with any agreement pertaining to that licence and that the interests of every participant in the National Lottery are adequately protected.

- o Conduct research on worthy good causes that may be funded without lodging an application prescribed in terms of the Lotteries Act, upon request by the Minister, Board or on its own initiative in consultation with the Board.
- o Invite applications for grants from worthy good causes in the prescribed manner.
- o Promote public knowledge and awareness by developing and implementing educational and informational measures to educate the public about the lotteries and provisions of the Lotteries Act, as amended, and educating the public by explaining the process, requirements and qualifications relating to the application for grants in terms of this Act.
- o Manage staff and its financial, administrative and clerical functions and exercise any other function as delegated or directed by the Minister or the Board.

3. NLC Core Values



4. Institutional Policies and Strategies over the five-year planning period

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 Amended Lotteries Act 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. This includes addressing unemployment and alleviating poverty as aligned to the NDP and the seven identified priority areas of government:

1. Education, skills and health
2. Economic transformation and job creation
3. Consolidating the social wage through reliable and quality basic services
4. Spatial integration, human settlements and local government
5. Social cohesion and safe communities
6. A capable, ethical and developmental state
7. A better Africa and world

The new MTSF combines a 5-year NDP Implementation Plan with a revamped integrated monitoring system and accountability framework that incorporates resourcing through private sector investment, development finance institutions and SOEs and public entities' roles. It further outlines the budget prioritisation framework, labour movement's involvement on the skills revolution and civil society in promoting participatory democracy.

The NLC is therefore driven by government policies on economic and social development.

5. Relevant Court Rulings

The court cases underway do not have a direct impact on the mandate of the NLC.

- National Lotteries Commission // Minister of Trade, Industry and Competition — Matter petitioned to the Supreme Court of Appeal pursuant to Section 10(2) and (3) of the Lotteries Act
- National Lotteries Commission // Ithuba Holdings (RF) Pty Ltd — Part A of the Application petitioned to the Supreme Court of Appeal by the Operator and Review Part B matter ongoing pursuant to Section 10(2) and (3) of the Lotteries Act.

PART B:
OUR STRATEGIC
FOCUS

PART B: NLC's STRATEGIC FOCUS

4. Updated Situational Analysis

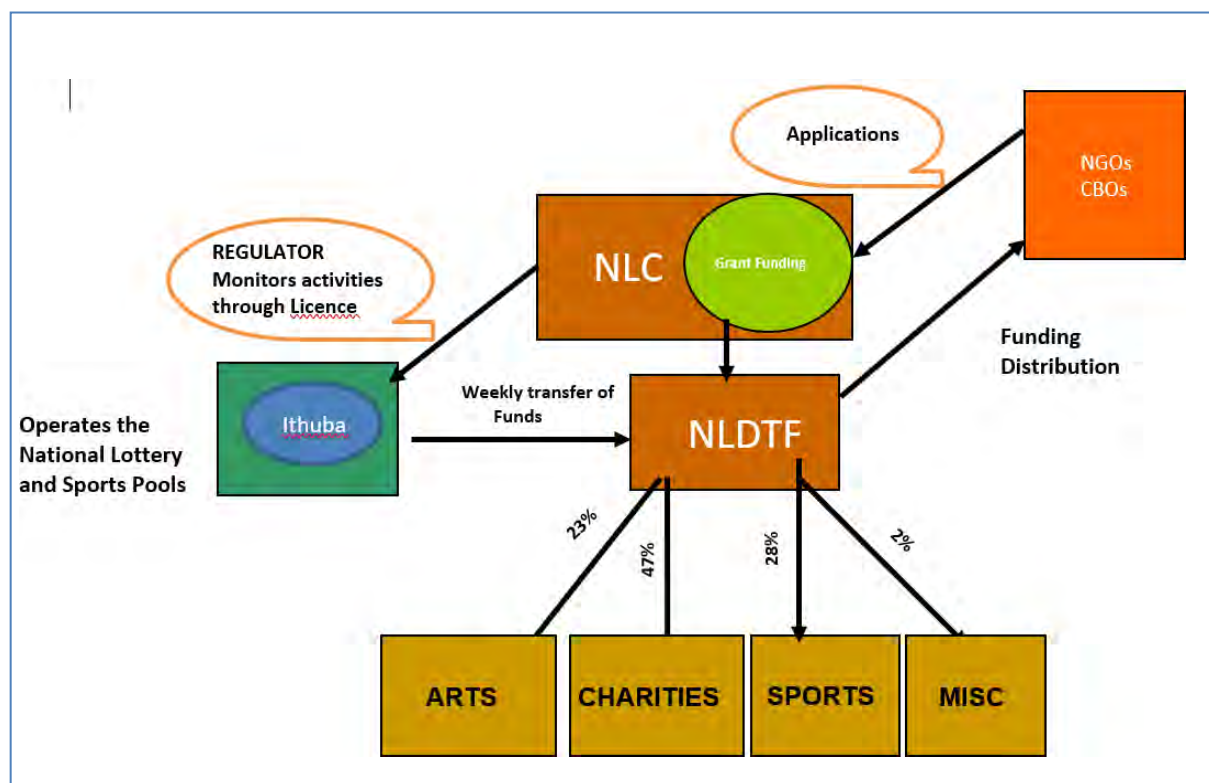
4.1 External Environment Analysis

The NLC is a public entity established by Lotteries Act No. 57 of 1997 (as amended) to regulate the South African lotteries and sports pools industry. Primarily, the organisation was established to undertake the functions of:

- Regulation of the National Lottery and other Lotteries and sports pools
- Administration of the National Lottery Distribution Trust Fund (NLDTF)

The NLC is governed by a board, whose mandate is to:

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



NLC Operating Model

The role and functions of the National Lotteries Commission (NLC) are clearly outlined in the Lotteries Act (No. 57 of 1997, as amended), which places an obligation on the organisation to support (directly and indirectly) the electoral mandate of the national government. In the quest for achieving its vision and mission, among others, to regulate all lotteries and sport pools with integrity, to ensure the protection of all lottery and sport pools participants, to maximise revenue for good causes in a responsible manner and to distribute funds equitably and expeditiously, the business of the NLC is influenced by the political and economic landscape of the country.

SITUATIONAL ANALYSIS: THE MACRO ENVIRONMENT

Overview of the Global environment: Global growth projections

In 2020, the global extreme poverty rate rose for recorded a contraction of 0.9% during 2020, and the IMF is forecasting real economic output growth rates of 7.5% during 2021 and 6.4% for 2022. Hundreds of millions of people were pushed back into extreme poverty and chronic hunger due to COVID-19 and the resulting lockdowns and negative impacts on economies globally. The global economic output contracted in real terms by 3.2% during 2020 and the IMF is expecting that it will grow by 6.0% during 2021 and 4.9% during 2022¹. The highest economic output rates internationally



are found in emerging developing economies in Asia such as China and India where the economic impact of the COVID-19 pandemic and lockdowns seem to have been less than other parts of the world. This region recorded a contraction of 0.9% during 2020, and the IMF is forecasting real economic output growth rates of 7.5% during 2021 and

6.4% for 2022.

The world economy is experiencing an exceptionally strong but highly uneven recovery during 2021, with sharp rebounds in some major developed economies and with poorer (developing) countries lagging behind. Vaccine access has emerged as the main driver of global economic recovery, unfortunately splitting the world into those that can look forward to further normalisation of activity

¹ IMF *World Economic Outlook Update*, July 2021, <https://www.imf.org/en/Publications/WEO/Issues/2021/07/27/world-economic-outlook-update-july-2021>

during 2021 (almost all advanced economies) and those that will still face resurgent infections and rising COVID-19 death tolls (mainly developing countries). Vast inequalities exist in vaccine distribution, in the sense that as of 17 June 2021, around 68 vaccines were administered for every 100 people in Europe and Northern America compared with fewer than two in sub-Saharan Africa².

The exact timeframe of recovery remains uncertain and could be impacted by a resurgence of infections of the virus. The World Bank determined in a downside scenario where infections continue to rise and the rollout of a vaccine is delayed the global growth rate could slow to 2.7% in 2022. Meanwhile, in an upside scenario with successful pandemic control, a faster vaccination process and technological adoptions, global growth could accelerate to more than 5.0% in 2022.³

Upon comparing the expectations in economic growth for South Africa with that of other Sub-Saharan Africa countries during 2021 it should be noted that although some Sub-Saharan Africa countries will experience substantially higher economic growth rates than South Africa during 2021, many economic challenges also exist in such countries. During 2020 the countries in the region that were affected the most when considering real GDP growth were Mauritius (-15.8%), Cabo Verde (-14.0%) and Seychelles (-13.4%)⁴. The two largest economies in the region remains Nigeria and South Africa. Nigeria contracted by 1.8% during 2020, while South Africa recorded an annual contraction of 7.0% during 2020. These two countries are expected to record annual growth rates of 2.5% and 4.0% respectively during 2021.⁵

² United Nations, The Sustainable Development Goals Report, 2021, <https://unstats.un.org/sdgs/report/2021/The-Sustainable-Development-Goals-Report-2021.pdf>

³ World Bank Global Economic Prospects, June 2021, <https://openknowledge.worldbank.org/bitstream/handle/10986/35647/9781464816659.pdf>

⁴ IMF *Regional Economic Outlook for Sub-Saharan Africa: Navigating a Long Pandemic*, April 2021, <https://www.imf.org/en/Publications/REO/SSA/Issues/2021/04/15/regional-economic-outlook-for-sub-saharan-africa-april-2021>

⁵ IMF *World Economic Outlook Update*, July 2021, <https://www.imf.org/en/Publications/WEO/Issues/2021/07/27/world-economic-outlook-update-july-2021>

Real GDP, Annual % change	Year over Year			
	2019	2020	Projections	
			2021	2022
World Output	2.8	-3.2	6.0	4.9
Advanced Economies	1.6	-4.6	5.6	4.4
United States	2.2	-3.5	7.0	4.9
Euro Area	1.3	-6.5	4.6	4.3
Germany	0.6	-4.8	3.6	4.1
France	1.8	-8.0	5.8	4.2
Italy	0.3	-8.9	4.9	4.2
Spain	2.0	-10.8	6.2	5.8
Japan	0.0	-4.7	2.8	3.0
United Kingdom	1.4	-9.8	7.0	4.8
Canada	1.9	-5.3	6.3	4.5
Other Advanced Economies	1.9	-2.0	4.9	3.6
Emerging Market and Developing Economies	3.7	-2.1	6.3	5.2
Emerging and Developing Asia	5.4	-0.9	7.5	6.4
China	6.0	2.3	8.1	5.7
India	4.0	-7.3	9.5	8.5
ASEAN-5	4.9	-3.4	4.3	6.3
Emerging and Developing Europe	2.5	-2.0	4.9	3.6
Russia	2.0	-3.0	4.4	3.1
Latin America and the Caribbean	0.1	-7.0	5.8	3.2
Brazil	1.4	-4.1	5.3	1.9
Mexico	-0.2	-8.3	6.3	4.2
Middle East and Central Asia	1.4	-2.6	4.0	3.7
Saudi Arabia	0.3	-4.1	2.4	4.8
Sub-Saharan Africa	3.2	-1.8	3.4	4.1
Nigeria	2.2	-1.8	2.5	2.6
South Africa	0.2	-7.0	4.0	2.2
World Economic Outlook, July 2021 Update				

Global risks perceptions

According to the Global Risks Report 2021⁶ extreme weather, climate action failure and human-led environmental damage as well as digital power concentration, digital inequality and cybersecurity failure will all be among the highest likelihood risks of the next ten years. Among the highest impact risks of the next decade, infectious diseases are in the top position followed by climate action failure and other environmental risks as well as weapons of mass destruction, livelihood crises, debt crises and IT infrastructure breakdown.

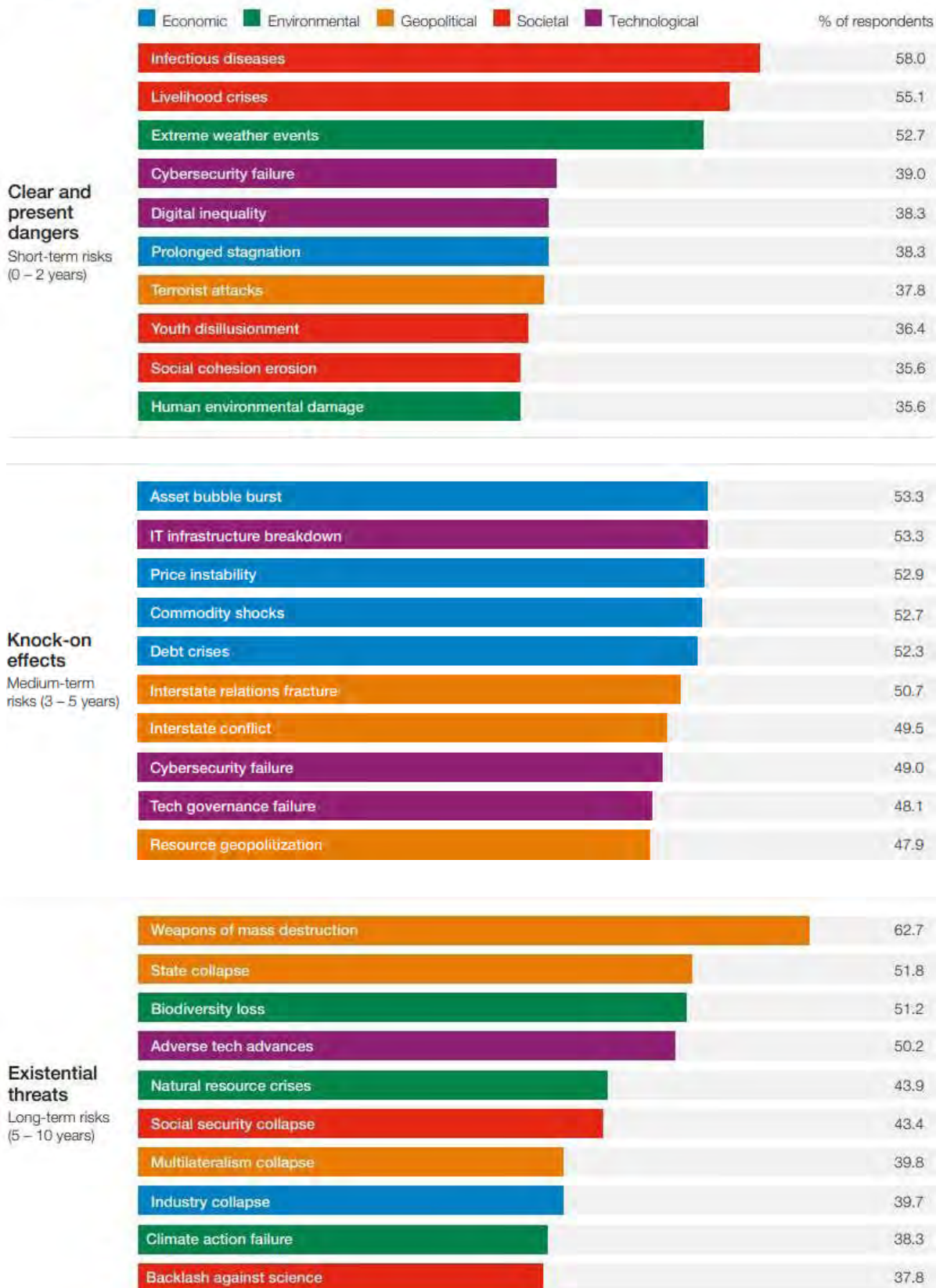
Considering the time-horizon within which these risks will become a critical threat to the world, the most imminent threats – those that are most likely in the next two years – include employment and livelihood crises, widespread youth disillusionment, digital inequality, economic stagnation, human-made environmental damage, erosion of societal cohesion, and terrorist attacks. Economic risks feature prominently in the 3–5-year timeframe, including asset bubbles, price instability, commodity shocks and debt crises followed by geopolitical risks, including interstate relations and conflict, and resource geopolitisation. In the 5-10-year horizon, environmental risks such as biodiversity loss,

⁶ World Economic Forum, *The Global Risks Report 2021*, http://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2021.pdf

natural resource crises and climate action failure dominate alongside weapons of mass destruction, adverse effects of technology and collapse of states or multilateral institutions. The results described in the report originates from the World Economic Forum Global Risks Perception Survey 2020.

Global Risks Horizon

When do respondents forecast risks will become a critical threat to the world?



Based on the evolving risk landscape⁷, the likelihood and impact of top risk analyses show extreme weather, climate action failure and human environmental damage were identified as the global risk with the highest likelihood, while infectious diseases, climate action failure and weapons of mass destruction topped the global risks with the biggest anticipated impact among 35 global risks.



Overview of policy and the political sphere

Sustainable Development Goals (UN Agenda 2030)

In 2015, world leaders agreed to 17 goals for a better world by 2030. The United Nations' Sustainable Development Goals (UN Agenda 2030) provide an excellent measure of progress worldwide by allowing comparative analyses of development across different countries worldwide. The Sustainable Development Goals (SDGs) also provide direction and clarity with respect to what development goals should be achieved by emphasising the necessity of eradicating poverty, protecting the planet and ensuring that all people enjoy peace and prosperity.

⁷ World Economic Forum, *The Global Risks Report 2021, Evolving Risks Landscape*, <http://reports.weforum.org/global-risks-report-2021/survey-results/evolving-risks-landscape/>



The SDGs also succeed in providing an integration of the three dimensions of sustainable development, namely economic, social and environmental⁸. They therefore acknowledge that action in one area will affect outcomes in other areas.



All 17 SDGs are very pertinent to the South African situation as reflected by the fact that

⁸ Dalampira, E-S, Nastis, SA. *Mapping Sustainable Development Goals: A network analysis framework*. Sustainable Development. 2020; 28: 46– 55. <https://o-doi-org.oasis.unisa.ac.za/10.1002/sd.1964>

high levels of poverty, high levels of income and gender inequality, differential access to high quality education and health care, low economic growth rates and low levels of job creation are still being experienced impacting negatively to social, economic, human and environmental development.

COVID-19 has had catastrophic impacts on the lives and livelihoods of millions of people and on efforts to realize the 2030 Agenda for Sustainable Development. Historically, pandemics have served as catalysts for political, economic and social change, and that still holds true today. The year 2021 will be decisive as to whether or not the world can make the transformations needed to deliver on the promise to achieve the SDGs by 2030.

African Union (AU) Agenda 2063 – “The Africa we want”



Except from the UN SDGs, African countries have committed to implementing the African Union (AU) *Agenda 2063 – “The Africa we want”*, which provides a strategic framework

for Africa guiding its socio-economic transformation over the fifty-year period 2013 to 2063. This policy aims to bring about an integrated, prosperous and peaceful Africa, driven by its own citizens, representing a dynamic force in the international arena. To achieve this Africa needs to revise and adapt its development agenda. The identified AU Agenda 2063 Flagship projects encompass amongst others infrastructure, education, science, technology, arts and culture as well as initiatives to secure peace on the continent⁹.

The major focus areas (aspirations) of the AU Agenda 2063 are¹⁰:

- A prosperous Africa, based on inclusive growth and sustainable development.
- An integrated continent politically united and based on the ideals of Pan Africanism and the vision of the African Renaissance.
- An Africa of good governance, democracy, respect for human rights, justice and the rule of law.
- A peaceful and secure Africa.
- Africa with a strong cultural identity common heritage, values and ethics.
- An Africa whose development is people driven, relying on the potential offered by African people, especially its women and youth, and caring for children.
- An Africa as a strong, united, resilient and influential global player and partner.

It needs to be mentioned that South Africa's response to the AU Agenda 2063 has been very positive.

⁹ African Union, *Flagship Projects of Agenda 2063*, <https://au.int/en/agenda2063/flagship-projects>

¹⁰ African Union, *The aspirations of the Africa we want*, <https://au.int/en/agenda2063/aspirations>

South Africa indicated that it continues to support regional and continental processes to effectively respond to crises, promote peace and security, strengthen regional integration, significantly increase intra-African trade and champion sustainable development in the continent. South Africa believes that regional and continental integration are the foundation for Africa's socio-economic development and political unity and are essential for the Continent's prosperity and security. This is evident in that the National Development Plan (NDP) is aligned with Agenda 2063, as well as with Agenda 2030 of the United Nations (UN). Some government departments and some state organs have furthermore already started to integrate Agenda 2063 into their programmes.

African Continental Free Trade Area Agreement



The African Continental Free Trade Area (AfCFTA) was conceptualised in 2012 to enhance trade integration on the continent. The 18th Ordinary Session of the Assembly of Heads of State and Government of the African Union (AU), which took place in Ethiopia in 2012 endorsed an action plan to boost Intra-

African Trade (BIAT), and thus agreed on a way forward to establish the AfCFTA. The Agreement establishing AfCFTA came into force on 30 May 2019 and, so far, 34 countries on the continent have ratified the Agreement. The AfCFTA responds to the aspirations of "AU Agenda 2063", which is underpinned by the AU's vision to build an integrated, prosperous and peaceful Africa that is a dynamic force in the international arena.

The main objectives of the agreement are stated as¹¹:

- Initiate a single market, deepening the economic integration of the continent.
- Establish a liberalised market through multiple rounds of negotiations.
- Promote the movement of capital and people, facilitating investment.
- Move towards the establishment of a future continental customs union.
- Achieve sustainable and inclusive socio-economic development, gender equality and structural transformations within member states.
- Enhance competitiveness of member states within Africa and in the global market.
- Encourage industrial development through diversification and regional value chain development, agricultural development and food security.
- Resolve challenges of multiple and overlapping memberships.

¹¹ <https://www.sars.gov.za/wp-content/uploads/Legal/Agreements/IntA-TradeA-2020-01-Schedule-10-Part-8-Agreement-establishing-AfCFTA-in-Notice-R1432-GG-44049-31-December-2020.pdf>

Once completed, the free trade area, which is of substantial economic interest to South Africa and the African continent, will provide a market of over 1 billion people with a GDP of over US\$2.6 trillion¹². The AfCFTA Agreement goes beyond simple trade liberalization, namely its components are directed at boosting and strengthening Africa's capacities and encouraging economic and social development through cooperation.

The AfCFTA is a continental agreement, but implementation will take place primarily at the national level. If it is to succeed, the agreement must be translated to and contextualized in domestic realities. In addition, although the AfCFTA is a trade agreement, its implementation is expected to have far-reaching policy impacts.

Implementation of the AfCFTA is estimated to increase intra-African trade by 33% and to decrease Africa's trade deficit by 51% if all tariffs are eliminated. On the other hand, it is expected that GDP and employment will rise by 0.97 and 1.17% respectively. As intra-African trade has a higher skill and technology content than Africa's trade with others, the AfCFTA can improve diversification, and industrial product and technology content of AU member state exports. Fear of significant tariff revenue losses and possible uneven distribution of other costs and benefits are two main challenges ahead of AfCFTA. Countries may face adjustment costs during the transition period especially if their economies are not flexible enough. In the long-run however, FTAs are expected to bring higher output growth and welfare gains for participating countries that can compensate short-run losses.¹³

The National Development Plan



Apart from the SDGs, UN Agenda 2030 and AU Agenda 2063, development efforts are also driven by the National Development Plan (NDP) which aims to ensure that all South Africans obtain a decent standard of living through the elimination of poverty and by addressing high levels of inequality. It defines a desired destination and identifies the role different sectors of society need to play in reaching that goal. At the core of the NDP, is the aim to ensure the achievement of a 'decent standard of living' for all South Africans by 2030. This is defined to consist of¹⁴:

- Housing, water, electricity and sanitation.
- Safe and reliable public transport.

¹³ UNCTAD Research Paper No.15, 2019 https://unctad.org/system/files/official-document/ser-rp-2017d15_en.pdf

¹⁴ <https://nationalplanningcommission.wordpress.com/the-national-development-plan/>

- Quality education and skills development.
- Safety and security.
- Quality health care.
- Social protection.
- Employment.
- Recreation and leisure.
- Clean environment.
- Adequate nutrition.

The South African Economic Reconstruction and Recovery Plan (2020)



During October 2020 the Economic Reconstruction and Recovery Plan was presented to a joint sitting of Parliament. The Economic Reconstruction and Recovery Plan forms part of extraordinary measures

that government is taking – after extensive consultation with the business, labour and community sectors as social partners – to restore the economy to inclusive growth following the devastation caused by the Coronavirus Disease (COVID-19) pandemic. The Economic Reconstruction and Recovery Plan aims to build a new economy and unleash South Africa's true potential. The overarching goal of the plan is to create a sustainable, resilient and inclusive economy. All these objectives are linked to the vision of the country set out in the NDP ¹⁵.

The objectives of the Plan are to¹⁶:

- Create jobs, primarily through aggressive infrastructure investment and mass employment programmes.
- Reindustrialise the economy, focusing on growing small businesses.
- Accelerate economic reforms to unlock investment and growth.
- Fight crime and corruption.
- Improve the capability of the State.

¹⁵ Highlights of the Economic Reconstruction and Recovery Plan, 2020, https://www.gov.za/sites/default/files/gcis_documents/Economic%20Recovery%20Plan%20Public%20highlight%20document.pdf

¹⁶ Building a new economy: Highlights of the Reconstruction and Recovery Plan https://www.gov.za/sites/default/files/gcis_document/202010/building-new-economy-highlights-reconstruction-and-recovery-plan.pdf

The core elements of the Plan are¹⁶:

- *Priority interventions for economic recovery*: the plan sets out eight priority interventions that will strengthen South Africa's recovery and reconstruction effort. These are the flagship initiatives that all of society will rally around to build a stronger economy.
- *Enabling conditions for growth*: these are the growth-enhancing reforms and other preconditions for an inclusive, competitive and growing economy.
- *Macroeconomic framework*: economic reconstruction and recovery requires careful mobilisation of resources to ensure fiscal sustainability.
- *Institutional arrangements*: the plan focuses on execution and is supported by enhanced institutional arrangements to ensure implementation and accountability.

The plan targets the primary constraints on growth and employment. These include energy supply, digital infrastructure, and regulatory and policy barriers that increase costs and create inefficiencies. In addition, through a major infrastructure programme and a large-scale employment stimulus, the plan aims to respond to the immediate economic impact of COVID-19, propelling job creation and expanding support for vulnerable households¹⁶.



Political environment of South Africa

Divisions within the ruling party are likely to persist. Such divisions typically revolve around land reform, the mandate of the SARB and the process of reforming state-owned institutions, notably power utility Eskom and national carrier South African Airways. Although these divisions do not pose a threat to political stability, this discord will continue to slow policy formation and drive uncertainty

regarding the direction of state intervention in investment legislation, particularly in the mining, agriculture and financial services sectors.

In mid-2021 violent protests destroyed large parts of the KwaZulu-Natal province, with Gauteng similarly affected. The violent protest pronounces political and policy uncertainty along with perceptions of widespread corruption, which remain significant contributors to the depressed mood of business and consumers in the country.

The South African political environment is furthermore clouded by corruption, mismanagement, political intolerance, popular protests, and violence. These problems often slow down economic development and progress. The South Africa Corruption Index¹⁷ show a mediocre index score when considering that scale anchors used by TradingEconomics to measure the perceived level of public sector corruption, ranging from 0 (highly corrupt) to 100 (very clean). The Corruption Index in South Africa is expected to reach 45 points by the end of 2021 based on Trading Economics global macro models and analysts' expectations.

Overview of the structure of the South African economy

South Africa's political transition is known as one of the most remarkable political feats of the past century. The ruling African National Congress (ANC) has driven the policy agenda since 1994 until August 2016, when the country held the most competitive local government election since

1994, in which the ANC lost majority support in four of the metropolitan cities. Political parties negotiated coalition deals that have left the ANC unseated in Pretoria and Nelson Mandela Bay.

The South African economy is constrained by many structural challenges that have characterized the South African economic landscape for more than a century. Some of these structural constraints include the following¹⁸:

- Volatile fiscal policy and defensive monetary policy.
- High levels of poverty, inequality and unemployment, especially within and between the various population groups in South Africa.
- Extremely unequal distribution of land and other forms of wealth.
- Human capital also extremely unequally distributed by within and between the various population groups in South Africa.
- Concentrated and centralised business structure.
- Declining mining and agriculture, stagnating manufacturing and rising services sector.
- Low levels of innovation and entrepreneurship.

¹⁷ <https://tradingeconomics.com/south-africa/corruption-index>

- Underperforming small business sector.
- Spatial inequality in urban and rural areas.

The COVID-19 pandemic represents a severe, unexpected and continued exogenous shock to the South African economy, in a context of already weak economic performance. Prior to the onset of the pandemic, the economy was stagnating, the rate of unemployment was at its highest level in over a decade, poverty and inequality remained a great concern, and the fiscal situation was deteriorating due to lower-than-expected revenue earnings and growing sovereign debt. Persistent electricity shortages, rising government debt, governance challenges at all tiers of government and policy uncertainty continue to limit investment and underscores low growth¹⁸¹⁹.

The COVID-19 pandemic has caused millions of workers to lose their jobs, while the number of discouraged workers increased. Both local and international fixed and portfolio investments have been on a downward trajectory before the pandemic, marred by policy uncertainty, and lack of essential infrastructure.¹⁹

Regulatory restrictions in many areas are a threat to the recovery. Progress on structural reforms has also been slow mainly due to a lack of political consensus. Stronger growth is needed to place the government debt trajectory on a sustainable path and to finance large unmet needs in education, health and social spending²⁰.

Overview of the local macro-economic environment

Economic growth

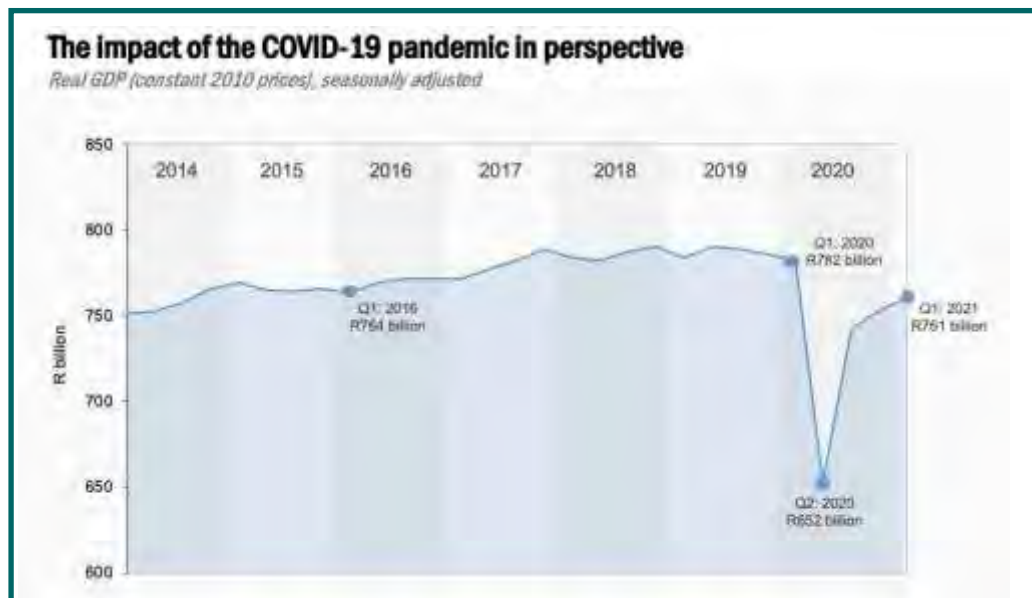
During 2020 it is estimated that the South African economy contracted by 7.0% given the significant direct and indirect impact of the COVID-19 pandemic and subsequent world-wide lockdowns. The South African economy grew by 1.1% in the first quarter of 2021 (January–March), translating into an annualised growth rate of 4.6%, following an increase of 5.8% in the fourth quarter of 2020²¹. Despite recording a third consecutive quarter of positive growth in the first quarter of 2021, the South African economy is 2.7% smaller than it was in the first quarter of 2020. This level is roughly comparable to what the economy was producing in the first quarter of 2016 and is 2.7% down from the R782 billion recorded in the first quarter of 2020²².

¹⁸ <http://sascenarios2030.co.za/wp-content/uploads/2018/02/Alan-Hirsch1.pdf>

¹⁹ OECD *South Africa Economic Forecast Summary*, May 2021,

²¹ Statistics South Africa, *Gross Domestic Product, First Quarter 2021*, <http://www.statssa.gov.za/publications/P0441/P04411stQuarter2021.pdf>

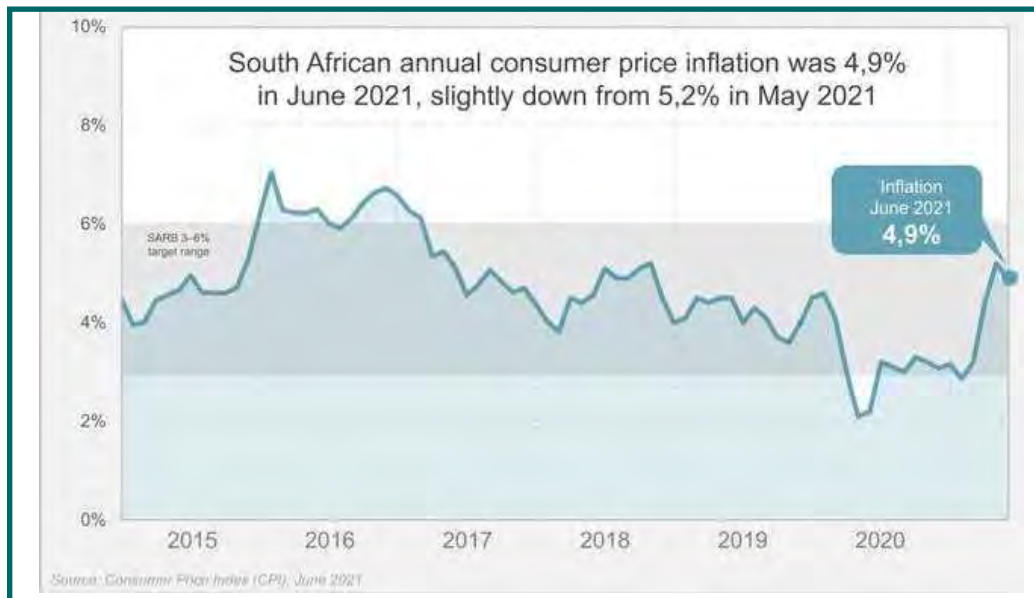
²² Statistics South Africa, *GDP rises in the first quarter of 2021*, <http://www.statssa.gov.za/?p=14423>



The recovery is uneven across sectors though economic activity continues to rebound, influenced by the growth from a low base. The agricultural sector has already recovered to pre-crisis levels, boosted by favourable rainfall conditions as well as some growth in the demand for foodstuffs. Mining activity is also improving, strongly supported by robust foreign demand and increased commodity prices. However, manufacturing and construction are subdued, affected by low demand, destocking and persistent bottlenecks to production. The service sector remains impacted, but showing growth in the levels of tourism, transport and trade. An increase in financial intermediation, auxiliary activities, real estate activities and other business services has contributed 1.5% to the overall growth rate recorded in the first quarter of 2021²³.

Consumer inflation

During the period 2015 to 2021 consumer price inflation outcomes were generally with the South African target band of 3 to 6%. This resulted to a large extent from robust monetary policy execution by the South African Reserve Bank during this period as well as the impact of lower demand due to the COVID-19 pandemic. Headline consumer price inflation moved broadly sideways near the 3% lower bound of the inflation target range between July 2020 and March 2021, as the acceleration in consumer goods price inflation was countered by the slowdown in services price inflation. The latest available inflation figures indicated an annual average inflation rate of 4.9% in June 2021²⁴.



²³ Statistics South Africa, *Gross Domestic Product, First Quarter 2021*,

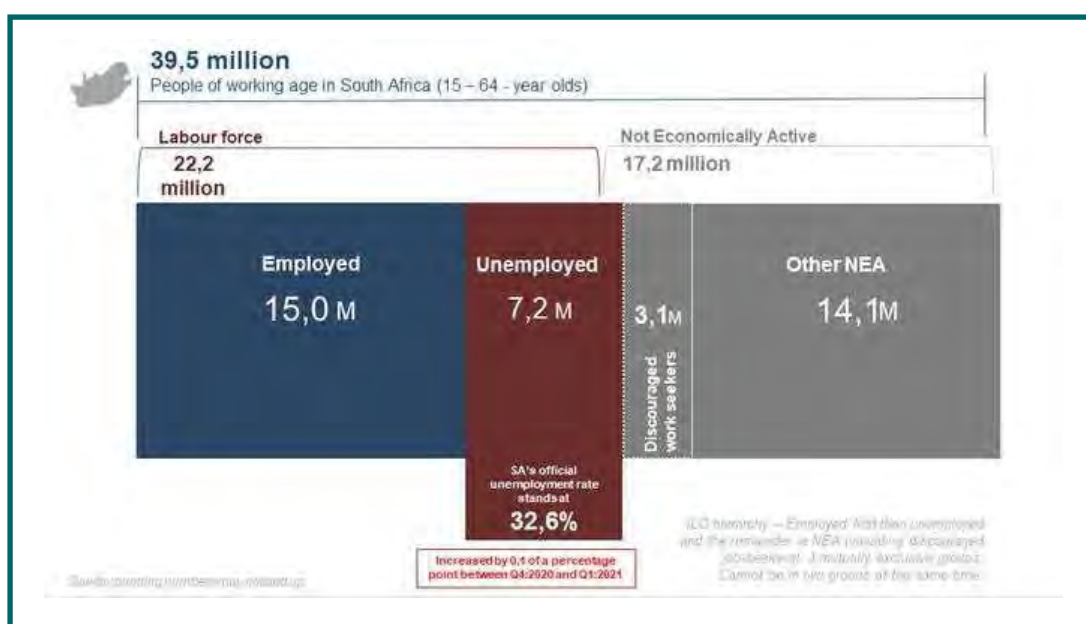
<http://www.statssa.gov.za/publications/P0441/P04411stQuarter2021.pdf>

²⁴ Statistics South Africa, *Consumer Price Index June 2021*,

<http://www.statssa.gov.za/publications/P0141/P0141June2021.pdf>

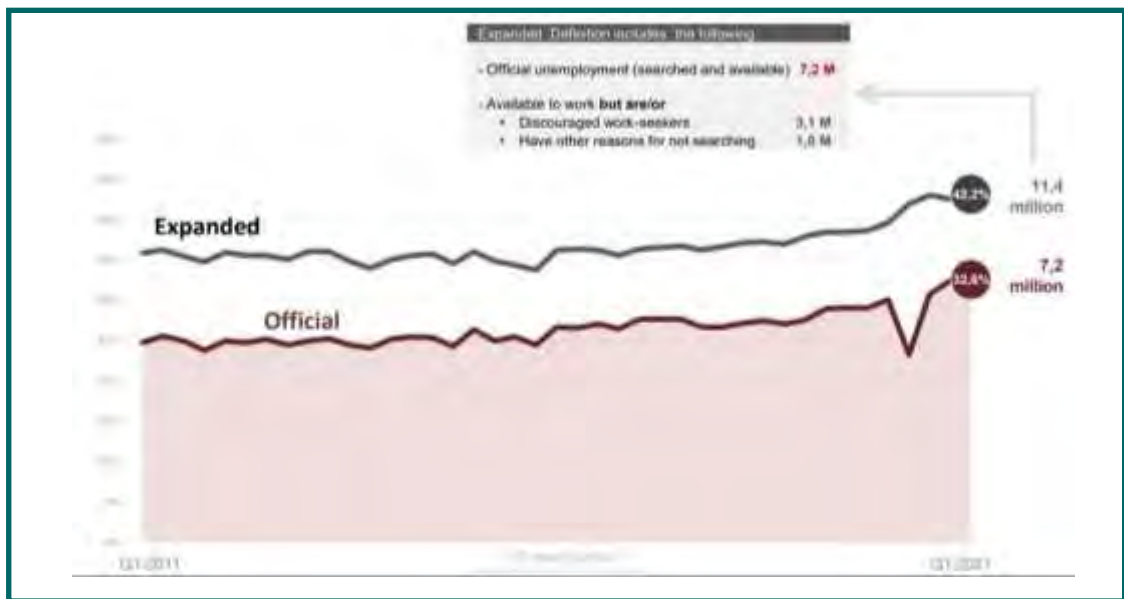
Labour dynamics

The recovery in employment has been much weaker than that in economic activity up to the first quarter of 2021, following the sharp contraction in both employment and output in the second quarter of 2020. The number of unemployed persons during the first quarter of 2021 was estimated at just above 7.2 million in the first quarter of 2021, while the number of discouraged work seekers increased significantly. In addition, the “other not economically active” population increased notably as lockdown restrictions still impeded job-searching activity. As a result, the official unemployment rate increased marginally from 32.5% in the fourth quarter of 2020 to a new record high of 32.6% in the first quarter of 2021²⁵.



The expanded unemployment rate, which includes the discouraged work seekers and those who did not search for work due to other reasons, increased from 42.6% to 43.2% over the same period. This implies 11.2 million individuals of working age (15-64 years) that are unemployed. It appears in this regard from a recently released Ipsos survey that unemployment is 'top of mind' for South Africans during 2021. A total of 62% of South Africans surveyed indicated that they are concerned about unemployment. This percentage was the highest in the world compared to all the other countries surveyed by Ipsos during 2021.

²⁵ Statistics South Africa, *Quarterly Labour Force Survey Q1 2021*, <http://www.statssa.gov.za/publications/P0211/P02111stQuarter2021.pdf>



The number of employed in South Africa doubled from over 7 million in 1996 to over 14 million in 2008. However, job growth has since stagnated, with the number of people employed in 2020 being roughly the same as in 2008. The youth are specifically hardest hit by unemployment. Estimates show that 63.3% of economically active youth aged 15 to 24 are unemployed while 41.3% of the youth aged 25 to 34 are unemployed²⁶.



²⁶ Statistics South Africa, *Quarterly Labour Force Survey Q1 2021*, <http://www.statssa.gov.za/publications/P0211/P02111stQuarter2021.pdf>

Furthermore, an estimated 17% of South Africa's total employment is through the informal economy or so called "township economy." In a country with a very high unemployment rate, the informal sector is a lifeline to countless families who lack formal employment. It's also one of the hardest hit sectors by COVID-19 lockdowns and the recent deadly unrest. While informal businesses typically do not contribute directly to the fiscus through taxes, they provide livelihoods, employment and income for approximately 1.1 million workers (excluding agriculture). In a country like South Africa with staggeringly high unemployment and a low labour absorption rate, the informal sector is essential. It keeps many vulnerable households above the poverty line. Despite their relevance and importance in the local economy, informal businesses face numerous challenges. For instance, these enterprises are vulnerable to crime. Entrepreneurs also often struggle with a lack of general business knowledge and skills. And financial exclusion means businesses have little or no access to capital, credit and transactional facilities, mortgage loans, asset finance or insurance. But for every business that receives formal funding, there are dozens of entrepreneurs who remain under the regulatory radar. That means regulators know very little about the informal economy. As such, the sector is generally overlooked during policy formulation and often disregarded in strategies.

Forecast of key economic variables

The following dynamics appear from an economic forecast conducted by the BMR for 2021²⁷:

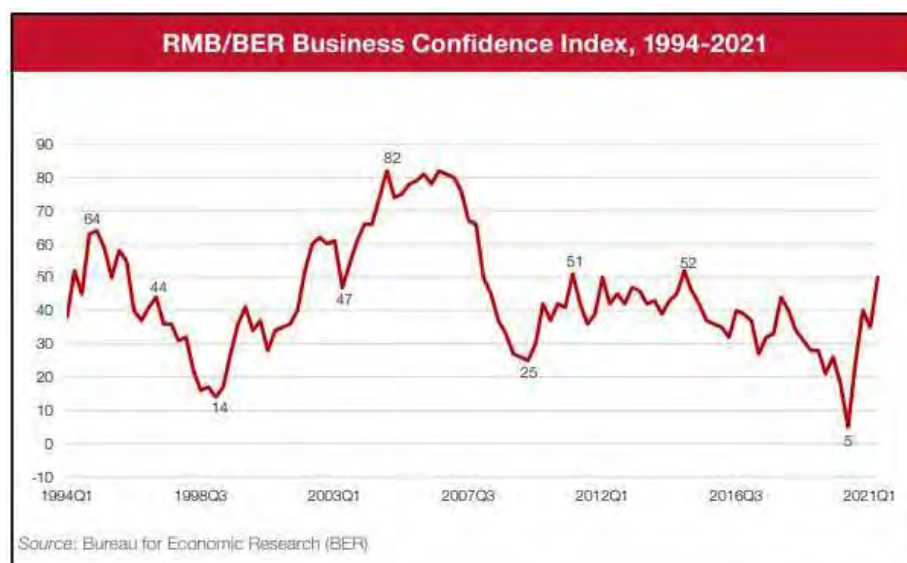
Variable	2020	2021 ^f
Gross Domestic Product	-7.0%	3.0%
Household Consumption Expenditure	-5.4%	2.5%
Retail Trade Sales Growth (Real)	-6.9%	2.0%
Gross Domestic Expenditure	-9.0%	3.3%
Rand-Dollar Exchange Rate	R16.50	R15.80
Prime Interest Rate	7.0%	7.3%
Long Bond Rate	9.05%	9.9%
Consumer Price Inflation	3.3%	3.9%
Producer Price Inflation	2.8%	4.3%
Current Account Balance growth as % of GDP	2.2%	0.8%
Gross Fixed Capital Formation	-17.5%	-0.2%

²⁷ BMR Research Report no 511 – Macroeconomic and retail trade forecast for South Africa, 2021

The South African business landscape

Business confidence

After declining by five points in the first quarter, the RMB/BER Business Confidence Index (BCI) for South Africa jumped by 15 to 50 points in the second quarter. This means that the number of respondents satisfied with prevailing business conditions now equal those that are unsatisfied. Confidence rebounded especially in the manufacturing, retail trade and motor trade sectors, while improving marginally among building contractors and the wholesale trade sector. The rebound in the BCI thus far has mainly been driven by consumer-sensitive sectors, while confidence in sectors linked to the supply-side of the economy remains distinctly lower²⁸.

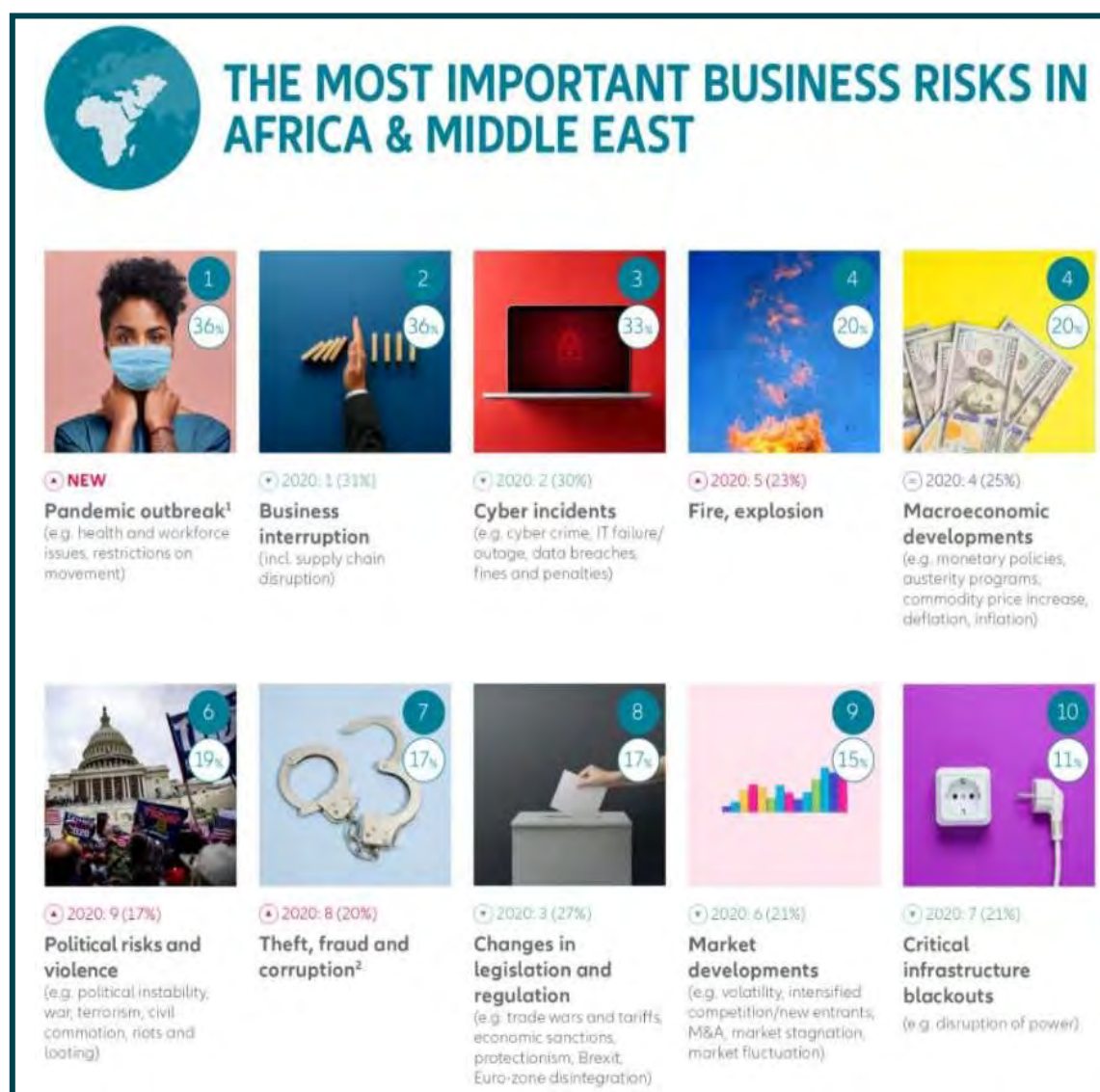


Business vulnerability

Business vulnerability refers to the state of weakness that allows threats to compromise the value of business. Vulnerability can be divided into four different categories: physical, operational, personnel, and technical. In short, a threat may exist, but if there are no vulnerabilities for the threat to exploit, then there would be no risk²⁹. The Allianz BusinessBarometer 2021 identified ten most important global business risks for 2021 singling out business interruption, pandemic outbreak, and cyber incidents as the most critical top three, also applicable to Africa and the Middle East³⁰.

²⁸ RMB/BER Business Confidence Index 2021Q2, press release, <https://www.ber.ac.za/BER%20Documents/BER-press-release/?doctypeid=1068&year=2021#14257>

²⁹ Ira Winkler & Araceli Treu Gomes, 2017, *Advanced Persistent Security*, pp 89-103

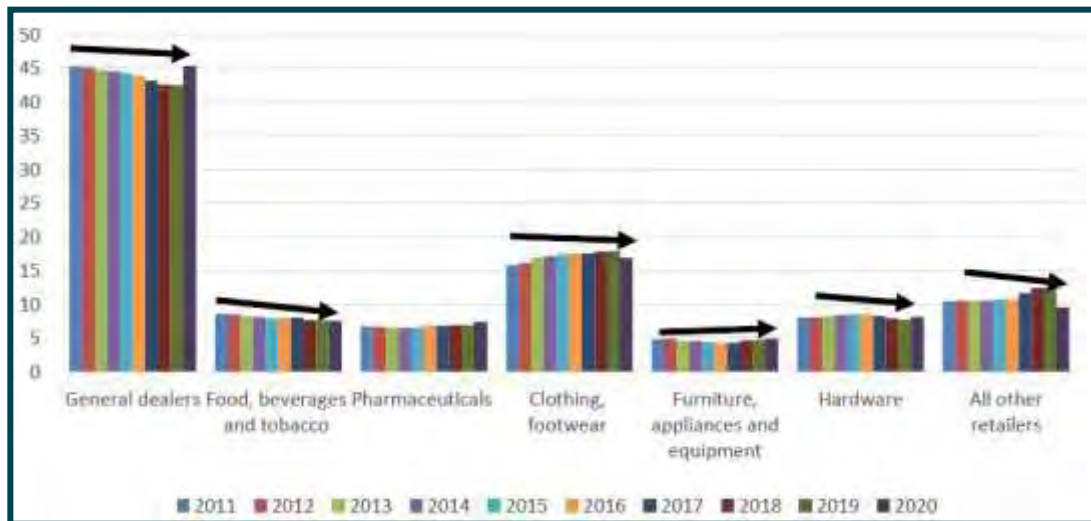


At a national level the BMR results of the macroeconomic and retail trade sales study revealed significant business vulnerability in terms of market shares of the different types of retailers between 2011 and 2020 in constant 2012 prices³¹. The data shows that the highest level of market share vulnerability was realised in outlets that operate in the, all other retailers category, dealing in amongst others stationary, jewellery, sports and entertainment requisites followed by clothing and footwear in addition to food, beverages & tobacco.

³⁰ Allianz Global Corporate & Specialty, 2021, https://www.allianz-africa.com/en_GB/press-and-media/barometer-risk-2021-allianz.html

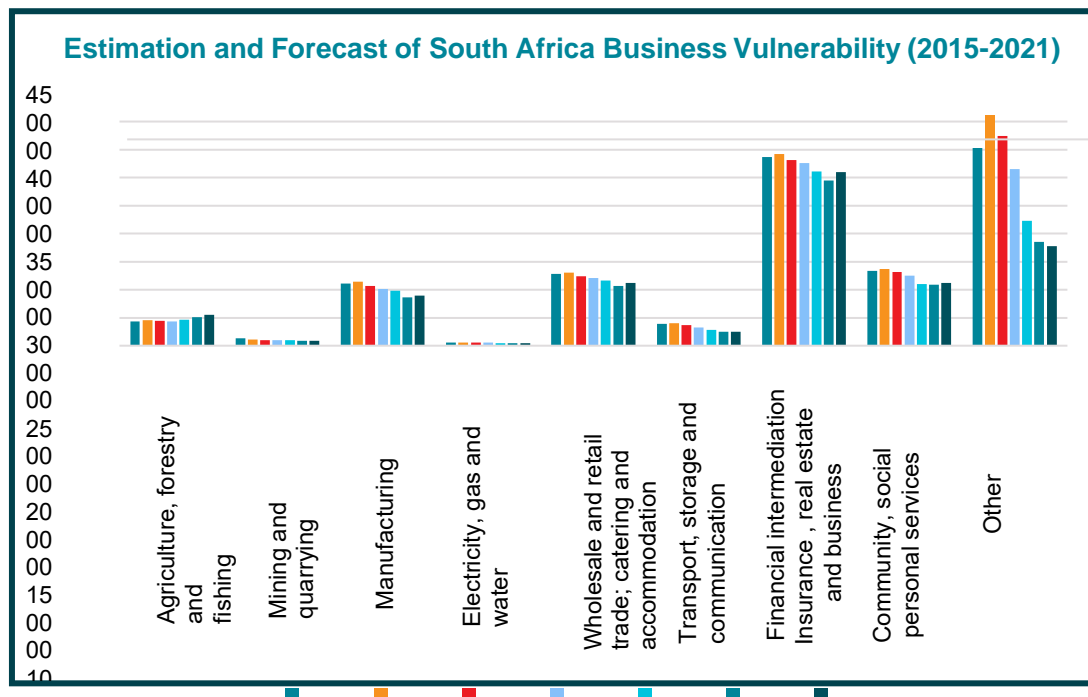
³¹ BMR Research Report no 511 – Macroeconomic and retail trade forecast for South Africa, 2021

A similar trend of business vulnerability is forecast in the areas of retail tradesales growth rates and final consumption expenditure incurred at retail outlets during 2021 as a function of amongst others persistent high-level lockdowns declared by government in the fight against the spread of emerging COVID-19 variants.



The BMR's Business Research Unit annually undertakes a study to estimate the size of the South African formal business sector. The study measures and publishes the size of the sector based on the number of businesses by sector, size and provincial distribution. The results for 2021 reveal that the total number of businesses has been on a steady decline in since 2017 spurred by several variables including the persistent slow economic growth, decline in commodity prices, the incessant drought and sovereign credit rating down grade exacerbated by the impact of COVID-19 during 2020.

It is projected that post the 2020 mega slump, the South Africa economy will begin to register a turnaround in the number of businesses though from a very low base and still below the numbers registered during 2017. All sectors are impacted with the top five hardest hit being, manufacturing, mining and quarrying, wholesale and retail trade, catering and accommodation, financial intermediation, insurance, real estate and business services as well as community, social and personal services. The small (0-4 employees) and medium (5-49 employees) sized businesses also manifested a higher vulnerability than larger (50 and more employees) businesses.



The ease of doing business

The Ease of doing business index ranks countries against each other based on how the regulatory environment is conducive to business operation stronger protections of property rights. Economies with a high rank (1 to 20) have simpler and more friendly regulations for businesses. South Africa is ranked 84th among 190 economies in the ease of doing business, according to the 2020 World Bank annual ratings³².

South Africa recorded a score of 67.0 points in the ease of doing business index, a slight improvement from 66.7 points in 2019, implying that the economy was 33 percentage points away from the best regulatory performance constructed across all economies and across time. The country had one of the best business environments in Africa. In particular, the attractiveness of South Africa was high in terms of protecting minority investors, which ranked 13th compared to the other countries. Based on index scores, resolving insolvency was highlighted as the main obstacle for firms operating in South Africa as this score was the lowest. The index score measuring enforcing contracts showed the largest improvement compared to 2019.

³² World Bank *Doing Business 2020, Economy profile: South Africa*, <https://www.doingbusiness.org/content/dam/doingBusiness/country/s/south-africa/ZAF.pdf>



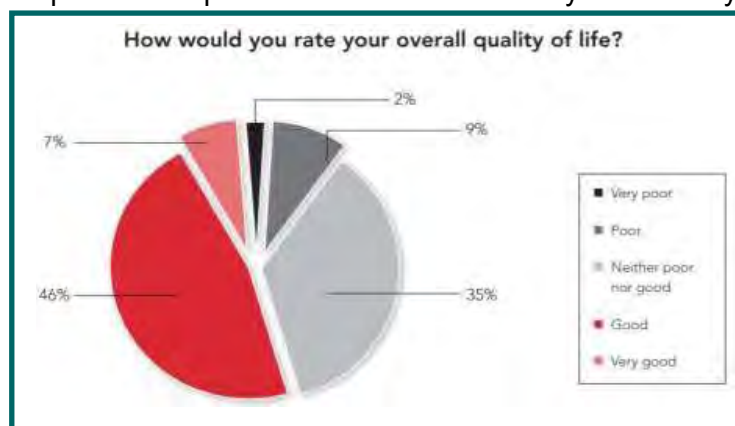
The South African Consumer

Household consumption is the single largest contributor to economic activity in South Africa from the expenditure side. As such, the financial health of households and confidence in their prospects are of critical importance. This section elaborates on the realities of South African consumers.

Quality of life

South Africans display resilience and in the general sense, have a positive perception of their quality of life, health and circumstances. The pandemic is however impacting people's mental health. The significant challenges that impact quality of life in South Africa are primarily economic and infrastructural. In June 2021, the DSI-NRF Centre of Excellence in Human Development at the University of the Witwatersrand, conducted a snap online survey of 1 000 South Africans across the country, aged between 18 and 55 years, exploring various topical issues impacting quality of life in South Africa³³.

Overall, half of participants (53%) indicated that their quality of life was good or very good. Purpose, self-esteem, living space, energy, enjoyment, social support (family and friends) and critical services that are functional (health services) are important enhancers of quality of life. Half of the people surveyed reported not having sufficient money for their needs (48%). A quarter of respondents reported concern around safety in their daily life (23%) and only 35% reported feeling

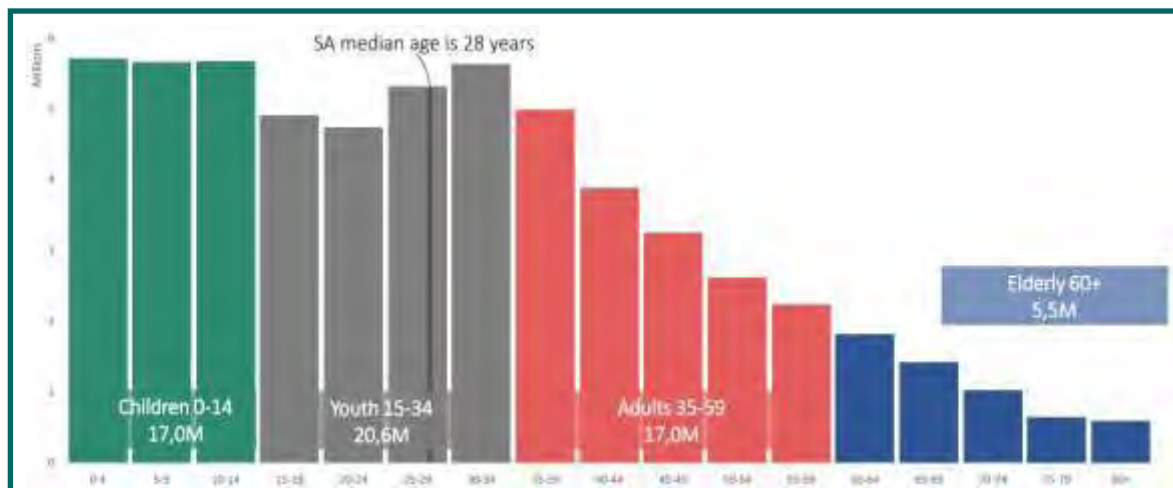


safe. Those respondents with greater economic pressures (less education, unemployment or concern around job security, less disposable income, a greater number of adults living at home or a greater number of children at home) reported poorer overall quality of life.

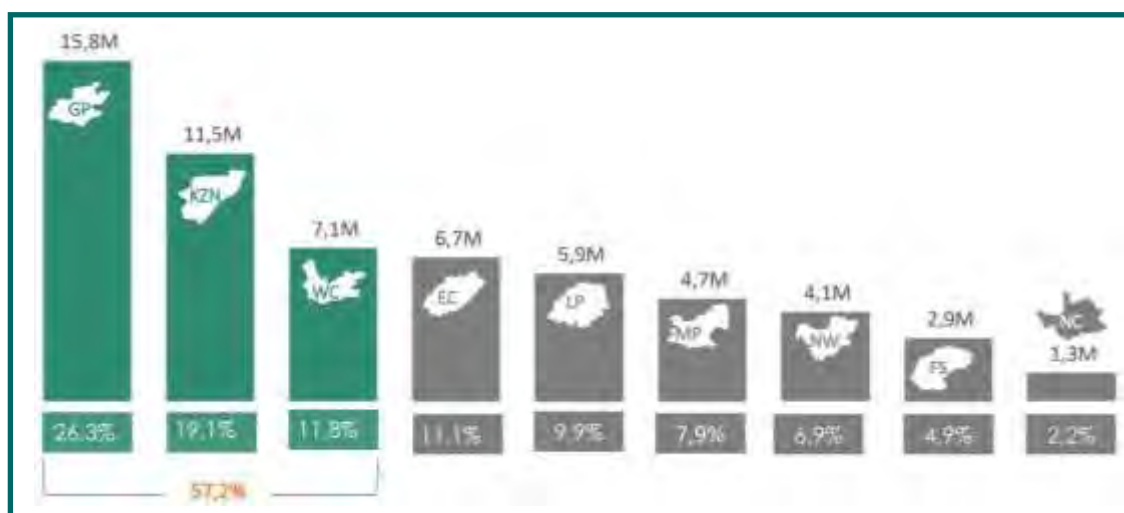
³³ DSI-NRF Centre of Excellence in Human Development, *Report 3: Quality of life in South Africa*, <https://www.wits.ac.za/media/wits-university/research/coe-human/documents/CoE-HUMANQualityoflifeinSAReport.pdf>

Distribution of South Africa's population

The population of South Africa was estimated to be 60.14 million at mid-year 2021, an increase of about 604 281 (or 1.01%) since mid-year 2020³⁴. South Africa is termed a demographically youthful population, with a median age (50/50 split) of 28 years. Children and youth (those below 34 years) make up a total of 37.6 million individuals, which is more than half of the estimated population.



The majority of the population reside in Gauteng (26.3%), followed by KwaZulu-Natal (19.1%) and Western Cape (11.8%). It should be noted that the five metro areas (Tshwane, Johannesburg, Ekurhuleni, Cape Town and Ethekewini) are situated in these three provinces.



³⁴ Statistics South Africa, Mid-year population estimates 2021, http://www.statssa.gov.za/?page_id=1854&PPN=P0302&SCH=72983

The 2021 mid-year population estimates show that the COVID-19 pandemic impacted mortality and migration in the country since the start of the pandemic. Life expectancy at birth for males declined from 62.4 years in 2020 to 59.3 years in 2021 (3.1 years drop) and from 68.4 years in 2020 to 64.6 years for females (3.8 years drop). Furthermore, there has been a marked reduction in international migration, which is indicative of the COVID-19 travel restrictions globally over the past 16 months.

Financial health of consumers

South Africa is regarded as the wealthiest country in Africa. South Africa is home to over twice as many dollar millionaires (HNWIs) as any other African country, estimated at 36 500 individuals, and furthermore is estimated to have 1 930 multi-dollar-millionaires and 5 dollar-billionaires. But despite this, total wealth has decreased over the past decade by 25% when measured in US Dollar terms³⁵. This was due to depreciation of the local currency, local business closures, poor returns on the JSE, emigration of the wealthy people and slow growth in the property market. Apart from the human cost, COVID-19 has also had a severe economic impact on the wealth of consumers. The fact that the average South African is becoming poorer in real terms is also evident when considering the declining trend in real GDP per capita. Since 2014 the real GDP per capita decreased by between 0.1% and 1% each year, but were significantly impacted during 2020.

South African Poverty lines are important tools that allow for the statistical reporting of poverty levels and patterns, as well as the planning, monitoring and evaluation of poverty reduction programmes and policies. In developing the national poverty lines, Statistics South Africa used an internationally recognised approach, namely the cost-of-basic-needs approach, which links welfare to the consumption of goods and services. Statistics South Africa revised the national poverty lines during 2020 due to changes in the cost of living. The poverty line values are benchmarked to household expenditure data sourced from the Income and Expenditure Survey (IES) 2010/2011. The latest inflation-adjusted national poverty lines for 2020 in per person per month terms are³⁶:

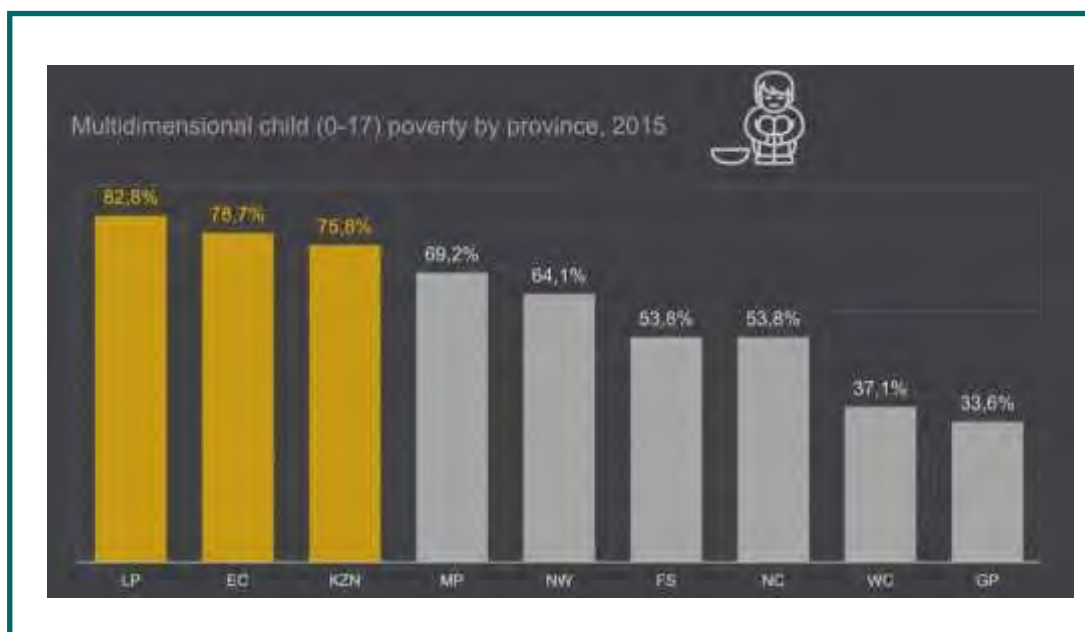
- Food poverty line – R585 (in April 2020 prices) per person per month (This refers to the amount of money that an individual will need to afford the minimum required daily energy intake. This is also commonly referred to as the “extreme” poverty line).

³⁵ AfrAsia Africa Wealth report 2021, https://e.issuu.com/embed.html?u=newworldwealth&d=africa_2021

- Lower-bound poverty line – R840 (in April 2020 prices) per person per month (This refers to the food poverty line plus the average amount derived from non-food items of households whose total expenditure is equal to the food poverty line).
- Upper-bound poverty line – R1 268 (in April 2020 prices) per person per month (This refers to the food poverty line plus the average amount derived from non-food items of households whose food expenditure is equal to the food poverty line).

Children experience poverty very differently from adults because they have to depend on others to meet their needs. They rarely have control over household finances and they usually don't have the power to make decisions for their day-to-day lives. As such, child poverty needs to be measured differently from the rest of the population. According to a report released during 2020 by Statistics South Africa, *Child poverty in South Africa: A Multiple Overlapping Deprivation Analysis*, more than 6 out of 10 (62,1%) children aged 0–17 years were multidimensionally poor in 2015. A child is said to be multidimensionally poor when they are living in households where they are deprived of at least three out of seven dimensions of poverty (Health, Housing, Nutrition, Protection, Education, Information, Water and Sanitation). The three main contributors to the state of poverty of children between 0-4 years were housing circumstances, water, sanitation and waste disposal and health circumstances. For children between 5-17 years the main contributors were education, housing circumstances and water, sanitation and waste disposal³⁷.

³⁶ Statistics South Africa, *National Poverty Lines 2020*, <http://www.statssa.gov.za/publications/P03101/P031012020.pdf>



Consumption expenditure

Household final consumption expenditure increased at an annualised rate of 4.7% in the first quarter of 2021, mainly caused by increased expenditure on clothing and footwear, miscellaneous goods and services (specifically include insurance-related products, as well as retail goods such as electrical appliances, jewellery and other personal effects), and furnishings, household equipment and maintenance. The highest growth rates were seen in durable and semi-durable goods and the largest contributors to growth were expenditures on durables goods and services.³⁸

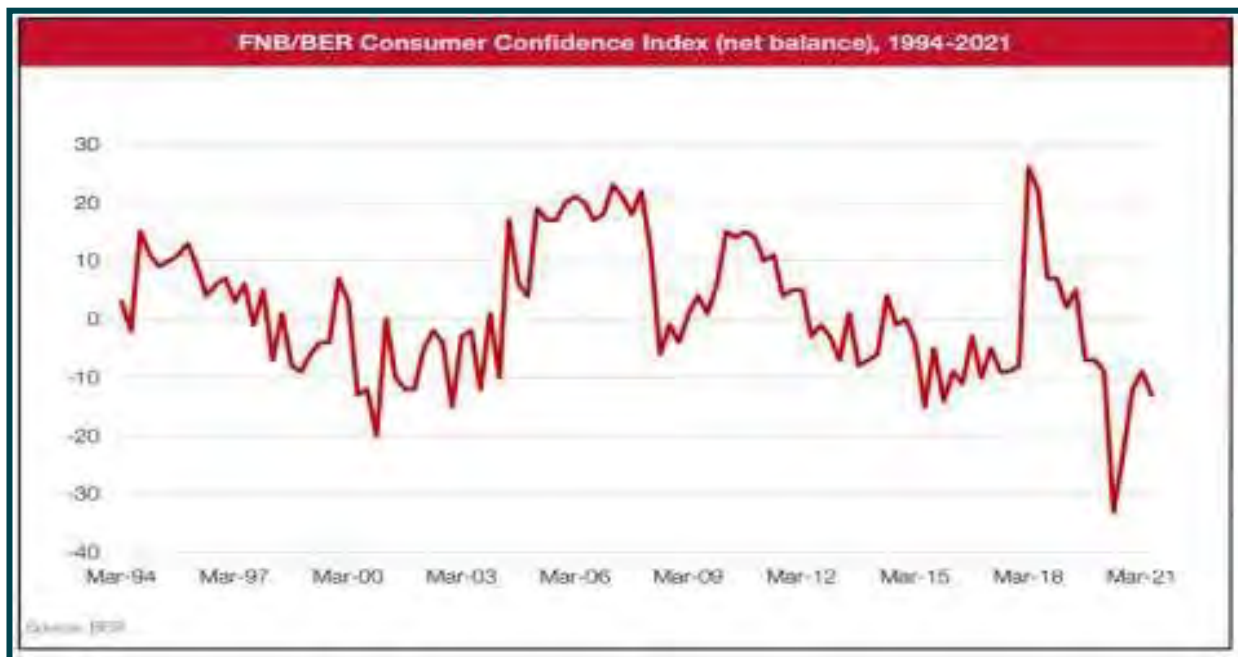


³⁷ Statistics South Africa, *Child poverty in South Africa: A Multiple Overlapping Deprivation Analysis*, <http://www.statssa.gov.za/publications/03-10-22/03-10-22June2020.pdf>

³⁸ Statistics South Africa, *Gross Domestic Product, First Quarter 2021*, <http://www.statssa.gov.za/publications/P0441/P04411stQuarter2021.pdf>

Consumer confidence

Consumer confidence deteriorated over the past few years, but was further negatively impacted during 2020. The FNB/BER consumer confidence index (CCI) for South Africa decreased to -13 in the second quarter of 2021 from -9 in the previous period, as consumers held back on big-ticket purchases amid signs that the country's economic recovery is failing to accelerate. A string of negative developments in all likelihood knocked the confidence levels of less affluent consumers, including soaring food and fuel prices, the onset of a third wave of COVID-19 infections and the feeble recovery in low-skilled employment. The decline in the CCI during the second quarter of 2021 can therefore be ascribed to a deterioration in the economic outlook and the time-to-buy durable goods sub-indices of the index. From an income group perspective, the decline in the overall CCI can largely be attributed to a major deterioration in the confidence levels of low-income households (earning less than R 2 500 per month) as these households were very pessimistic about the outlook for the economy and no longer expect their household finances to improve over the next year³⁹.

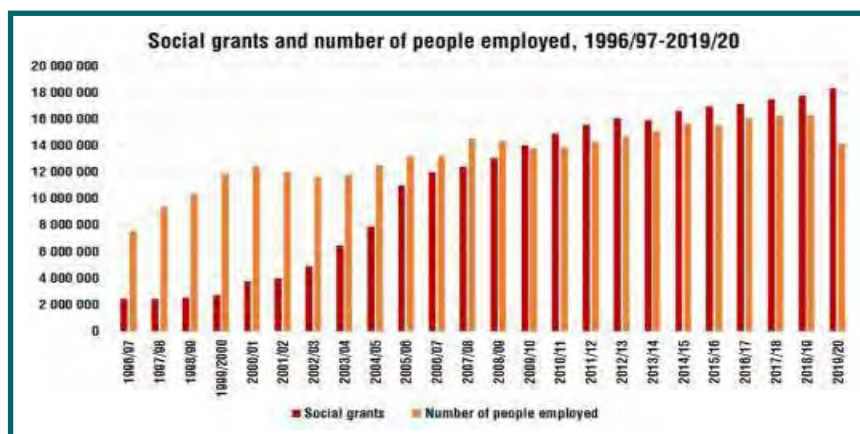


Social assistance

As the number of people employed declines and the population grows, there is increased dependency on the state in the form of social grants. Since 2010, the number of social grants has been greater than the number of employed people. According to SASSA there were 18 336 362 social grants paid to 11 405 022 beneficiaries as at the end of March 2021⁴⁰. Based on province, the largest number of grants are paid to recipients residing in KwaZulu-Natal (22.1

³⁹ FNB/BER Consumer Confidence Index 2021Q2, press release, <https://www.ber.ac.za/BER%20Documents/BER-press-release/?doctypeid=1068&year=2021#14257>

%), followed by the Eastern Cape (15.5%) and Gauteng (15.4%). Child support grants are those requested the most, making up 70.5% of all social grants that are paid per month. This is followed by old age grants that constitute a further 20.2% of the total number of social grants⁴².

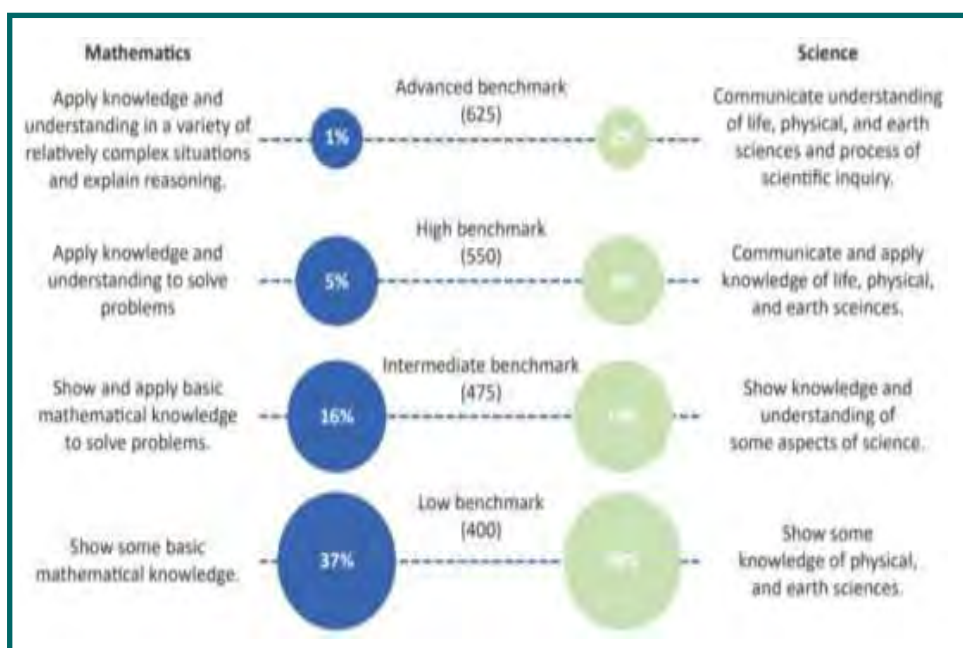


Literacy and numeracy

The latest findings of the Trends in International Mathematics and Science Study (2019) show that just over a third (37%) of South African grade 5 learners demonstrated that they had acquired basic mathematical knowledge, and 28% had acquired basic science knowledge⁴¹. Likewise, 41% of grade 9 mathematics learners demonstrated that they had acquired basic mathematical knowledge and 36% of science learners had acquired basic science knowledge. Of the 39 countries that participated in the Grade 8 TIMSS 2019, South Africa continued to attain lower mathematics and science achievements.

⁴⁰ SASSA Report on Social Assistance March 2021, <https://www.sassa.gov.za/statistical-reports/Documents/March%202021%20-%20Report%20on%20Social%20Assistance.pdf>

⁴¹ <https://businesstech.co.za/news/government/455406/the-shocking-state-of-maths-and-science-education-in-south-africa/>



The number and percentage of people in the population aged 20 and older who have not completed grade 7 and above by gender during 2009 and 2019 are shown in the table below⁴². In 2019, the South African adult illiteracy rate was 12.1%, reflecting a significant improvement of 7.1 percentage points over the past decade. Despite this improvement, it is striking that 4.4 million adults in South Africa are still illiterate. South Africa's illiteracy rate does not differ substantially from the global average of 14% and therefore remains a matter of concern.

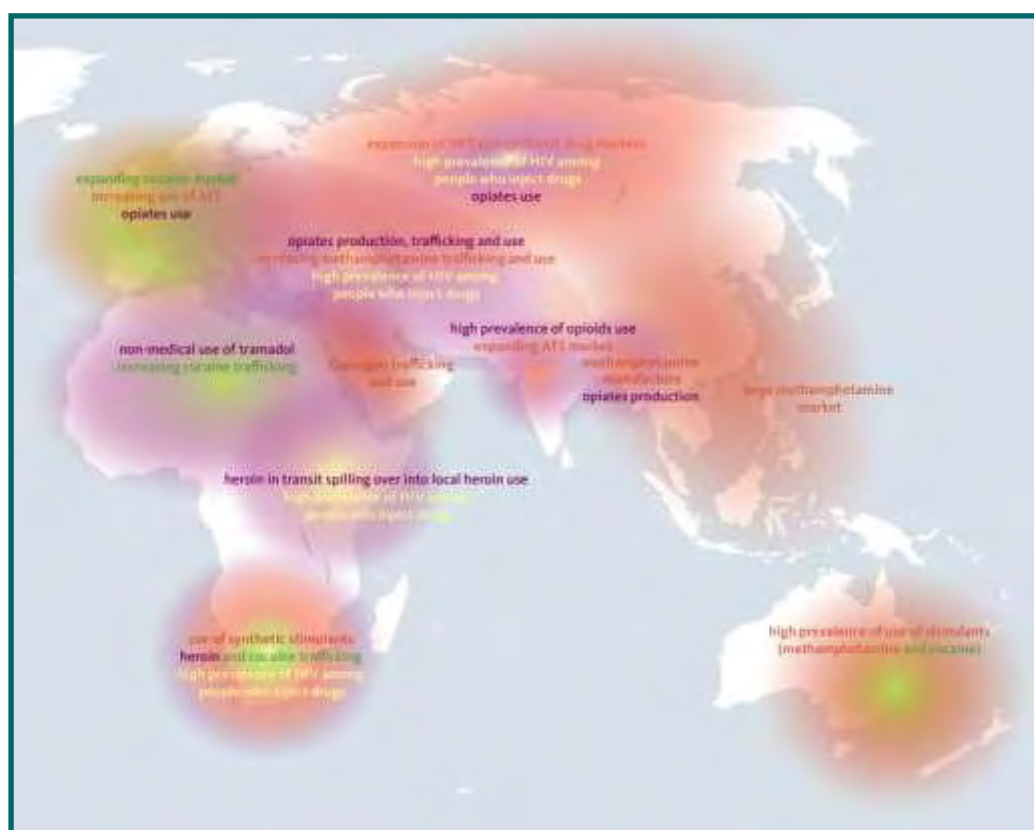
Gender	2009			2019		
	Number	% Share	Illiteracy rate	Number	% Share	Illiteracy rate
Male	2 480 923	43.2%	17.4%	2 046 127	46.3%	11.6%
Female	3 265 779	56.8%	20.9%	2 375 457	53.7%	12.5%
Total	5 746 702	100.0%	19.2%	4 421 584	100.0%	12.1%

Source: General Household Survey (GHS). Statistics South Africa

⁴² Department of Higher Education, *Fact Sheet: Adult illiteracy in South Africa*, March 2021, <https://www.dhet.gov.za/Planning%20Monitoring%20and%20Evaluation%20Coordination/Fact%20Sheet%20on%20Adult%20Illiteracy%20in%20South%20Africa%20-%20March%202021.pdf>

The challenge of substance abuse

According to the United Nations Office on Drugs and Crime drug use persists and, in some contexts, proliferates worldwide. Over the past year, around 275 million people have used drugs, up by 22% from 2010. By 2030, demographic factors project the number of people using drugs to rise by 11% around the world, and as much as 40% in Africa alone. Moreover, the COVID-19 crisis has pushed more than 100 million people into extreme poverty, and has greatly exacerbated unemployment and inequalities, as the world lost 114 million jobs in 2020. In doing, so it has created conditions that leave more people susceptible to drug use and to engaging in illicit crop cultivation. Drug traffickers have quickly recovered from the initial setback caused by lockdown restrictions and are operating at pre-pandemic levels once again. Access to drugs has also become simpler than ever with online sales, and major drug markets on the dark web are now worth some \$315 million annually. Contactless drug transactions, such as through the mail, are also on the rise, a trend possibly accelerated by the pandemic⁴³.



⁴³ United Nations *World Drug Report 2021*,
<https://www.unodc.org/unodc/en/data-and-analysis/wdr2021.html>

Also, due to the rapid pace of change in the economic and social sphere and prevailing political instability in many African countries, alcohol and other psychoactive substance use and related problems are becoming major public health concerns. Substance abuse is a major challenge for many South Africans and a growing problem in the country. According to the World Drug Report by the United Nations, 4% of the South African population are considered frequent drug users. Whilst the World Health Organisation, ranked South Africa as the third-largest drinking nation in Africa and one of the top 20 leading drinking nations in the world⁴⁴. Whereas cannabis (dagga), cocaine, methamphetamine (tik), and heroin are some of the most frequently used substances, South Africa is battling the use of emerging new concoctions, such as Nyaope, increasing abuse of legal over-the-counter and prescription medications, and a notable increase in the levels of substance use among young people.

The youth represent a large proportion of the South African population and can be considered particularly vulnerable to substance abuse. The most recent study conducted by the Youth Research Unit of the Bureau of Market Research (Pty) Ltd, investigating substance abuse among South African youth (aged 13 to 18 years) found that approximately 18.4% of young people personally used drugs and a staggering 67.3% personally consumed alcohol⁴⁵. Research studies identified factors such as high levels of unemployment, lack of effective mentorship, lack of family values, poor parenting guidance, and loss of hope for the future notable contribute among young South Africans to substance abuse⁴⁶. Substance abuse, in all its forms, is a massive problem that creates serious health, social, and economic problems for the country, and much is needed to be done to understand and respond to the problem.

⁴⁴ Global Status Report on Alcohol and Health (2018).

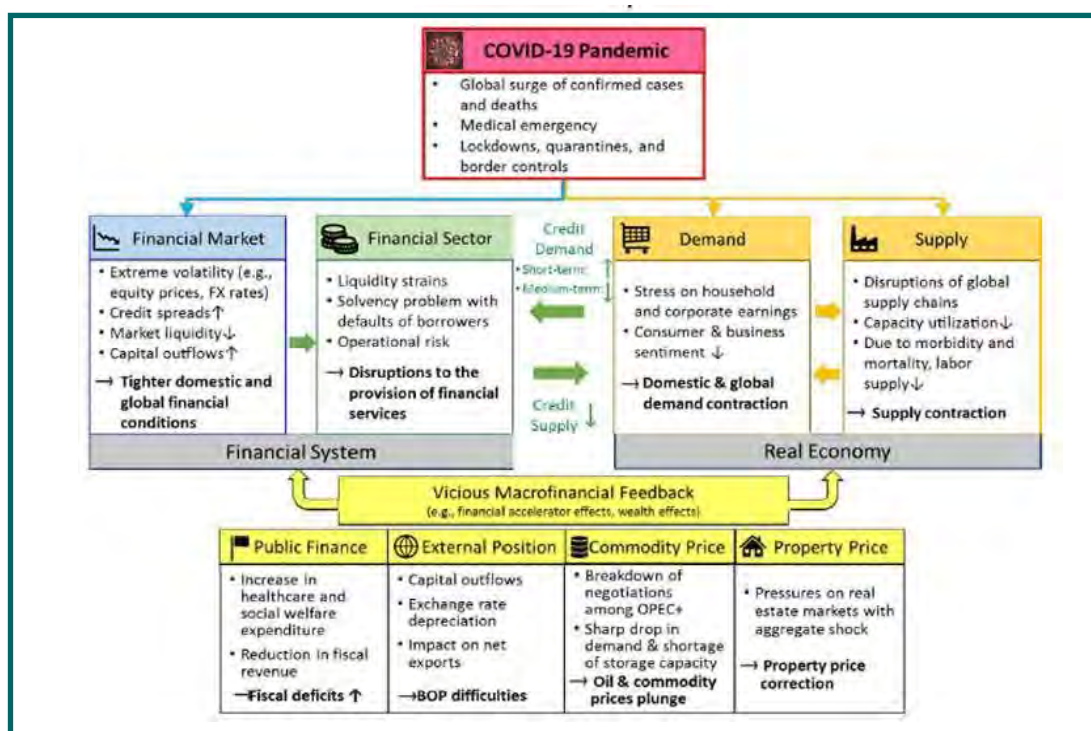
<https://www.who.int/publications/i/item/9789241565639>

⁴⁵ *Substance Abuse among Secondary School Learners in Gauteng*. Report No. 480 (2017). Youth Research Unit. Bureau of Market Research. University of South Africa.

⁴⁶ Mbandlwa, Z & Dorasamy N (2020). *The impact of substance abuse in South Africa: a case of informal settlement communities*. Journal of Critical Reviews.
https://www.researchgate.net/publication/343280262_The_impact_of_substance_abuse_in_South_Africa_a_case_of_informal_settlement_communities

The socio-economic impacts of COVID-19

Three main transmission channels through which the effects of the pandemic feed into the economy in the short term are international trade markets, domestic demand, and domestic supply channels. The International Monetary Fund (IMF)⁴⁷ presented the channels via a schematic framework portraying the real economy, the financial system and the resultant vicious macro-financial feedback.



With reference to international trade markets, the pandemic slowed down world trade activities affecting imports and exports. Regarding the domestic demand side, the various measures put in place by government reduced domestic demand considerably. Consumer prices slowed down during 2020 and 2021 due to suppressed aggregate demand in the economy while on the domestic supply side, the productivity of both capital and labour were reduced due to the pandemic.

There are relative “winners” and “losers” among the sectors as a result of the pandemic:

⁴⁷ IMF, *Macro financial Considerations for Assessing the Impacts of the COVID 19 Pandemic*, 2020, <https://www.imf.org/~media/Files/Publications/covid19-special-notes/enspecial-series-on-covid19macrofinancial-considerations-for-assessing-the-impact-of-the-covid19-pandemic.ashx>

- The winning sectors are those designated as essential, including the health sector, the food and agriculture sector, financial and insurance service sectors and telecommunication services sector.
- The losing sectors include textiles, glass products, footwear, education services, catering and accommodation (which includes tourism as per the United Nations System of National Accounts classification), beverages and tobacco sectors.

Furthermore, income inequality increased due to the pandemic, exacerbating the already high-income distribution disparities in South Africa, and compromising South Africa's progress towards attaining targets under the Sustainable Development Goals particularly regarding poverty, health, education, employment and inequalities.

The microeconomic analysis conducted by the United Nations in South Africa⁴⁸ on the impact of COVID-19 show that households are affected by changes in employment and the employment situation with large-scale implications for entry and exit from poverty. From the observed impact on households in the past based on COVID-19 type events, the results show that households that showed a decrease in the number of workers have the highest odds of exiting the middle class and falling into poverty, at about 4.5 times odds for each household member that becomes unemployed. Similarly, a temporary fall in income has one of the second highest odds ratios of falling into poverty with 1.5 odds. Female-headed households are highly vulnerable and more likely to fall into poverty.

The UN macroeconomic results show that in both their COVID-19 pessimistic and optimistic scenarios there is a reduction in real GDP in 2020 – and GDP levels do not catch up to 2019 levels even by 2024. The fall in GDP in the pessimistic scenarios is markedly sharp in 2020 but begins to recover towards 2021 as the economy starts opening. As per the assumption, the impact of the optimistic scenario is generally milder than in the pessimistic scenario. The rate at which GDP recovers is spurred by forced savings during the lockdown as well as the gradual opening of the economy.

⁴⁸ UNDP, *COVID-19 in South Africa: Socio-Economic Impact Assessment 2020*.
https://www.undp.org/content/dam/south_africa/docs/Reports/UNDP%20-%20Socioeconomic%20Impact%20Assessment%20Socioeconomic%20Impact%20Assessment%2020_FIN_AL.pdf

The results indicate that unemployment increases across all skill categories in 2020 and 2021, though the increase is steeper for the unskilled. After that, unemployment begins to decline for skilled categories.

Thus, the effects of the COVID-19 pandemic led to an increase in unemployment, primarily driven by GDP growth contraction. However, the unemployment effects are disproportionately felt as the burden lies on the workers with lower education levels, who primarily occupy unskilled jobs. These workers tend to be more represented in the sectors designated as non-essential. Because of this, the real incomes of the workers with lower education levels fall, while those of the workers with completed secondary education and tertiary education increase. In the case of Public Sector workers COVID-19 had a limited impact with respect to worker's job security but a large-scale impact on their incomes as they received no general wage increases during 2020 and will only be receiving a 1.5% increase during 2021.

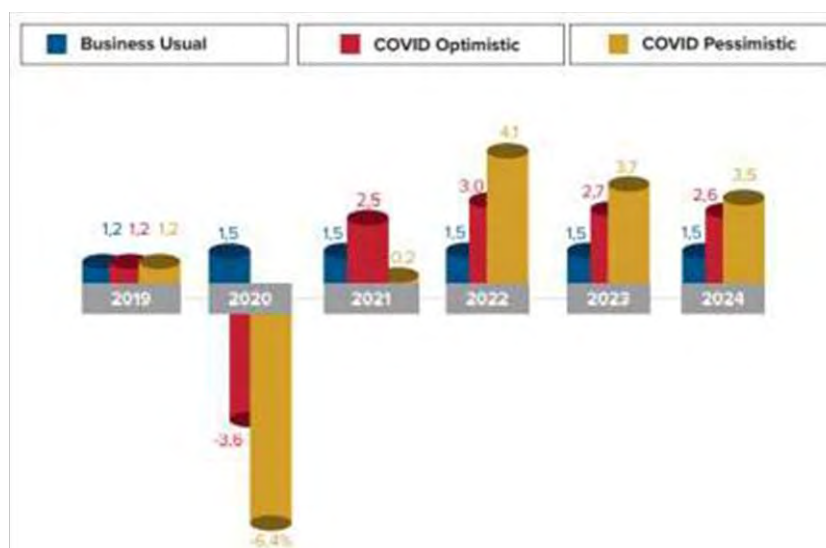
The results of these macroeconomic effects are used to assess the implications on poverty and inequality by transferring them onto a microsimulation model. Poverty increases both at the upper and lower poverty lines. Furthermore, the results show that female-headed households, particularly the poorest female-headed households, are more negatively impacted by the pandemic than other households. This image also applies to extreme poverty (hunger), a sign of the worsening of conditions regarding SDG goals 1 and 2. If nothing is done by the authorities that specifically target these groups, the progress towards attaining SDG 1 and 2 by 2030 would, at the very least, be stalled considerably. The findings further suggest that policy interventions need to pay special attention to female-headed households, particularly those in the poorest categories.

Focusing on income inequality, the findings are that inequality increases. This is largely because the incomes of the non-poor are hardly impacted while those of the poor fall – since less educated populations work predominately in sectors designated as non-essential and thus, are closed during lockdown with slow recovery post-lockdown. On the other hand, higher educated workers generally continue to work and earn an income during the lockdown. This result gives further credence to interventions that are differentiated according to skill and poverty levels.

Across sectors, the results indicate that not all sectors were affected equally. Textiles, glass products, footwear, education services, catering, accommodation, beverages, and tobacco sectors suffer more than other sectors. Sectors that are hardest hit might need special consideration from government relief and stimulus for them to recover. Government interventions could pay particular attention to the sectors that are losing as well as the types of workers hardest

hit in these sectors.

Annual GDP Growth Under Various Scenarios (%)⁴⁹



Private Final Consumption, Average Annual Variation (%)⁵²

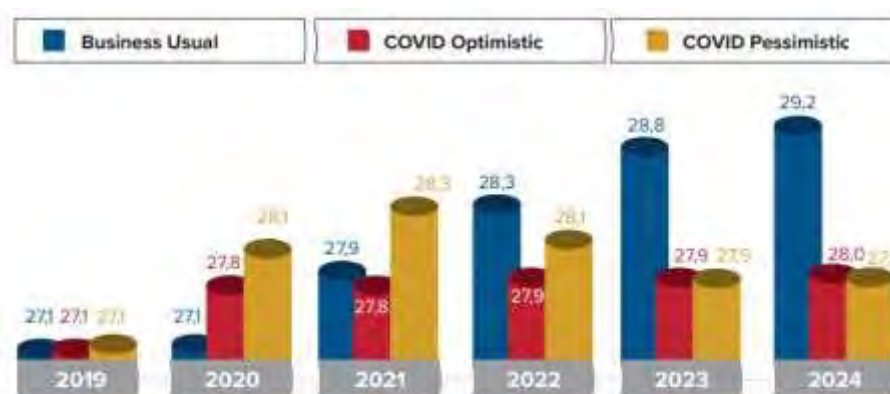
Period	Business as Usual				COVID Optimistic				COVID Pessimistic			
	All	Agr	Ind	Ser	All	Agr	Ind	Ser	All	Agr	Ind	Ser
2019	1.5	1.5	1.5	1.4	1.5	1.5	1.5	1.4	1.5	1.5	1.5	1.4
2020	1.5	1.5	1.5	1.5	-8.8	22.9	-4.3	-15.9	-11.3	23.7	-5.9	-19.4
2021	1.5	1.5	1.5	1.5	2.6	4.1	2.5	2.4	2.3	3.9	2.9	1.3
2022	1.6	1.6	1.6	1.5	3.8	2.6	3.6	4.0	4.0	4.9	3.5	4.1
2023	1.5	1.5	1.6	1.5	3.3	2.5	3.3	3.5	4.9	3.4	4.6	5.5
2024	1.5	1.5	1.6	1.5	3.0	2.4	3.1	3.1	4.4	3.1	4.2	4.8

⁴⁹ UNDP, *COVID-19 in South Africa: Socioeconomic Impact Assessment 2020*,
https://www.undp.org/content/dam/south_africa/docs/Reports/UNDP%20-%20Socioeconomic%20Impact%20Assessment%20Socioeconomic%20Impact%20Assessment%202020_FIN_AL.pdf

GDP Growth Decomposition by Sector, Average Annual Variation (%) ⁵²

Period	Business as Usual				COVID Optimistic				COVID Pessimistic			
	Agri-culture	Industry	Public Services	Private Services	Agri-culture	Industry	Public Services	Private Services	Agri-culture	Industry	Public Services	Private Services
2019	0.9	0.8	2.6	1.0	0.9	0.8	2.6	1.0	0.9	0.8	2.6	1.0
2020	1.1	1.2	2.7	1.3	5.3	-0.5	4.6	-1.8	6.0	-2.7	4.8	-4.7
2021	1.0	1.2	2.7	1.3	3.2	2.4	2.8	2.2	5.2	1.2	2.9	0.9
2022	1.0	1.2	2.7	1.3	3.1	2.6	2.7	2.4	6.3	4.1	2.8	3.8
2023	1.0	1.2	2.7	1.3	3.0	2.6	2.7	2.2	5.2	3.4	2.7	3.1
2024	0.9	1.2	2.7	1.3	2.8	2.5	2.7	2.2	4.5	3.4	2.7	3.0

Unemployment Rate (official definition) under Various Scenarios (%) ⁵²



Household Gross Income, Percentage Variation ⁵²

Period	Gross Income			Consumer Price Index (CPI)			Gross Income deflated by CPI		
	Business as Usual	COVID Optimistic	COVID Pessimistic	Business as Usual	COVID Optimistic	COVID Pessimistic	Business as Usual	COVID Optimistic	COVID Pessimistic
2019	1.0	1.0	1.0	-0.2	-0.2	-0.2	1.2	1.2	1.2
2020	1.1	1.5	1.1	-0.2	-1.9	-1.8	1.2	3.5	3.0
2021	1.1	2.1	2.9	-0.1	-1.0	-0.9	1.2	3.1	3.9
2022	1.2	2.0	3.1	-0.1	-0.6	-1.0	1.2	2.6	4.2
2023	1.2	1.9	2.4	-0.1	-0.4	-0.8	1.2	2.3	3.3
2024	1.2	1.8	2.4	-0.1	-0.3	-0.6	1.2	2.2	3.0

Change in Household Employment Income, Real Terms (%) ⁵²

Period	Business as Usual				COVID Optimistic				COVID Pessimistic			
	P	M	S	T	P	M	S	T	P	M	S	T
2019	1.5	1.6	2.0	1.4	1.5	1.6	2.0	1.4	1.5	1.6	2.0	1.4
2020	1.5	1.6	1.9	1.3	0.2	0.4	2.7	3.9	-0.7	-0.5	2.0	2.8
2021	1.5	1.6	1.9	1.3	2.4	2.6	3.2	4.0	2.4	2.5	2.8	3.3
2022	1.5	1.6	1.8	1.3	2.3	2.5	3.0	3.5	3.3	3.3	3.7	4.7
2023	1.4	1.5	1.8	1.3	2.1	2.2	2.7	3.0	2.9	3.0	3.5	4.4
2024	1.4	1.5	1.8	1.3	1.9	2.1	2.5	2.7	2.6	2.8	3.2	3.9

Food insecurity intensified by COVID-19

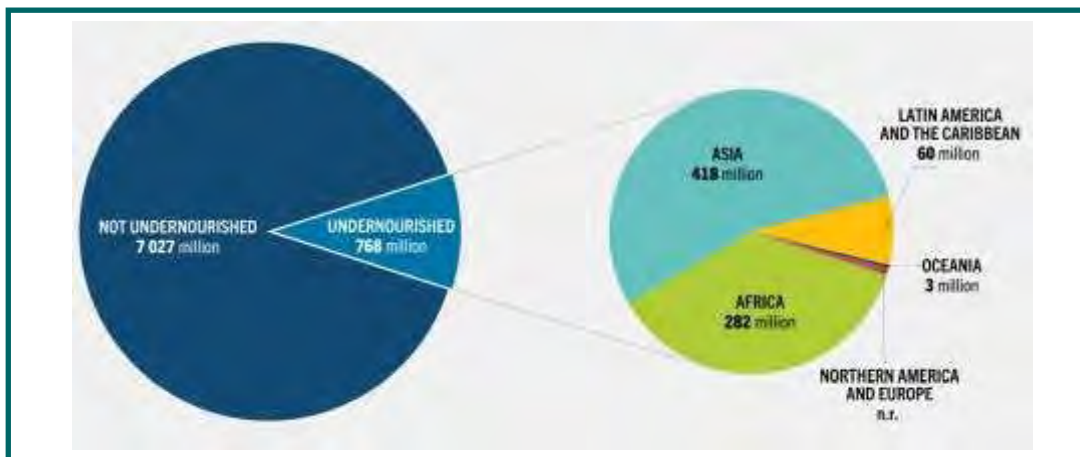
Poverty and inequality are the underlying structural causes of food insecurity and malnutrition in all its forms. Thus, the discussion of poverty (also part of SDG 2) will be incomplete without additional analysis on food security, especially when considering that the COVID-19 pandemic has made it significantly more challenging to address the global food security and nutrition situation. Conflict, climate variability and extremes, and economic slowdowns and downturns (now exacerbated by COVID-19 pandemic) and high-income inequality are major drivers of food insecurity and malnutrition.

In 2020, almost all low- and middle-income countries were affected by pandemic-induced economic downturns, and the increase in their number of undernourished (defined as the condition of an individual whose habitual food consumption is insufficient to provide, on average, the amount of dietary energy required to maintain a normal, active and healthy life) was more than five times greater than the highest increase in undernourishment in the last two decades⁵⁰. When those countries were also affected by other drivers, particularly climate-related disasters, conflict, or a combination, the largest increase in undernourishment was seen in Africa.

World hunger increased in 2020 under the shadow of the COVID-19 pandemic. After remaining virtually unchanged for five years, the prevalence of undernourishment (PoU) increased 1.5 percentage points in just one year – reaching a level of around 9.9%, heightening the challenge of achieving the Zero Hunger target by 2030. More than one-third of the world's undernourished are found in Africa (282 million).

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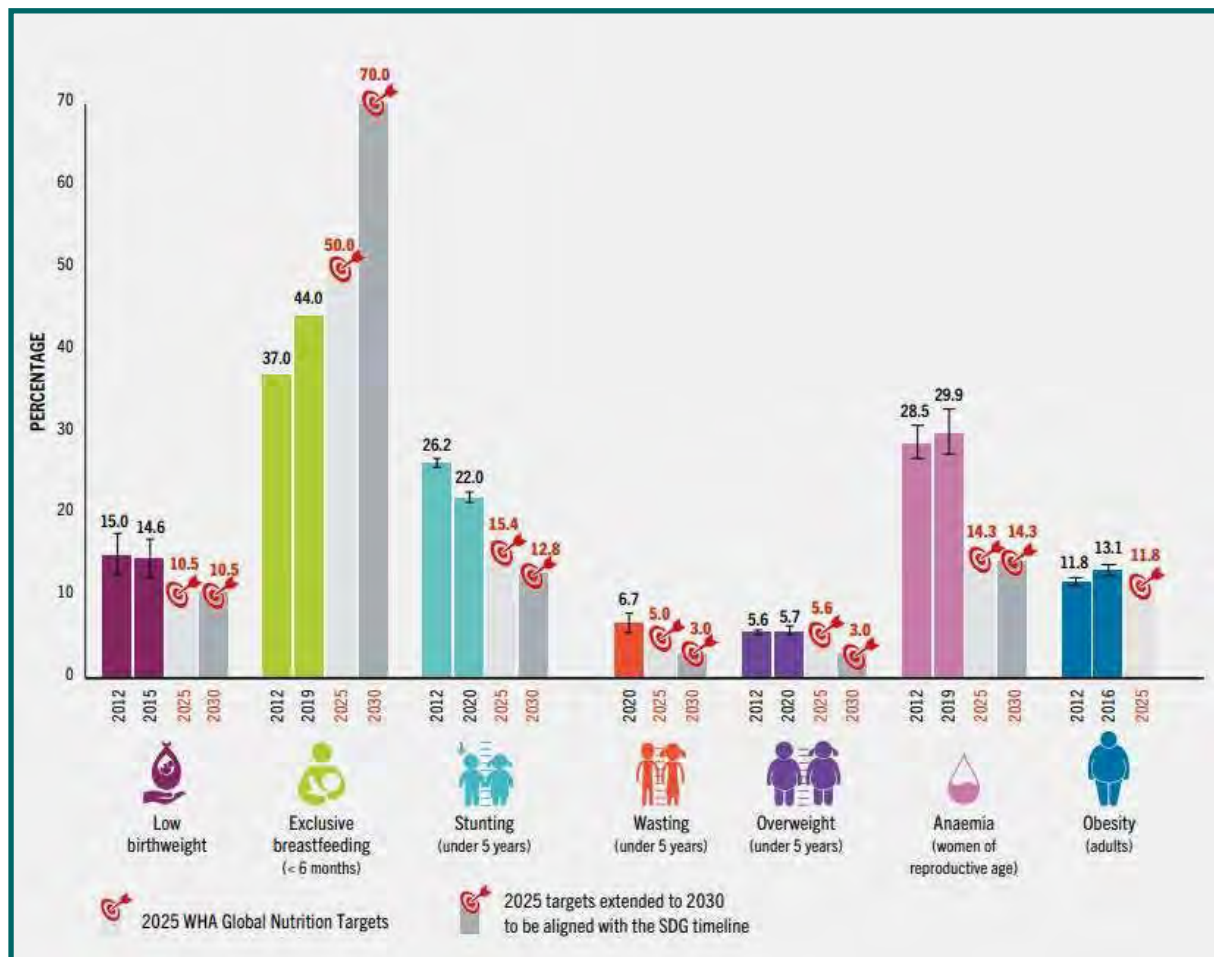
- Data for stunting, wasting and overweight are based on UNICEF, WHO & World Bank. 2021. UNICEF-WHO-World Bank: Joint child malnutrition estimates - Levels and trends (2021 edition). <https://data.unicef.org/resources/jme-report-2021> , www.who.int/data/gho/data/themes/topics/jointchild-malnutrition-estimates-unicef-who-wb , <https://datatopics.worldbank.org/child-malnutrition> ;
- Data for exclusive breastfeeding are based on UNICEF. 2020. UNICEF Global Database on Infant and Young Child Feeding. <https://data.unicef.org/topic/nutrition/infant-and-young-child-feeding>
- Data for anaemia are based on WHO Global Health Observatory www.who.int/data/gho/data/themes/topics/anaemia_in_women_and_children
- Data for adult obesity are based on WHO Global Health Observatory [www.who.int/data/gho/data/indicators/indicator-details/GHO/prevalence-of-obesity-among-adults-bmi--30-\(age-standardized-estimate\)-\(-\)](http://www.who.int/data/gho/data/indicators/indicator-details/GHO/prevalence-of-obesity-among-adults-bmi--30-(age-standardized-estimate)-(-))
- Data for low birthweight are based on UNICEF & WHO. 2019. UNICEF-WHO Low Birthweight Estimates: Levels and trends 2000–2015 <https://data.unicef.org/resources/lowbirthweight-report-2019>



Compared with 2019, about 46 million more people in Africa were affected by hunger in 2020. New projections confirm that hunger will not be eradicated by 2030 unless bold actions are taken to accelerate progress, especially actions to address inequality in access to food. All other things constant, around 660 million people may still face hunger in 2030 in part due to lasting effects of the pandemic on global food security. Globally, malnutrition in all its forms also remains a challenge.



Although, it is not yet possible to fully account for the impact of the COVID-19 pandemic due to data limitations, in 2020 it is estimated that 22.0% (149.2 million) of children under 5 years of age were affected by stunting (defined as being too short for one's age), 6.7% (45.4 million) were suffering from wasting (a life-threatening condition resulting from poor nutrient intake and frequent or prolonged illnesses) and 5.7% (38.9 million) were overweight. The actual figures, particularly for stunting and wasting, are expected to be higher due to the effects of the pandemic. Globally, malnutrition in all its forms also remains a challenge. Although, it is not yet possible to fully account for the impact of the COVID-19 pandemic due to data limitations, in 2020 it is estimated that 22.0% (149.2 million) of children under 5 years of age were affected by stunting, 6.7% (45.4 million) were suffering from wasting and 5.7% (38.9 million) were overweight. The actual figures, particularly for stunting and wasting, are expected to be higher due to the effects of the pandemic.



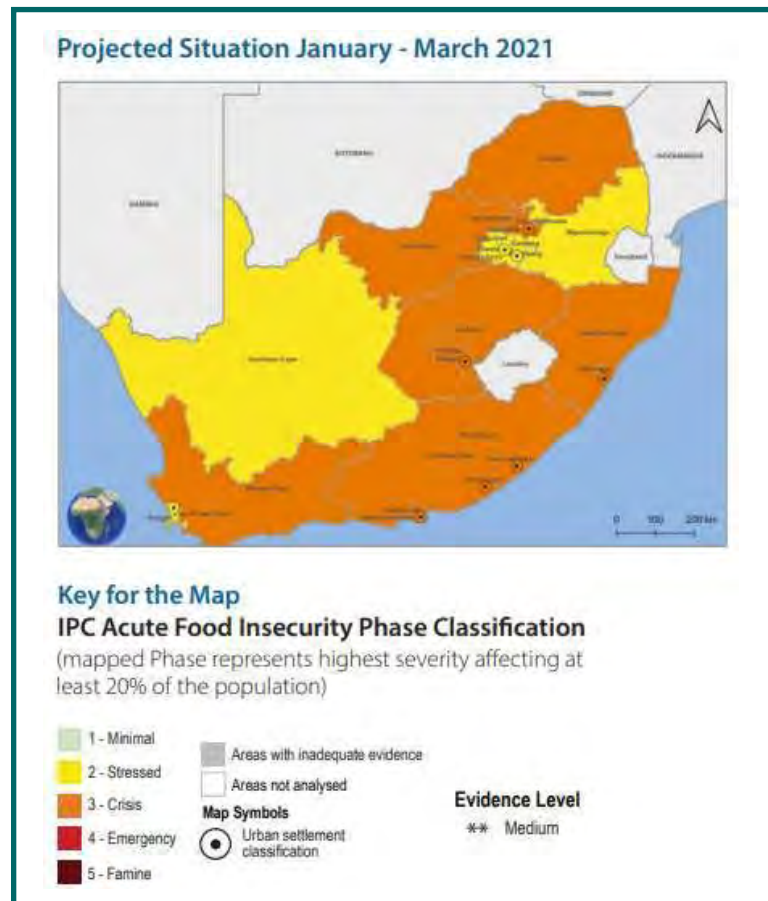
Although the effects of the COVID-19 pandemic had minimal impacts on the agriculture and food sectors in South Africa, households' food security conditions worsened due to the lockdown measures that caused widespread job and income losses. Consequently, food insecurity worsened due to a decrease in households' ability to access sufficient quantities of nutritious foods.

REGIONAL / SUBREGIONAL COUNTRIES	PREVALENCE OF UNDERNUTRITION IN THE TOTAL POPULATION ¹		PREVALENCE OF ACUTE FOOD INSECURITY IN THE TOTAL POPULATION ²		PREVALENCE OF MODERATE OR SEVERE FOOD INSECURITY IN THE TOTAL POPULATION ³		PREVALENCE OF WASTING IN CHILDREN UNDER 5 YEARS OF AGE ⁴	PREVALENCE OF STUNTING IN CHILDREN UNDER 5 YEARS OF AGE ⁵		PREVALENCE OF OVERWEIGHT IN CHILDREN UNDER 5 YEARS OF AGE ⁶		PREVALENCE OF OBESITY IN THE ADULT POPULATION (15 YEARS AND OLDER) ⁷		PREVALENCE OF ANAEMIA AMONG WOMEN OF REPRODUCTIVE AGE (15-49) ⁸		PREVALENCE OF EXCESSIVE WEIGHT GAINING (WANTS) 0-5 MONTHS OF AGE ⁹		PREVALENCE OF LOW BIRTHWEIGHT ¹⁰	
	2004-06 (%)	2018-20 ¹¹ (%)	2014-16 (%)	2018-20 (%)	2014-16 (%)	2018-20 (%)	2020 ¹² (%)	2012 (%)	2020 ¹³ (%)	2012 (%)	2020 ¹⁴ (%)	2012 (%)	2016 (%)	2012 (%)	2019 (%)	2012 ¹⁵ (%)	2019 ¹⁶ (%)	2012 (%)	2015 (%)
South Africa	3.4	6.5	18.0	19.3	42.9	44.9	3.4	23.6	23.2	12.8	12.9	26.1	28.3	28.6	30.5	n.a.	31.6	14.3	14.2

According to the latest Integrated Food Security Phase Classification (IPC) analysis for the country, an estimated 11.8 million people faced high levels of acute food insecurity between January and March 2021⁵¹. A large proportion of the South African population will likely need urgent action to reduce food gaps and protect livelihoods. South Africa's deteriorating food security is mainly driven by the COVID-19 pandemic and mitigation measures as well as high food prices, drought and economic decline.

Region	Total population analysed	Phase 1		Phase 2		Phase 3		Phase 4		Phase 5		Phase 3+	
		#people	%	#people	%	#people	%	#people	%	#people	%	#people	%
Eastern Cape	6,766,725	3,404,695	50	2,017,080	30	1,281,930	19	63,418	1	0	0	1,344,950	20
Free State	2,868,992	1,334,278	47	957,090	33	434,174	15	143,450	5	0	0	577,624	20
Gauteng	15,960,660	7,765,434	49	5,533,617	35	1,885,426	12	776,179	5	0	0	2,661,608	17
KwaZulu-Natal	11,212,892	5,606,446	50	2,824,303	25	2,121,408	20	560,645	5	0	0	2,782,143	25
Limpopo	5,866,956	3,520,174	60	1,173,391	20	360,043	6	293,348	5	0	0	1,173,391	20
Mpumalanga	4,801,826	2,641,004	55	1,440,548	30	720,714	15	0	0	0	0	720,714	15
North West	4,127,023	2,063,512	50	1,031,756	25	829,465	20	206,351	5	0	0	1,031,756	25
Northern Cape	1,336,332	668,166	50	467,716	35	200,450	15	0	0	0	0	200,450	15
Western Cape	7,183,095	2,962,518	41	2,916,826	41	1,149,966	16	153,787	2	0	0	1,303,753	18
Grand Total	60,124,502	29,966,227	50	18,362,327	31	9,598,771	16	2,197,177	4	0	0	11,795,949	20

⁵¹ IPC, *South Africa: Impact of COVID-19 on food security*
http://www.ipcinfo.org/fileadmin/user_upload/ipcinfo/docs/IPC_South_Africa_AcuteFoodInsec_2020Nov2021Mar_Report.pdf



The civil society ecosystem

From a sector-specific viewpoint and reflecting on those sectors relevant to the National Lotteries Commission (NLC) funding programmes, a closer focus on Civil Society Organisations (CSOs) is important. The definition of civil society includes *the wide array of non-governmental and not for profit organizations that have a presence in public life, express the interests and values of their members and others, based on ethical, cultural, political, scientific, religious or philanthropic considerations*.⁵² Another all-encompassing description of civil society organisations (CSOs)⁵³ includes those who provide social and welfare services aimed at young children (through early childhood development centres); women and families affected by domestic violence; vulnerable groups including the elderly, people with disabilities, youth, orphans and children; and animal welfare.

⁵² <https://www.worldbank.org/en/about/partners/civil-society/overview>.

⁵³ Johns Hopkins University and Medicine. 2020. Corona Virus Resource Center. [Online]. Available: <https://coronavirus.jhu.edu/>.

From an environmental scanning perspective an analysis of this often referred to as the “third sector” of the economy after the private and public sectors, indicates that the civil society ecosystem is primarily being transformed and re-directed by the response of CSOs towards the economic and social impact of the COVID-19 pandemic. Ever since March 2020⁵⁴, COVID-19 has been molding the notable vulnerability displayed in the local and international social fabric. This pronouncement confirms the critical role that the civil society must continue to play during the global pandemic and economic recovery. This challenge seems especially significant when considering initial business response during the first wave of COVID-19 revealing predictions of lower turnover (85.4%), temporary closure or paused trading activity (46.4%), decreases in workforce size (36.8%) and low business confidence in the sustainability of financial resources to continue operations throughout the COVID-19 pandemic⁵⁵. Also, with a specific focus on the immediate impact of COVID-19 on the African Civil Society Organisations (CSOs) in particular, research evidence from the @AfricanNGOs and EPIC-Africa survey conducted among 1000 CSOs from 44 African countries from April and mid-May 2020 indicated that the impact experienced by CSOs during the first wave of COVID-19 was rapid, widespread, and destabilising.⁵⁶

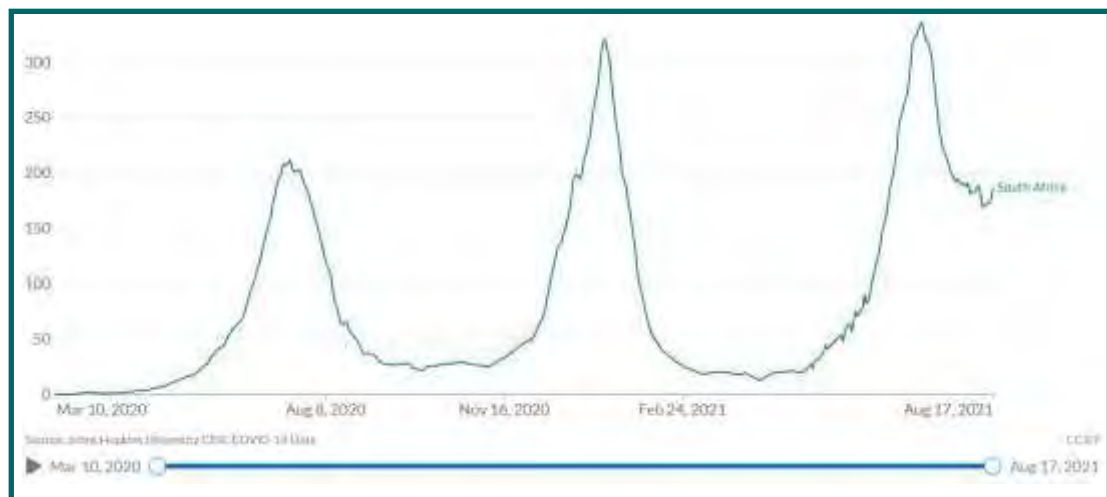
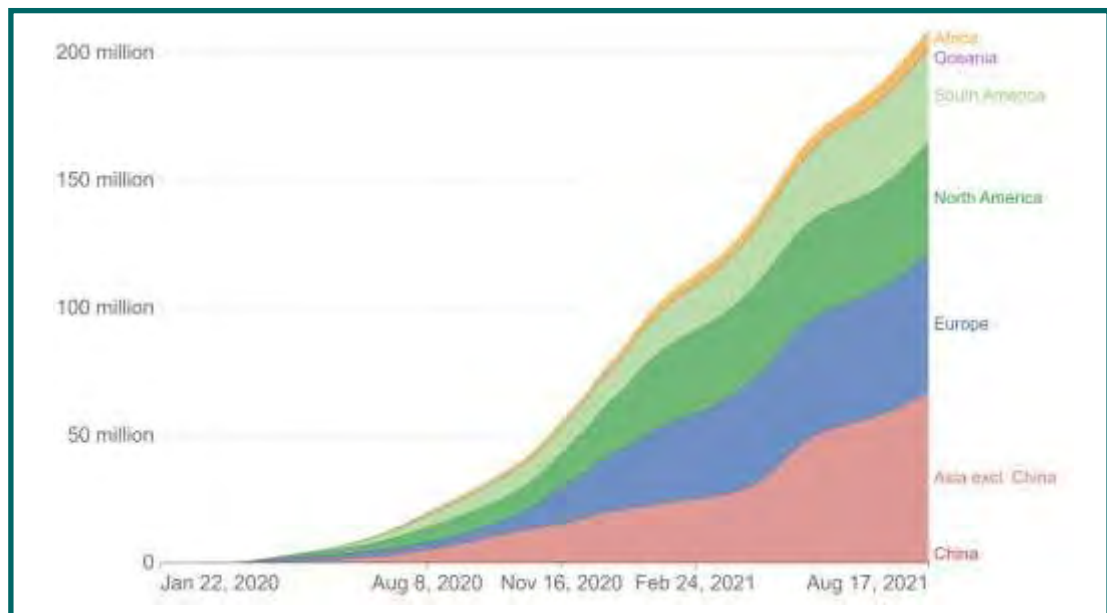
Impact of COVID-19 on African civil society organisations (CSOs)⁵⁶

- 98 per cent of CSO respondents confirmed that they had been adversely affected.
- 56 per cent has already experienced a loss of funding.
- 66 per cent expect to lose funding in the next three to six months.
- Half already introduced measures to reduce costs because of the loss of funding, or the uncertainty about future funding.
- 78 per cent of CSO respondents indicated that COVID-19 would have a devastating impact on the sustainability of many CSOs.
- About 85 per cent of respondents confirmed that they were not prepared to cope with the disruption caused by the pandemic.
- Some 70 per cent had to reduce or cancel their operations and 55 per cent expect this to continue over the next three to six months.
- 72 per cent believed that governments had failed to recognise and utilise local CSOs’ skills, experience, and networks in response to COVID-19.

⁵⁴ SA Gov News Agency. 2020. *WHO declares Coronavirus a global pandemic*. <https://www.sanews.gov.za/south-africa/who-declares-coronavirus-global-pandemic>. ⁵⁵ Stats SA. 2020. *Business impact survey of the COVID-19 pandemic in South Africa*. <http://www.statssa.gov.za/publications/Report-00-80-01/Report-00-80-01April2020.pdf>

⁵⁶ @AfricanNGOs and EPIC-Africa. 2020. *The Impact of COVID-19 on African Civil Society Organisations – Challenges, Responses and Opportunity*. <https://resourcecentre.savethechildren.net/node/17854/pdf/theimpactofcovid-19onafricancivilsocietyorganizations.pdf>

Since the first impact studies on COVID-19, the number of COVID-19 cases in Africa hit a record high in July 2021⁵⁷, with South Africa showing the highest number of officially recorded COVID-19 infections and deaths, with more than 2.5 million confirmed cases over the course of the pandemic, and over 75 000 deaths (although excess mortality statistics released by the South African Medical Research Council indicate that the real Covid-related death toll could have been as high as 222 521). In fact, to date South Africa accounts for almost 40% of all coronavirus-related deaths on the African continent.



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- <https://ourworldindata.org/coronavirus-testing#source-information-country-by-country>
- <https://www.bsg.ox.ac.uk/research/research-projects/oxford-covid-19-government-response-tracer>
- <https://ourworldindata.org/covid-cases>

The statistics revealed above serve to demonstrate that COVID-19 has protracted negative impacts on society and CSOs and therefore the impact of the virus further exaggerated the challenges and potential risk posed to CSOs. The magnitude and worsening of COVID-19 infections in Africa and South Africa are concerning when considering that the most marginalised and poorest populations are affected most by the virus alongside the global economic crisis outlined earlier. Locally and internationally, COVID-related restrictions and lockdowns, including curfews and capacity limits, continue to impact on lives and livelihoods with markable increased demand for social services.

In fact, many of the social challenges which are provoked by COVID-19 are transforming and leading the modern-day civil society ecosystem while community service demands are extended beyond government and business support. These annotations are pertinently portrayed in the NLC environmental scan by consigning an explicit focus on those sectors targeted by the NLC for grand funding programme purposes. These include the (i) charity sector, (ii) the arts, culture and national heritage sector, and (iii) sport and recreation sector⁵⁸.

In line with preferential criteria targeting vulnerable groups such as children, the elderly and people with disabilities, and given that the NLC currently encourages organisations who apply for funding to ensure that project/programme activities applied for are in line with COVID-19 alert level restrictions in terms of the Disaster Management Act and Regulations, this synopsis of the civil society ecosystem is largely restricted to NLC specific sectors and marginalized or vulnerable groups. The impression highlights several social challenges faced by vulnerable groups primarily brought about by COVID-19 and exemplifies how civil society is responding and positioning itself while transitioning to a “new normal” during the prolonged COVID-19 pandemic. Key features include high level analyses on the consequences of the virus to especially vulnerable and marginalized communities as well as the key challenges which remain in the environment in which CSOs operate and try to sustain services to society. Finally, the outline intends to guide the scope of future NLC funding programmes.

⁵⁸ NLC. 2021. Charities, Sport and Recreation and Arts, Culture & National Heritage Sectors - 2021 / 2022 *Call for applications and guidelines for participants*. <https://www.nlcsa.org.za/> [Online Resource].

NLC grant funding sector: Charity – vulnerability of the youth

NLC funding programmes bear fundamental significance to schools and children. With reference to the education sector's response to the COVID-19 pandemic, schools recently reopened after being closed for a month, but their closures have impacted between 400 000 and 500 000 learners⁵⁹ who dropped out of school within the last 16 months. These statistics most likely pertain to children living in informal urban and rural settings, with household poverty also playing a critical role. The total number of out of school children is estimated at 750 000. Consequentially, being out of school not only leads to learning loss but mental distress, exposure to violence and abuse, missed school-based meals and reduced development of personal and social skills. In the longer-term, the skills needed to transition into working lives are anticipated to have been affected. Evidence also shows that when children are out of school, women are twice as likely to take on childcare responsibilities, affecting their ability to work or search for work. Concern has also been expressed by parents after reports that 23 226 teenagers in Gauteng were reported to have fallen pregnant, between April 2020 and March 2021 with the view that young people need to be exposed to more health and sex education to avoid teenage pregnancy and diseases⁶⁰.

School closures further intensify gender inequalities, especially for the poorest girls and adolescents who face a greater risk of early and forced marriage, sexual abuse and unintended pregnancy during emergencies. Across Africa demand for school re-openings have been uneven or there has not been a consistent re-opening of schools across all grades. Moreover, in areas where social norms lead to greater disparities between girls and boys in enrolment and retention in school, temporary disruption as a result of a crisis such as COVID-19 can lead to permanent removal from school. Families being unable to pay school fees resulting from loss of income during the crisis, negative coping mechanisms such as child marriage, or the loss of educational infrastructure such as girls' peer networks and teachers are prominent concerns.⁶¹ This has long-term negative impacts on girls' access to opportunities and resources to improve their lives and ultimately, on their educational, economic, and health outcomes.⁶² The twin burden of COVID-19 and recent disruptions (political unrest which resulted in more than 140 schools being vandalized in KwaZulu-Natal and Gauteng) negatively impacted educators which exclaims the need to prioritize support and improvement of both learner and educator well-being.

⁵⁹ UNICEF. 2020. *Learners in South Africa up to one school year behind where they should be*. <https://www.unicef.org/press-releases/learners-south-africa-one-school-year-behind-where-they-should-be>.

⁶⁰ Pretoria News. 2021. *Concern after 23 000 young girls, teenagers pregnant in 12 months*. <https://www.iol.co.za/pretoria-news/news/concern-after-23-000-young-girls-teenagers-pregnant-in-12-months-fd2338fa-f594-4124-8e90-633eb7fef18c>

Overall, the COVID-19 pandemic added another layer of distress to children who were and continue to be exposed to increased violence at home and in communities (which has taken a toll on children's mental development) as well as sexual abuse (including child-on-child sexual abuse which is on the rise). Statistics show that one in three children are sexually abused in South Africa and that the pandemic certainly exacerbated this vulnerability. The COVID-19 lockdown also witnessed an increase in depression, suicide, lack of motivation and hopelessness among children in the pandemic. There currently exists a grave concern that most child protection services, which should be essential and remain operating, had been closed during the lockdown. Hence, many children are unable to find the help that they needed. These concerns are cited alongside the devastating impact of alcohol consumption and its negative impact on children.

'Adultification'⁶³ as a result of COVID-19, where children had lost their parents and elder siblings have to take over the parental responsibilities, as well as child-on-child sexual abuse and child pornography has emerged as key civil societal challenges in especially poorer communities, which are regarded as serious concerns and require priority attention. While these concerns are being highlighted as priority areas it ought to be mentioned that the sector currently seems to be largely incapacitated to effectively deal with increased demands for mental support services in informal and poor rural areas in particular. This challenge is further exacerbated by the fact that many CSOs are being absolutely overrun by societal needs (which were further intensified by the COVID-19 Delta variant) and simply have too few resources to meet the increased demand from especially rural areas being affected most. Some examples of holistic African interventions⁶⁴ by leading child support organisations to address social challenges include therapeutic services for children that have experienced trauma, abuse or neglect and their families as well as training and mentoring within the child protection and child mental health sector. However, support services clearly lacking to date are psychosocial services to deal with number of children exposed to anxiety and emotional stress exacerbated by problems caused by home schooling and disruptions caused by the sporadic opening and closing of schools. Likewise, educators (ECD to high school) show a need for emotional support and training to manage the emotional impact of pandemic (trauma informed schools). In general, funding for these desired services remains precarious.

⁶¹ CARE and the International Rescue Committee. March 2020. *Global Rapid Gender Analysis for COVID-19*. https://www.careinternational.org/files/files/Global_RGA_COVID_RDM_3_31_20_FINAL.pdf

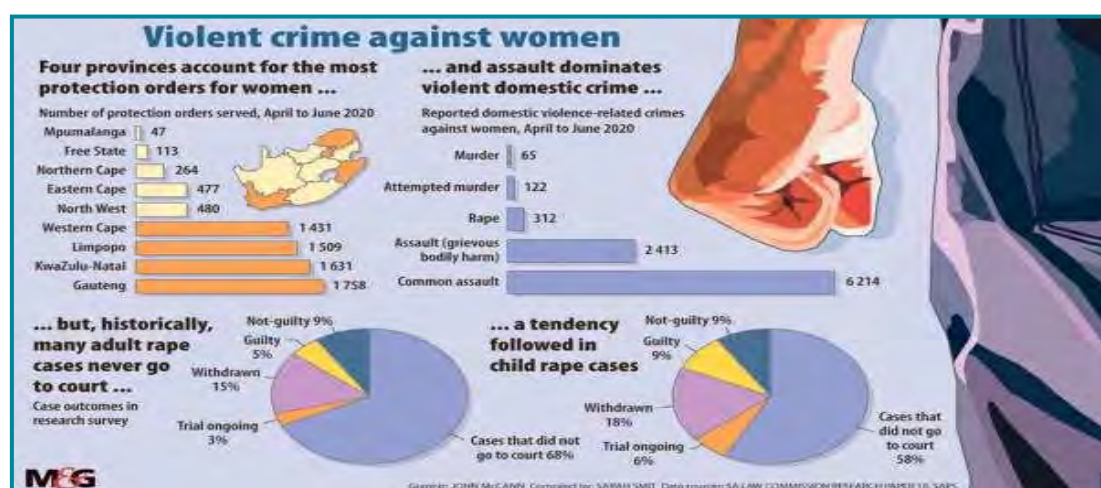
⁶² Coalition for Women's Economic Empowerment and Equality. April 2020. *COVID-19 and Women's Economic Empowerment*. https://www.icrw.org/wp-content/uploads/2020/04/cweee_covid_and_wee_brief_final.pdf

⁶³ Parliamentary Monitoring Group (PMG). 2021. *Adhoc Western Cape Committee on COVID-19 - Effects of COVID-19 on youth in the province*. <https://pmg.org.za/committee-meeting/33304/>

Besides negatively impacting on children as a vulnerable group, the COVID-19 pandemic also had an effect on the elderly, which are frequently overlooked in development and humanitarian strategy development and funding. In the context of COVID-19 and the risk posed to older people, this group, who normally receive care at home and in the community and are more likely to be elderly females, should explicitly be identified and considered in funding applications and decisions. This view is based on the pertinent social challenges faced by the elderly in the modern-day society in response to COVID-19. These include, among others, a minimum standard of living, which puts a further strain on the most vulnerable; stretching pensions to assist people who had lost their jobs/working and still have to pay their normal bills; fear of the unknown, which is difficult to deal with because no one knows if there is ever going to be an end to the pandemic; technology challenges impacting on many older persons who want to communicate with their children and grandchildren, specifically if they want to see their faces; low literacy levels of some older persons and not having the capability to assist grandchildren with schoolwork or activities and emotional trauma caused by the loss of loved ones during the pandemic. With reference to the latter, psychosocial and bereavement support services offered by CSOs during COVID-19 have become more prominent, inclusive of debriefing, counselling, psychotherapy and cognitive behavioural therapy to individuals and families. These services specially aimed to develop coping mechanisms and resilience as well as psychosocial support services were also required for a range of related vulnerabilities that occurred and/or were aggravated by the COVID-19 situation, for example, gender-based violence (GBV), trauma, depression, and anxiety. Once again, sustaining these services without financial resource support places these services at risk.

⁶⁴ Parliamentary Monitoring Group (PMG) Adhoc Western Cape Committee on COVID-19.
Protection of the vulnerable: Engagement with Department of Social Development & umbrella bodies <https://pmg.org.za/committee-meeting/30850/>

Gender-based violence (GBV) form part of the social fabric of South Africa. Based on statistical evidence, women are disproportionately affected by violence. Although South Africa's experience with GBV is not unique, the extent and prevalence of the issue, compounded by the impact of the Covid-19 pandemic, has triggered a 'secondary pandemic' in the country marred by rising femicide rates and GBV. In the first week of the South African lockdown, more than 87 000 cases of gender-based violence complaints were reported⁶⁵. Across Africa gender data show the exacerbated gender inequalities under COVID-19 placing women and girls at greater risk of GBV. In South Africa for example official reports show that within the first week of level 5 lockdown, South African Police Services (SAPS) received 2 320 complaints of GBV, with only 148 related charges made. These statistics represent a 37% increase from the weekly average of South African GBV cases reported for 2019. Additionally, the GBV Command Centre in South Africa recorded a spike in GBV cases reported during the lockdown during 27th March to 16th April with a total of 10 660 through phone calls, 1 503 through unstructured supplementary services data (USSD) and 616 SMSs. On 16th April alone, the Centre received 674 cases.⁶⁶ Prior to the pandemic, femicide in South Africa was already five times higher than the global average and the female interpersonal violence death rate was the fourth highest out of the 183 countries listed by the World Health Organisation in 2016. Evidence has now emerged that suggests cases of violence against women are increasing. In 2019-2020, there was an average increase of 146 sexual offences and 116 specifically rape cases per day, predominantly rape, compared to the same period between 2018-2019.⁶⁷ Violent crime against women are estimated to be most prominent in Gauteng, KwaZulu Natal, Limpopo and the Western Cape, and mainly take the form of assault. (Grievous bodily harm and common assault)⁶⁸.



⁶⁵ <https://www.iol.co.za/capeargus/opinion/statistics-show-gbv-part-of-social-fabric-of-south-africa-b7b44df61cc9-4f27-bd13-48b542ba300b>

⁶⁶ <https://www.cnbc.com/2020/04/13/south-africas-ramaphosa-blasts-despicable-crime-wave-during-coronavirus-lockdown.html> and <https://www.plan.org.au/media-centre/violence-against-girls-in-africa-soars-covid-19/>

⁶⁷ <https://globalriskinsights.com/2021/03/south-africas-secondary-pandemic-a-crisis-of-gender-based-violence/>

⁶⁸ <https://mg.co.za/news/2020-08-27-real-action-on-gender-based-violence-a-pipe-dream-as-women-die-every-day/>

The social and economic costs of intimate partner and sexual violence are enormous and have ripple effects throughout society. Women may suffer isolation, inability to work, loss of wages, lack of participation in regular activities and limited ability to care for themselves and their children. The pandemic's disproportionate impact on women and girls' lives is threatening to reverse the gains in advancing women and girls' rights and gender equality. Since the outbreak of COVID-19, emerging data and reports have shown that all types of violence against women and girls have intensified in countries affected by the pandemic. Before the pandemic, it was estimated that one in three women will experience violence during their lifetimes. Globally, 18% of ever-partnered women and girls aged 15–49 have experienced physical and/or sexual violence at the hands of a current or previous partner in the previous 12 months.⁶⁹ Further, with COVID-19 there are reports of surges in violence against women around the world being reported in many cases of upwards of 25% in countries with reporting systems in place⁷⁰. For every 3 months the lockdown continues, an additional 15 million additional cases of gender-based violence are expected.⁷¹

As stay-at-home orders expanded to contain the spread of the virus, women with violent partners increasingly found themselves isolated from the people and resources that can help them. Globally, there have been reports of abuse such as intimate partner violence, sexual harassment, domestic and sexual abuse of women and girls in many cases by family members, which are exacerbated particularly under lockdowns, restricted movements and school closures. Correspondingly, the pandemic has a far-reaching impact on harmful practices against women and girls, including the elimination of child marriage and female genital mutilation.

It is reported that gender-based violence survivors have experienced limited access to legal protection services as most civil hearings and case-file reception at courts are suspended; issuances of court orders are significantly delayed; and most legal aid centres are closed including limited access to help lines for girls and women. Additionally, the pandemic and subsequent measures to address the pandemic have disrupted the availability and accessibility of services for survivors of violence. Service providers from all sectors, governmental and non-governmental, are over-stretched to maintain services to violence survivors, given constraints posed by the pandemic.⁷² For example, health services that are the first responders for women are overwhelmed, have shifted priorities, or are otherwise unable to help.

⁶⁹ Laura Turquet and Sandrine Koissy-Kpein. 2020. *COVID-19: Emerging gender data and why it matters*. <https://data.unwomen.org/resources/covid-19-emerging-gender-data-and-why-it-matters>

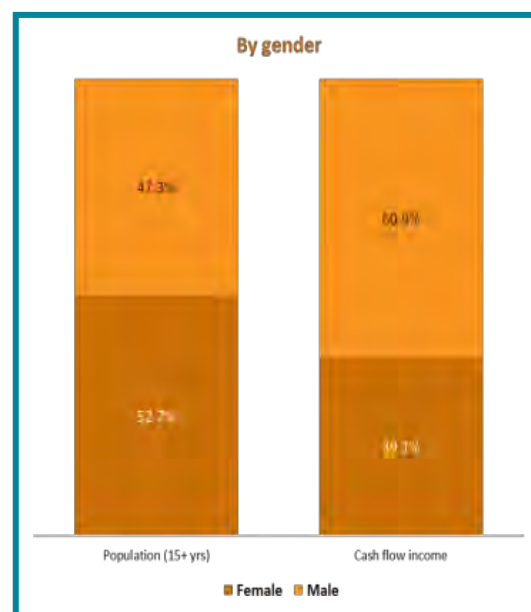
⁷⁰ United Nations. 2020. *The Impact of Covid-19 on Women*. <https://www.unwomen.org/-/media/headquarters/attachments/sections/library/publications/2020/policy-brief-the-impact-of-covid-19-on-women-en.pdf?la=en&vs=1406>

⁷¹ UNFPA. 2020. *Impact of the COVID-19 Pandemic on Family Planning and Ending Gender-based Violence, Female Genital Mutilation and Child Marriage*. [https://www.unfpa.org/sites/default/files/resource-pdf/COVID-19 impact brief for UNFPA 24 April 2020 1.pdf](https://www.unfpa.org/sites/default/files/resource-pdf/COVID-19%20impact%20brief%20for%20UNFPA%2024%20April%202020%201.pdf)

Access to services could be further restricted for survivors with unclear immigration status, sex workers, and/or homeless and street-entrenched populations; as well as persons with disabilities, older persons, refugees, internally displaced persons and people living with HIV. This highlights that some categories of women and girls in Africa are among the most vulnerable groups exposed to the negative impacts of the COVID-19 pandemic.

Unfortunately, during 2020 the job losses that occurred during 2020, were mostly females. Just over a million either lost their jobs or were prevented from working. The overall unemployment rate for females of working age (between 15 and 64 years) during Q1 2021 was 34.0%, compared to 31.4% for males⁷³. Specifically high unemployment rates for Black African females are of concern.

Likewise, there is still discrimination in the workplace against women, especially in terms of remuneration. The pay gap remains large, but closing due to among others, more females compared to men graduating. It is estimated that women earn 20-30% less than male counterparts in the same employment positions. Evidence points to a smaller pay gap for lower paid jobs. Income inequality based on gender is evident from recent results published by the Bureau of Market Research of Unisa⁷⁴. For the adult population (15 years old and above) females made up 52.7% in 2020 but earn 39.1% of the income.



⁷² UN Women. 2020. *Impact of COVID-19 on violence against women and girls and service provision: UNWomen rapid assessment and findings*. <https://www.unwomen.org/-/media/headquarters/attachments/sections/library/publications/2020/impact-of-covid-19-on-violence-against-women-and-girls-and-service-provision-en.pdf?la=en&vs=0>

⁷³ Statistics South Africa. Quarterly Labour Force Survey Q1 2021. http://www.statssa.gov.za/publications/P0211/Presentation%20QLFS%20Q1_2021.pdf

⁷⁴ BMR Research Report no 512 – Personal Income Estimates 2016-2021, 2021

The COVID-19 pandemic also had and will continue to shape and impact on the sporting world as well as on the physical and mental well-being of people, with specific reference to marginalized or vulnerable groups⁷⁵. In the face of COVID-19, many millions of jobs are at risk globally, not only for sports professionals but also for those in related retail and sporting services industries connected with leagues and events, which include travel, tourism, infrastructure, transportation, catering and media broadcasting, among others. Professional athletes are also under pressure to reschedule their training, while trying to stay fit at home, and they risk losing professional sponsors who may not support them as initially agreed. The closure of education institutions around the world due to COVID-19 has also impacted the sports education sector, which is comprised of a broad range of stakeholders, including national ministries and local authorities, public and private education institutions, sports organizations and athletes, NGOs and the business community, teachers, scholars and coaches, parents and, first and foremost, the – mostly young – learners. The global outbreak of COVID-19 has also resulted in closure of gymnasiums, stadiums, pools, dance and fitness studios, physiotherapy centres, parks and playgrounds. Many individuals are therefore not able to actively participate in their regular individual or group sporting or physical activities outside of their homes. Under such conditions, many tend to be less physically active, have longer screen time, irregular sleep patterns as well as worse diets, resulting in weight gain and loss of physical fitness. Low-income families are especially vulnerable to negative effects of stay-at-home rules as they tend to have sub-standard accommodation and more confined spaces, making it difficult to engage in physical exercise. There are concerns therefore that, in the context of the pandemic, lack of access to regular sporting or exercise routines may result in challenges to the immune system, physical health, including by leading to the commencement of or exacerbating existing diseases that have their roots in a sedentary lifestyle. Lack of access to exercise and physical activity can also have mental health impacts, which can compound stress or anxiety that many will experience in the face of isolation from normal social life. Possible loss of family or friends from the virus and impact of the virus on one's economic wellbeing and access to nutrition will exacerbate these effects.

⁷⁵ https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2020/05/PB_73.pdf

NLC grant funding sector: Arts, culture and national heritage

COVID-19 has had a negative impact on all sectors of the economy, but, more importantly, the arts, culture, and heritage sector has been badly affected by the necessity for social distancing. Most of the activities related to the arts, culture, and heritage sectors involve physical contact or people/spectators/audiences being in close contact hence, the suspension of gatherings has affected almost every individual in this sector. The actual impact of COVID-19 in many countries in the arts, culture, and heritage sectors has not been calculated. But some countries have done preliminary studies to evaluate the impact of COVID-19. Given the prevailing health situation, some African Union (AU)⁷⁶ member states, including South Africa, have had to cancel cultural and artistic activities including concerts, fairs, and exhibitions. Cinemas, tourist sites, museums, and archaeological sites have also been closed. Hence, cultural and creative industries have been negatively affected by the closure of sites, resulting in loss of revenue, the postponement of some planned festivals, and a ban on artistic mobility.

The arrival of COVID-19 has shown that there is a need to improve financing strategies to enable the arts, culture, and heritage sectors to access markets. This includes the strengthening of e-business mechanisms including the establishment of an inter-African payment system. Lockdown restrictions saw the Sport, Arts and Culture sector suffer financial set-backs as Government had to put in place tighter restrictions aimed at curbing the spread of the virus and saving lives of South Africans. The sector normally generates more job opportunities for practitioners during the festive period than any other season.

As an intervention to aid the plight of artists and athletes affected by this pandemic that is taking lives and livelihoods, compromising the dignity of practitioners and preventing them from fully living out their passion within the arts, Minister Nathi Mthethwa launched the 3rd Phase of the COVID-19 Relief Fund on 6 February 2021. The implementation of this relief funding took cognisance of the identified challenges of the first and second phases. Broader consultation with the sector were undertaken in preparation for the Third Phase of the COVID -19 Relief Fund⁷⁷.

One of the deliberations during the African Union Member States Ministers' Virtual Forum on the Impact of the COVID-19 Pandemic on the Arts, Culture and Heritage Sectors was to advocate for artists, actors, and musicians to continue to produce arts and culture in a creative way that is resilient to the pandemic. The suggestion was to use of online/virtual and television platforms for music concerts, fashion and design shows, visual arts webinars, cultural and creative industry hubs, amongst others.

The pandemic has been an opportunity for the sector to reorganize and regain momentum. Fashion and design industries benefited through the manufacturing of local masks. In addition,

artists, and here especially musicians and actors, have participated in various awareness-raising activities against the spread of the pandemic in local languages.

There is a need to experiment and document traditional ways of combating COVID-19, which many societies have already used. The alternative medicine industries have proposed various preventive and curative formulas and products against COVID-19 based on local therapeutic knowledge.

There is a need to encourage various financiers to support the arts sector to digitize works of art and cultural sites and make them available on digital platforms. Such digital platforms will enable artists to share their work and directly reach their audiences. The idea of creating charitable organizations to support artists and cultural sectors is of prime importance.

It is important to seize the opportunity offered by COVID-19 to collectively develop the African economy through arts, culture, and heritage. It is crucial to think about the post-COVID-19 era with the advent of a new economy that will foresee and include teleworking in Africa. The year 2021 has been declared by the AU as the Year of Arts, Culture, and Heritage, which presents an excellent opportunity to mobilize cultural workers to embark on the post-COVID-19 pandemic recovery measures using the arts, culture, and heritage sectors as a strong and powerful tool.

⁷⁶ Martins, A., & Shule, V. 2020. *The impact of the COVID-19 pandemic on the arts, culture, and heritage sectors in the African Union member states*. International Journal of Cultural Property, 27(4), 477-480. <https://doi.org/10.1017/S0940739121000047>

⁷⁷ <http://www.dac.gov.za/content/minister-sport-arts-and-culture-launches-3rd-phase-covid-19-relief-fund-step-towards-sector>

Sector response to COVID-19

The highlighted economic and social realities and corresponding impacts of COVID-19 on the broader society has resulted in increased service demands directed towards the CSO sector. The CSO sector has been responding to society's challenge with varied success. Also, the challenge to retain support to especially vulnerable communities will largely depend on sustainable capacity and resources, which are exponentially being depleted by the prolonged COVID-19 pandemic.

Predominant and leading activities of CSOs in response to the increase demand for social services caused by COVID-19 from especially vulnerable communities (youth, unemployed, women) are apparent ever since the first wave of the COVID-19 pandemic. In this regard the 2020 African CSO survey showed that almost 58% of respondents introduced new programme activities, with nearly three-quarters self-funding these activities⁷⁸. In response to the impact of COVID-19, CSOs have been demonstrating resilience and agility in recognition of adapting to changed circumstances, including leveraging domestic funding sources, building sector solidarity, and accelerating digital transformation. Major sporting organisations have shown their solidarity with efforts to reduce the spread of the virus. For example, FIFA has teamed up with the World Health Organisation (WHO) and launched a 'Pass the message to kick out coronavirus' campaign led by well-known football players in 13 languages, calling on people to follow five key steps to stop the spread of the disease focused on hand washing, coughing etiquette, not touching one's face, physical distance and staying home if feeling unwell.

Other international sport for development and peace organisations came together to support one another in solidarity during this time, for example, through periodic online community discussions to share challenges and issues. Participants in such online dialogues have also sought to devise innovative solutions to larger social issues, for example, by identifying ways that sporting organisations can respond to problems faced by vulnerable people who normally participate in sporting programmes in low-income communities but who are now unable to, given restriction to movement. Furthermore, the global community has adapted rapidly by creating online content tailored to different people; from free tutorials on social media, to stretching, meditation, yoga and dance classes in which the whole family can participate.

⁷⁸ @AfricanNGOs and EPIC-Africa. 2020. *The Impact of COVID-19 on African Civil Society Organisations – Challenges, Responses and Opportunity*.
<https://resourcecentre.savethechildren.net/node/17854/pdf/theimpactofcovid-19onafricancivilsocietyorganizations.pdf>

Also, educational institutions are providing online learning resources for students to follow at home. Many fitness studios are offering reduced rate subscriptions to apps and online video and audio classes of varying lengths that change daily. There are countless live fitness demonstrations available on social media platforms. Many of these classes do not require special equipment and some feature everyday household objects instead of weights. Some organisations and schools have also begun using virtual training as a method for leagues, coaches and young people to remain engaged in sport activities while remaining in their homes.

To date, the Department of Sport, Arts and Culture has implemented the first and second phases of the COVID-19 Relief Fund. Nearly 5 000 practitioners were recommended for the first phase and over R80 Million was paid out to the sector. In the second phase and as of the 14th of December 2020, over R2 million was paid out to practitioners in the sector. A total of 3 658 practitioners benefitted from the Solidarity Fund with a nearly R3 million that was paid out. Through DSAC's partnership with the Department of Small Business Development (DBSA), over R5 Million was paid out to practitioners within the sector, with a further estimated R13 million to be disbursed by the end of March 2021.

In spite of best efforts, the Department of Sport, Arts and Culture is fully cognisant of the fact that there are many others who did not benefit from these programmes, given the finite budget. The Department, alongside the appointed service provider, is also developing the rollout of an implementation plan to provide an Artist Wellness Programme to the sector to deal with the emotional and psychological impact of their challenges and will also provide other enhancement interventions such as personal or business financial management, legal support and lifestyle management.⁷⁹

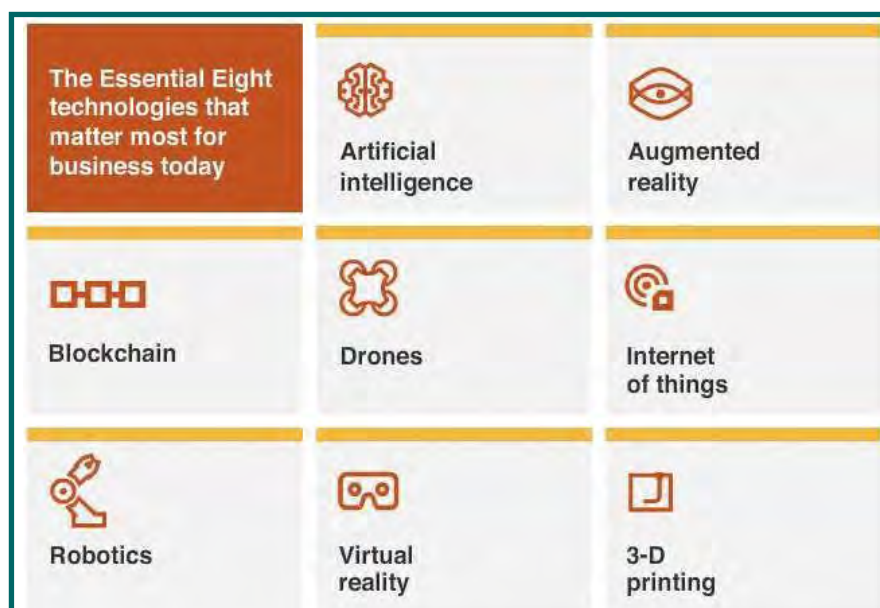
The impact of technology on the economy

The Fourth Industrial Revolution (4IR) is distinct in that it is defined by accelerating technological change, the convergence of multiple technology platforms across the physical, digital, and biological realms, and a movement towards transhumanism, which refers to the expansion of personhood to encompass physical and digital extensions of the mind and body. The speed of current breakthroughs has no historical precedent. When compared with previous industrial revolutions, the Fourth Industrial Revolution is evolving at an exponential rather than a linear pace. Moreover, it is disrupting almost every industry in every country. And the breadth and depth of these changes foreshadow the transformation of entire systems of production, management, and governance⁸⁰.

⁷⁹ <http://www.dac.gov.za/content/minister-sport-arts-and-culture-launches-3rd-phase-covid-19-relief-fund-step-towards-sector>

⁸⁰ World Economic Forum, *The Fourth Industrial Revolution: what it means, how to respond*, <https://www.weforum.org/agenda/2016/01/the-fourth-industrial-revolution-what-it-means-and-how-to-respond/>

This period of rapid growth in technology is changing the way people live and work. Technology platforms that are currently central to this revolution include artificial intelligence, augmented reality, blockchain, drones, the internet of things (IoT), robotics, virtual reality and 3D-printing⁸¹. Such technologies increasingly blur the lines between the digital, biological and physical worlds.



During 2020 a strange, historic event disrupted all assumptions and forced society, with a degree of urgency, to become more adaptable and responsive than what was thought possible. The COVID-19 pandemic has driven change on the technology front in an important and in some sense unexpected way. Many organisations were forced to rethink the way they do business by digitally adapting to the new circumstances. Many sectors have embraced digital transformation, thereby making operations more efficient and to respond to customer needs and expectations.

Major predictions in changes/advances in technology

The core emerging technologies for the next decade are expected advances in **ambient experience** (universal interfaces, seamlessly integrated into the environment, that anticipate and meet human needs), **exponential intelligence** (building on artificial intelligence, adding the capacity to recognise and respond to human emotions, understand the external environment, and perform any task) and **quantum** (harnessing the properties of subatomic particles to solve problems that are too complex for the current supercomputers).

⁸¹PWC, *Eight emerging technologies and six convergence themes you need to know about*, <https://www.pwc.com/us/en/tech-effect/emerging-tech/essential-eight-technologies.html>

In order for such technologies to be sustainable they depend on a solid foundation that consists of the evolution of the information technology function, trust and reshaping the core systems of business and government⁸².

Fourth Industrial Revolution and South Africa's response

In South Africa, various groups are promoting the 4IR and taking steps to leverage it. But there's a long way to go before South Africans can enjoy the fruits of innovation-led prosperity. A great concern is a sufficient supply of advanced engineering talent. People in regular jobs also need to develop the skills to deal with the disruptive effects of new technologies in their work environments. The future of South Africa's education system is an important consideration in its journey towards the 4IR.

The South African government has also committed to a detailed proposal for catapulting the country into the 4IR. The establishment of the Presidential Commission on the Fourth Industrial Revolution is an affirmation of the Government's commitment to addressing the aforementioned challenges while simultaneously seizing the opportunity to improve the lives of South Africans⁸³. A final report and recommendations of the Presidential Commission on the Fourth Industrial Revolution were officially gazetted and made available for public scrutiny in October 2020. In summary, the commission's recommendations were⁸⁴:

- Invest in human capital development.
- Establish an Artificial Intelligence Institute.
- Establish a platform for advanced manufacturing and new materials.
- Secure and avail data to enable innovation.
- Provide incentives for future industries, platforms and applications of 4IR technologies.
- Build 4IR infrastructure.
- Review and amend (or create) policy and legislation.
- Establish a 4IR Strategy Implementation Coordination Council in the presidency.

⁸² Deloitte Insights, *Tech Trends 2021*, https://www2.deloitte.com/content/dam/insights/articles/6730_TT-Landing-page/DI_2021-Tech-Trends.pdf

⁸³ <https://theGrandgeeks.africa/2020/11/13/final-report-the-presidential-commission-on-4ir/>

⁸⁴ <https://www.dailymaverick.co.za/article/2021-01-14-south-africas-4ir-strategy-huge-gap-between-whats-on-the-ground-and-what-the-ramaphosas-commission-recommends/>

The 4IR and gambling

To its core the 4IR is all about change - the interaction between technological, political, economic and social change. This in essence calls for adapted regulations in order to ensure that the use of technology is fair, responsible and takes South Africa's broader socio-economic objectives into account. The Fourth Industrial Revolution is having, and will continue to have, a significant and multi-faceted impact on the gambling industry in South Africa, raising a wide scope of new challenges and demands for regulators. Examples of such challenges to the gambling industry. These include, amongst others, the regulation of data processing and the protection of data privacy; the appropriate and ethical use of technology by players, gambling providers and regulators; the collection of revenue from gambling services and systems; and jurisdictional extra-territoriality for regulating and enforcing online interactive gambling⁸⁵.

The National Gambling Board's study published in 2020 provided recommendations for how the gambling industry should adapt to changes brought by the 4IR. Such recommendations include:

- Change in regulation responsiveness and policy cycles to adapt faster to changes.
- Adapt to broad global technological changes, such as digitalisation, automation and data-intensification.
- Respond to technological changes being brought about by specific technological platforms, such as AI, blockchain, and virtual reality.
- Use regulation that addresses the impact of technological change for meeting core social mandates e.g. prevention of problem gambling and prevention of gambling by minors.

⁸⁵ National Gambling Board South Africa, *Research to determine the potential impact of the Fourth Industrial Revolution on the current and future regulation of gambling in South Africa*, 2020, <https://www.ngb.org.za/SiteResources/documents/2020-21/Research/Impact%20of%204IR%20on%20current%20and%20future%20gambling%20Final%20Comprehensive%20Report%202020.pdf>

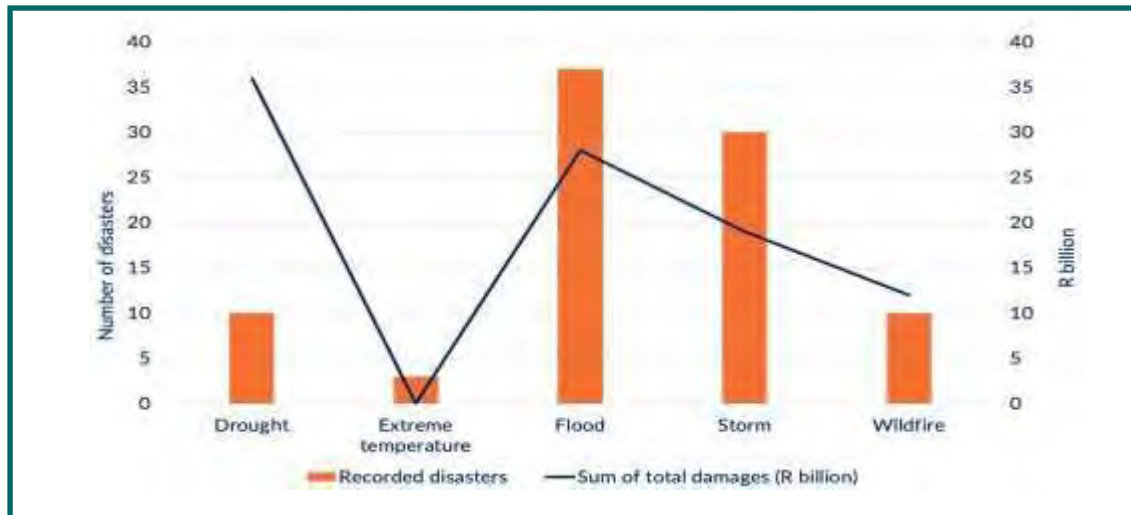
The climate crisis

Climate action failure has already been flagged as a key global risk, which also pertains to South Africa. The COVID-19 pandemic significantly reduced human activities in 2020, leading to a temporary fall in CO₂ emissions. Developed countries saw the steepest declines, averaging drops of almost 10%, while emissions from developing countries fell by 4% relative to 2019. Despite the temporary reduction in emissions overall in 2020, real-time data from specific locations, including Mauna Loa, United States, and Cape Grim, Tasmania, indicate that concentration levels of CO₂, methane and nitrous oxide continued to increase in 2020. By December 2020, emissions had fully rebounded and registered 2% higher than the same month in 2019. As the world recovers from the pandemic, emissions are expected to rise further unless critical steps are taken to shift economies towards carbon neutrality⁸⁶.

An increasing number of countries are also prioritizing the formulation and implementation of national adaptation plans to boost their efforts to adjust to a changing climate. These include building flood defences, setting up early warning systems for cyclones, or switching to drought-resistant crops. Climate finance provided by developed to developing countries continues to increase, reflecting an ongoing commitment to support the global transition to a low-emission and climate-resilient future.

South Africa is no stranger to the devastating impacts of weather-related hazards such as floods, wildfires, storms and droughts. Recent disasters such as the Western Cape drought, the 2017 Knysna fires, and floods in KwaZulu-Natal and Gauteng during 2019 illustrate just how susceptible cities and towns are to these dangers. During the first five months of 2021 all nine provinces have experienced floods on top of a series of devastating fires in the Western Cape. The International Disaster Database recorded 90 noticeable weather-related disasters in South Africa since the early 1980s. These events caused an estimate of R95 billion in associated economic losses and directly affected around 22 million South Africans⁸⁷.

⁸⁶ United Nations, *The Sustainable Development Goals Report, 2021*, <https://unstats.un.org/sdgs/report/2021/The-Sustainable-Development-Goals-Report-2021.pdf>



South Africa has a well-developed National Climate Change Adaptation Strategy (NCCAS) that outlines four objectives and nine strategic interventions for transitioning to a climate-resilient country. These aim to build climate resilience at all levels of society, integrate adaptation responses into all sectors and plans, improve the understanding of driving forces and ensure the resources and systems are in place to enable implementation. The NCCAS gives effect to the National Development Plan's vision of creating a low-carbon, climate resilient economy and a just society. The four objectives and nine interventions are given as⁸⁸:

Objective	Intervention
Build climate resilience and adaptive capacity to respond to climate change risk and vulnerability	<ol style="list-style-type: none"> 1. Reduce human, economic, environmental, physical and ecological infrastructure vulnerability and build adaptive capacity. 2. Develop a coordinated Climate Services system that provides climate products and services for key climate vulnerable sectors and geographic areas.
Promote the integration of climate change adaptation response into development	<ol style="list-style-type: none"> 3. Develop a vulnerability and resilience methodology framework that integrates

⁸⁷ <https://issafrica.org/iss-today/urban-south-africa-is-ill-prepared-for-the-coming-climate-change-storm> ⁸⁸ Department of Environment, Forestry and Fisheries, *National Climate Change Adaptation Strategy Republic of South Africa*, 2019, https://www.environment.gov.za/sites/default/files/docs/nationalclimatechange_adaptationstrategy_ue1_0november2019.pdf

Objective	Intervention
objectives, policy, planning and implementation	biophysical and socio-economic aspects of vulnerability and resilience. 4. Facilitate mainstreaming of adaptation responses into sectoral planning and implementation.
Improve understanding of climate change impacts and capacity to respond to these impacts	5. Promote research application, technology development, transfer and adoption to support planning and implementation. 6. Build the necessary capacity and awareness for climate change responses.
Ensure resources and systems are in place to enable implementation of climate change responses	7. Establish effective governance and legislative processes to integrate climate change in development planning. 8. Enable substantial flows of climate change adaptation finance from various sources. 9. Develop and implement an M&E system that tracks implementation of adaptation actions and their effectiveness.

Protection of Personal Information Act

The Protection of Personal Information Act (Act No 4 of 2013) (POPIA) has as its main aim to protect people from harm that may be incurred to them by protecting their personal information. Although this Act was already enacted in 2013 as indicated above its commencement date was set as 1 July 2021 with a grace period to comply up to 30 June 2021. This Act sets out to protect the personal information of people by setting conditions for when it is lawful to process any person's personal information. In terms of POPIA there are specific conditions under which you may process the personal information of people including⁸⁹:

- **Accountability:** The users of personal information must ensure that the conditions and all the measures set out in POPIA that give effect to such conditions are complied with at the time of the determining the purpose and means of the personal information processing to be conducted.
- **Processing limitation:** Personal information may only be processed in a fair and lawful manner and only with the consent of the data subject.

⁸⁹ POPI Act Compliance, *POPI Act compliance: Transforming business through compliance*, <https://www.popiact-compliance.co.za/popia-information/17-conditions-for-lawful-processing-of-personal-information>

- **Purpose specific:** Personal information may only be processed for specific, explicitly defined and legitimate reasons.
- **Further processing limitation:** Personal information may not be processed for a secondary purpose unless that processing is compatible with the original purpose.
- **Information quality:** The users of personal information must take all reasonable steps to ensure that the personal information collected is complete, accurate, not misleading and up-to-date.
- **Openness:** The person's whose personal information is being collected must be aware that such information is being collected and for what purpose such information will be used.
- **Security safeguards:** Personal information must be kept secure against the risk of loss, unlawful access, interference, modification, unauthorized destruction and disclosure.
- **Data subject participation:** Persons from which their personal information is being collected may request whether their personal information is held, as well as the correction and/or deletion of any personal information held about them.

The POPIA has a large number of implications of all holders of personal information as well as people or institutions who would like to gather such information in the sense that such holders of personal information must be fully POPIA compliant by adhering to the eight conditions indicated above as well as other requirements of POPIA and POPIA regulations. The biggest impact of POPIA is on institutions a lot of personal information, children's information and account numbers. The National Lotteries Commission and its licensees also need to comply with POPIA due to the fact that personal information is being obtained which should be dealt with the necessary care as indicated in terms of the eight conditions stipulated by POPIA as outlined above.

INSTITUTIONAL OPERATING ENVIRONMENT-INTERNAL ANALYSIS

Best Practices - The UK National Lottery Model

The UK national lottery can be used as a benchmark against the South African national lottery in terms of its regulatory and operational framework because the UK national lottery is seen to be one of the best state-operated national lotteries. The UK national lottery is regulated by UK Gambling Commission which was set up under the Gambling Act 2005 and operated by the Camelot Group. The South African national lottery operational model and regulatory framework is almost similar to the UK National Lotteries model which makes it an ideal model to compare with for its perceived best practices.

Regulatory framework of the UK national lottery⁹⁰

Under the Gambling Act 2005, the UK Gambling Commission was established with the responsibility to regulate the individuals and businesses that provide gambling in Great Britain, including the National Lottery, and it is entrusted specifically with the following legal responsibilities:

- Ensuring that the interests of all players are protected.
- Ensuring the Lottery is run with due propriety.
- That returns to good causes are maximised.

Regarding the regulation of the UK national lottery the gambling commission responsibilities include among others the following:

- Monitoring the people who runs the National Lottery to protect the reputation by inspecting the companies conduct that can potentially affect the National Lottery.
- Protecting National Lottery players to ensure that the interests of all players are protected.
- Making sure National Lottery draws are fair to ensure that strict procedures are followed so that all draws are fair, random and honest.

⁹⁰ <https://www.gamblingcommission.gov.uk>

- Regulating money used for National Lottery prizes to ensure that prize money is transferred into the Players' Trust to keep the money secure and separate from other funds.
- Regulating National Lottery games by overseeing Camelot's procedures for National Lottery games and carry out independent research to make sure there is no evidence of non-randomness in National Lottery game results.
- Issuing licences for each game, or class of games, promoted as part of the National Lottery. Lotto, Thunderball, scratchcards and interactive instant win games all have their own licences.
- Regulating National Lottery scratchcards to ensure that the operator has strict security in terms of printing, storage, distribution channels.
- Protecting the National Lottery brand which includes the crossed fingers logo and game logos. The UK Gambling Commission also owns the trademarks in the logos and license them to the company that runs the National Lottery, Camelot UK Lotteries Limited.

Establishment of the Lottery Act

The UK model was established under the Lottery Act of 1993 which sought to separate the functions of a regulator of the Lottery from those of distribution of its proceeds to ensure that the lottery is conducted properly in the interest of protecting all the participants and ensuring that the available proceeds for good causes that benefit under the Act are as great as possible. In the South African context, the developments in the gaming and lottery industry had influence on the regulatory environment of the lotteries also contributed to the amendment of the Lotteries Act 57 of 1997. As a result, the provisions made in the Lotteries Amendment Act No.32 of 2013 had an impact on the NLC by extending the regulatory, functional and governance role of the NLC almost similar to the UK model.

The Regulator and operator of the lottery

The UK Lottery Act makes provision for the regulator of the lottery to award a license to the lottery operator, and also make payments of funds to the National Lottery Distribution Fund (NLDF). The lottery operator's licence is awarded following a bidding process which is subject to a detailed evaluation of the applicants to ensure that the successful operator is fit and proper to run the lottery in line with the statutory objectives. In South Africa, considering the provisions that were made in the Lotteries Amendment Act No.32 of 2013 the NLC regulatory, functional and governance role were extended to further provide for among other things, 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 professionalization of the distributing agency⁹¹.

Distribution of funds for good causes - The NLDF

Regarding the distribution of funds for good causes in the UK, the National Lottery Distribution Fund (NLDF) distributes the funds intended for the arts, sports, national heritage and charitable causes as determined by the proportions detailed in the National Lottery Act 1993. It also ensures that the management of the NLDF is judicious to allow for the effective flow of funds between the operator of the National Lottery and the lottery distributing bodies, which issue the funds to the National Lottery beneficiaries⁹².

This process has enabled the UK to have one of the most comprehensive funding models for good causes which is entrenched in the National Funding Framework 2019-24 and aligned to the Lottery Act which makes a provision for the distributors of the funds that comprise the NLDF.

Lottery games and participants

Few years back the UK National Lottery had more games than the SA Lottery games which included Lotto; Lotto Hotpicks; Thunderball; Set For Life; EuroMillions (EuroMillions HotPicks & Scratchcards); Online Instant Wins; and UK Millionaire Maker. The lottery games in South Africa were increased to boost the level of participation in view of the increasing competitive where new games were introduced.

⁹¹ National Lotteries Commission (NLC), *Integrated Report 2020*, <https://www.nlcsa.org.za/nlc-ir2020/nlc-ir2020/ebook/>

⁹² <https://www.readkong.com/page/national-lottery-distribution-fund-gov-uk-9633458>

At the moment in the South African lottery games include Lotto (Lotto Plus 1 And Lotto Plus 2), Powerball (Powerball Plus), Daily Lotto Sportstake 13, and Eaziwin. It should also be noted that the legal age for participation of the punters in the national lottery games vary between the South African National Lottery and the UK National Lottery where in the UK only punters who are 16 years of age and older are legible to play the National Lottery whereas in South Africa is 18 years and older. The age discrepancy for between South Africa and the UK could also provide a possible reason for higher participation rate in the UK National Lottery games than in South Africa.

Shift from traditional lottery modes of physical draw-based games to virtual ones

The emerging trends in the form of a shift from traditional modes of physical draw-based games to the virtual ones in the UK online lottery market is also evident in the South African market. It was further shown that higher accessibility of the social media platforms such as social networking sites, like Facebook, Twitter, and Google provide opportunities for companies offering lottery gaming services to attract large number of users, by posting the winning prizes on these social platforms leading to an increase in the sales of various lottery tickets. This phenomenon is increasing gaining popularity in South Africa as it is prevalent in the UK market. In the UK this trend is further encouraged by government stringent regulations pertaining to the operation of online lottery resulting in punters gaining trust and interest. Unlike in South Africa, the UK regulations require that online operators must have a standard gambling license and a secondary, remote gambling license. Also, it emerged that in the UK online lottery market provide as vendors with a competitive advantage, in terms of implementing newer technologies, are continuously trying to offer unique and enhanced experience to their customers⁹³.

⁹³ Research and Markets, *Global Online Lottery Market Growth, Trends and Forecasts (2020 – 2025)*, <https://www.researchandmarkets.com/reports/5012480/global-online-lottery-market-growth-trends- and#src-pos-1>

Regulation of illegal gaming

The drawbacks associated with the delays in the amendment of the national regulatory framework and the apparent gaps in the law contribute to the persistent surge in illegal gambling activities including betting on the outcomes of lotteries. Also, the NLC has made some strides to address the challenge of illegal gambling, it should be noted that the escalation of illegal gambling activities across the country presents a serious challenge for the NGB. Apparent lack of momentum and capacity in the prosecution of illegal gambling especially online operators is also viewed as the result of illegal gambling being regarded as a lower priority crime by law enforcement agencies. This challenge still persists even though the 2004 National Gambling Act prohibited South African operators from both offering and indulging in interactive gambling online to play casino, poker and bingo games⁹⁴.

Challenges of increasing illegal gambling activities

The perennial challenge of illegal gambling in South Africa can be traced back to the mid-1990's where it is estimated that nearly 2000 or even more illegal gambling related activities were taking place⁹⁵. The existence of illegal gambling has a far-reaching ramification in the economy and that manifesting in loss of tax revenue by the government, employment opportunities and a negative effect on industry value chain. In particular, illegal lotteries pose substantial threat to the financial sustainability of the NLC lotteries and other games and aggravates associated adverse developments such as crime, conflict and money laundering which ultimately destroys the stability, growth and appeal of the industry.

In view of the rapid rise of illegal gaming activities in South Africa, it should be noted that the regulation of illegal forms of gaming falls within the ambit of the National Gambling Board (NGB) mandate, whereas the NLC regulatory authority is limited to the National Lottery related gaming activities and other forms of lotteries that operate within the borders of South Africa making it difficult to regulate online international operators who encroach on the South African market. The challenge of illegal and unregulated online gambling is that the country loses millions in revenue that could be going to the fiscus because companies that operate online gambling do not pay any tax to government and punters are not protected⁹⁶. There are question marks around the intensified law enforcement especially where there is strong evidence that many of the illegal gambling activities continue to operate in plain sight in public spaces.

⁹⁴ <https://www.capetownetc.com/world/the-rise-in-illegal-gambling-in-south-africa/>

⁹⁵ National Lotteries Commission (NLC), *Annual Performance Plan 2021/22*, <https://www.nlcsa.org.za/wp-content/uploads/2021/07/NLC-2021-22-APP.pdf>

Amendment of the Act to address the challenge of illegal gaming

Although Lotteries Act was amended to allow for identifying and investigating illegal lotteries, an inspection of the active society lottery schemes together with education and awareness on illegal and society lotteries, it appears that more still needs to be done. In essence, the NLC legislative mandate is to control, track and regulate all lottery operations in South Africa and to protect lottery operations against fraudulent schemes, to guard the prize money of winners, to enforce measures will discourage underage gambling and unfair play and ensure accountability⁹⁷.

Inadequate capacity to regulate illegal online gambling

The advent of technological advancements implies that the regulation of illegal online gambling has become an uphill battle as punters do not have to go to internet cafes to bet, they can do so in the comfort of their homes as there are applications that can be downloaded on smartphones. There are suggestions that provisions must made in the legislation to prohibit illegal winnings, including amendments in the legislation to prohibit internet service providers to host an illegal gambling site, banks and other payment facilitators from facilitating illegal gambling by transferring, paying or facilitating payment of illegal winnings to people in SA to be liable legal prosecution⁹⁸.

It should be noted that besides apparent challenges associated with regulating online gambling, it appears that inadequacy of law enforcement capacity and resources further aggravates the problem for continuous and effective regulation of online gambling.

⁹⁶ <https://www.timeslive.co.za/news/south-africa/2020-04-14-special-report-government-making-strides-in-fight-against-illegal-gambling/>

⁹⁷ National Lotteries Commission (NLC), *Annual Performance Plan 2021/22*, <https://www.nlcsa.org.za/wp-content/uploads/2021/07/NLC-2021-22-APP.pdf>

⁹⁸ <https://www.timeslive.co.za/news/south-africa/2020-04-14-special-report-government-making-strides-in-fight-against-illegal-gambling/>

The regulatory role of the NLC – amendment of the lotteries Act 57 of 1997

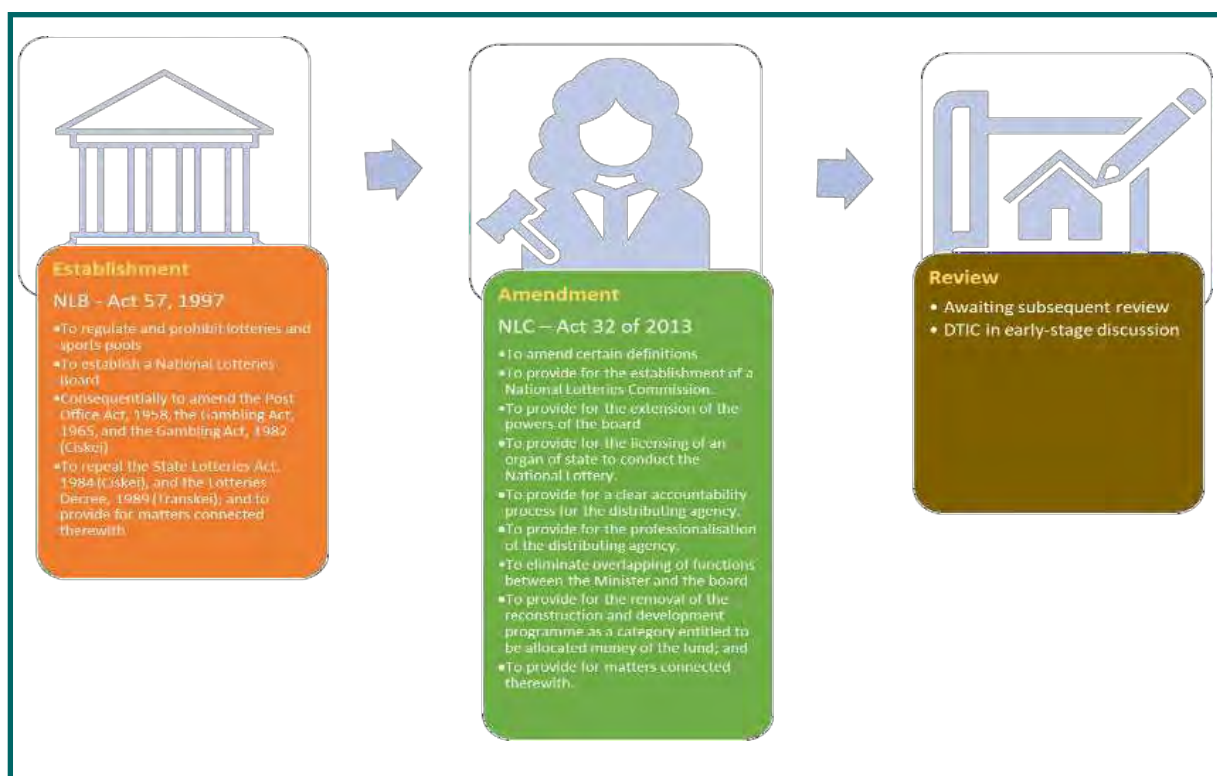
The NLC was established in terms of the Lotteries Act 57 of 1997. The Act was enacted to regulate and prohibit lotteries and sports pools; to establish a National Lotteries Board; consequentially to amend the Post Office Act, 1958, the Gambling Act, 1965, and the Gambling Act, 1982 (Ciskei), and to repeal the State Lotteries Act, 1984 (Ciskei), and the Lotteries Decree, 1989 (Transkei); and to provide for matters connected therewith⁹⁹.

Act No. 32 of 2013: Lotteries Amendment Act, 2013 was gazetted on 14 April 2015 to amend the Lotteries Act 57 of 1997, so as¹⁰⁰:

- to amend certain definitions.
- to provide for 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 professionalisation 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.

⁹⁹ <https://www.gov.za/documents/lotteries-act>

¹⁰⁰ <https://www.gov.za/documents/lotteries-amendment-act-1>



The role of the Executive Authority [Department of Trade, Industry and Competition (dtic)]

The impact of the dtic strategic outlook on the mandate and operations of the NLC

The Department of Trade, Industry and Competition (the dtic) was established in June 2019 by the incorporation of the Department of Economic Development (EDD) into the Department of Trade and Industry (the dti). The mission of the Department of Trade, Industry and Competition (the dtic) is to promote structural transformation, towards a dynamic industrial and globally competitive economy; provide a predictable, competitive, equitable and socially responsible environment, conducive to investment, trade and enterprise development; broaden participation in the economy to strengthen economic development; and continually improve the skills and capabilities of the dtic to effectively deliver on its mandate and respond to the needs of South Africa's economic citizens.

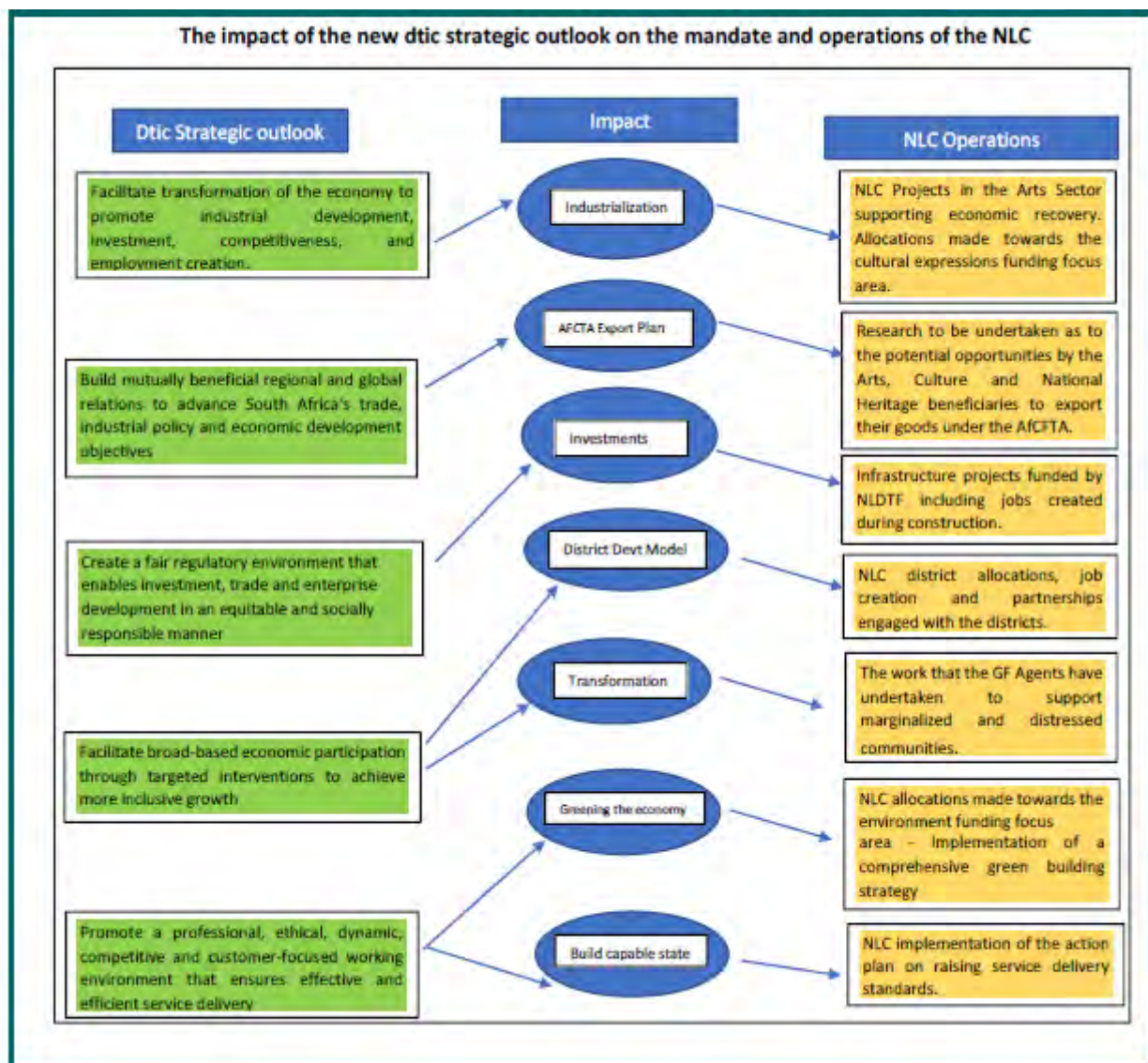
The Department's strategic objectives are to: facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation; build mutually beneficial regional and global relations to advance South Africa's trade, industrial policy and economic development objectives; facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth; create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner;

and promote a professional, ethical, dynamic, competitive and customer-focused working environment that ensures effective and efficient service delivery.

In line with the dtic strategic outlook and its impact on the NLC operations, the institutional legislative mandate entails¹⁰²:

- To ensure that the National Lottery and sports pools are conducted with all due propriety and strictly in accordance with the Constitution, the Lotteries Act, all other applicable laws and the licence for the National Lottery, together with any agreement pertaining to that licence and that the interests of every participant in the National Lottery are adequately protected.
- Conduct research on worthy causes that may be funded without lodging an application prescribed in terms of the Lotteries Act, upon request by the Minister, Board or on its own initiative in consultation with the Board.
- Invite applications for grants from worthy causes in the prescribed manner, upon request by the Minister, Board or on its own initiative in consultation with the Board.
- Promoting public knowledge and awareness, developing and implementing educational and informational measures to instruct the public on the lotteries and provisions of the Lotteries Act, as amended, and educating the public by detailing the process, requirements and qualifications relating to the application for grants in terms of the Act.
- Manage staff, and its financial, administrative and clerical functions.
- Exercise any other function as delegated or directed by the Minister or the Board.

¹⁰² National Lotteries Commission (NLC), Integrated Report 2020, <https://www.nlcsa.org.za/nlc-ir2020/nlc-ir2020/ebook/>
National Lotteries Commission (NLC), Annual Performance Plan 2021/22, <https://www.nlcsa.org.za/wp-content/uploads/2021/07/NLC-2021-22-APP.pdf>



Alignment of the dtic and the NLC strategic objectives with national development priorities

The National Development Plan (NDP) is implemented through 5-year implementation plans that are consolidated into the outcomes of the Medium-Term Strategic Framework (MTSF). The South African government is in the second full year of implementation of the Medium-Term strategic Framework 2019-24. The work of the dtic is guided by Priorities 2 and 7 of the MTSF which cover economic transformation and job creation, and a better world and Africa. In addition, the dtic's work programme is informed by the Re-imagined Industrial Strategy and the Economic Reconstruction and Recovery Programme (ERRP), while the State of the National Address (SONA) by the President highlights specific priorities for the coming financial year. The following figure provides a graphical illustration of how these frameworks collectively guide the department's prioritisation of objectives and the associated 'levers' to be used to ensure achievement of the apex priorities¹⁰³.

¹⁰³ Department of Trade, Industry and Competition, *Annual Performance Plan 2021/22*, <http://www.thedtic.gov.za/wp-content/uploads/DTIC-2021-2022-Annual-Performance-Plan- March2021.pdf>



The dtic has two key strategic objectives¹⁰⁴:

i. Building Dynamic Firms

Dynamic firms create decent jobs, pay tax revenue, provide career paths for workers, are resilient to the rapidly changing economic conditions, and inject entrepreneurial dynamism in and across value-chains. The dtic will facilitate the conditions for the emergence of dynamic firms and will provide the requisite support for established firms to become more dynamic and resilient. In this regard the dtic:

- strengthens partnerships with the private sector, focusing on opportunities
- supports growth in the domestic market, including through localisation efforts
- Cultivate a wider export market, especially in Africa; and
- Implements supply side measures to build competitiveness.

ii. Building Economic Inclusion

The dtic building of economic inclusion is essential to increase the growth potential of the South African economy as deeply inequitable economies tend to grow slower than countries with a more equitable distribution of wealth. As a result, the dtic:

¹⁰⁴ National Lotteries Commission (NLC), Annual Performance Plan 2021/22, <https://www.nlcsa.org.za/wp-content/uploads/2021/07/NLC-2021-22-APP.pdf>

- addresses structural challenges to growth primarily, through competition policies; and
- strengthens the inclusivity and transformative quality of growth, including broadening ownership and more inclusive corporate governance models.

The dtic's 2021/22 annual performance plan maintains continuity with regard to the key priorities while acknowledging that the current global and domestic circumstances necessitate some adjustments to the department's plan.

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 Africa¹⁰⁵. In particular, the NLC's role and functions as outlined in the Amended Lotteries Act place 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. This includes addressing unemployment and alleviating poverty as aligned to the NDP. The NLC is therefore driven by government policies on economic and social development.

Latest developments in the lotteries market

Globally, the increasing acceptance and popularity of lottery in general has resulted in the creation of a whole different form of gaming on the Internet of which South Africa is no exception in this paradigm shift. The rise in consumer choice for online lottery is propelled by faster internet connectivity, which permits operators to stream various events from around the world, allowing the consumers to bet on several games of chance including the lottery. Furthermore, although the lotteries are characterised by relatively higher odds of winning but offer a high return on low investment as compared to other games of chance. As result, a large group of individuals are attracted by the rewards and invest accordingly to participate in these games.

Improved Internet Connections, Advances in Security, Encryption and Streaming Technology

The unprecedented growth opportunities in online game of chance have compelled online vendors to improve the security and reliability of online betting platform which also resulted in the popularity of online lottery across the globe¹⁰⁶.

¹⁰⁵ http://www.thedtic.gov.za/wp-content/uploads/NLC_Strat_Plan.pdf

¹⁰⁶ <https://www.marketwatch.com/story/sports-betting-lotteries-market-latest-trends-business-opportunity-and-scope-2021-to-2027-2021-07-10?siteid=bigcharts&dist=bigcharts>

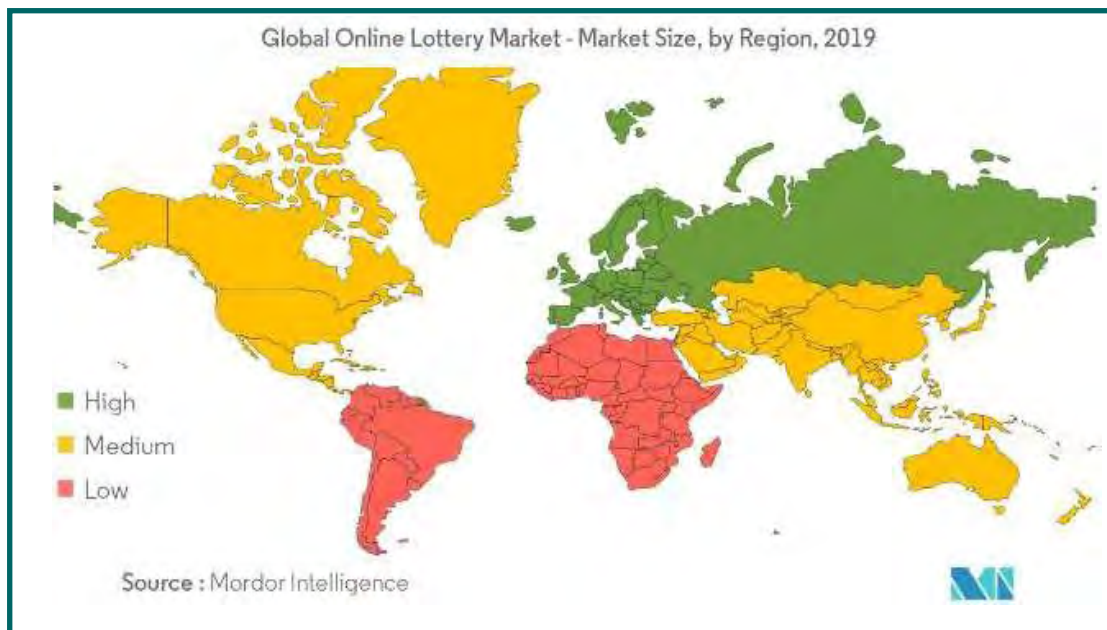
Improved security and reliability in a form of advanced encryption and banking technology has further addressed concerns about banking security while conducting any kind of transaction over the Internet resulting punters playing securely and confidently online. To further ensure the integrity of online software platforms for online betting and conducting transactions, international regulatory bodies and independent auditing companies conduct regular auditing and other security evaluation measures.



Europe holds a major share in the global lottery market

Rapid technological advances in European countries manifest in a relatively higher uptake in online activities has contributed to the shift in preference from traditional modes of physical draw-based games to the virtual ones¹⁰⁷. This is evident from the fast-paced increase the growth of the European online lottery market in relation to other countries. The popularity, easy access and cost effectiveness of social media platforms also provide opportunities to the companies offering lottery gaming services to use social media as a promotional strategy to attract large number of users. This is one the major factor that contributes to an increase in the sales of various lottery tickets which is also associated with convenience purchasing the tickets online. Furthermore, stringent government regulations regarding the operation of online lottery in the European countries help in gaining consumer trust and interest.

¹⁰⁷ <https://www.Mordorintelligence.Com/Industry-Reports/Online-Lottery-Market>



It is on these premises that the National Lottery aims to keep abreast of the developments and trends in the lottery market. The international development in the lottery market further shows that the NLC competes in a highly competitive and dynamic environment that require higher innovation and creativity. It is evident that this environment is characterized by the rapidly changing technological advancements, and a competitive gaming industry that is subject to the entry of new and innovative gaming approaches, as well as constant changing gaming attitudes and behavioural patterns among the punters. In this regard it is important for the NLC to keep abreast of the technological changes and also be proactive and innovative in terms of product development to remain competitive in the lottery market.

Impact of technology in the regulation of the lottery industry

Technological advancements create a challenge for regulators and policy makers particularly in the gaming industry including the National Lottery. Since the legalization of gambling in South Africa in 1996, the gambling industry has grown and evolved substantially. Technological advancements on existing forms of gambling and new forms of gambling have emerged and have created challenges for regulators and policy makers to effectively regulate the gaming industry. This has been shown by certain forms of illegal gambling that have been persistently growing in popularity.¹⁰⁸

¹⁰⁸ Government Gazette No. 39887, 1 April 2016

The influence of information technology in the gaming environment including the lottery is shown in research where nearly half of the participants in the National Lottery Participants and Attitudes Survey in South Africa (2019) believe that information technology enhances participation in the lottery¹⁰⁹. It was further mentioned in the NLC Strategic Plan 2019/20 that online gambling influences people who want to participate in easily accessible games.¹¹⁰

Entrance of New Gaming Modes

The entrance on new gaming modes in the gaming and the lottery industry had a considerable impact on the National Lottery market share and in the games of chance industry. As a result, the National Lottery experienced a shrinking and stagnant market share. This was further confirmed by studies that show that the decline in the sale of lottery tickets is due to growing competition. The National Lottery competitors include bookmakers and betting operators that accept wagers on the outcome of the National Lottery as well as other international lotteries or similar games that offer higher prizes compared with the pay-out by the National Lottery. Until the issue around the direct National Lottery competitors is adequately addressed by the NLC, the competition from the operators will continue to restrain the growth of the National Lottery. However, due to an increase in online ticket sales, there was 0.7 % change from 2019 to 2021¹¹¹.

National Lottery (R millions)											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2017-21 CAGR
GGR	2 355	2 297	2 280	2 213	2 980	2 990	3 010	3 030	3 050	3 080	
% change	2.9	-2.5	-0.7	-2.9	34.7	0.3	0.7	0.7	0.7	1.0	0.7
Contribution to NLDTF from ticket sales	1 600	1 562	1 550	1 073	1 372	1 380	1 380	1 390	1 400	1 410	
% change	-4.2	-2.4	-0.8	-30.8	27.9	0.6	0.0	0.7	0.7	0.7	0.5

Sources: National Lotteries Commission, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

¹⁰⁹ National Lotteries Commission (NLC), *National Lottery participants and Attitudes Survey in South Africa in 2019*, http://www.nlcsa.org.za/wp-content/uploads/2019/07/NLC-2019-NATIONAL-LOTTERY-PARTICIPATION-AND-ATTITUDES-SURVEY_FINAL.pdf

¹¹⁰ National Lotteries Commission (NLC), *Strategic Plan 2019/20*, <http://www.nlcsa.org.za/wp-content/uploads/2019/07/NLC-Strat-Plan-for-2019-20.pdf>

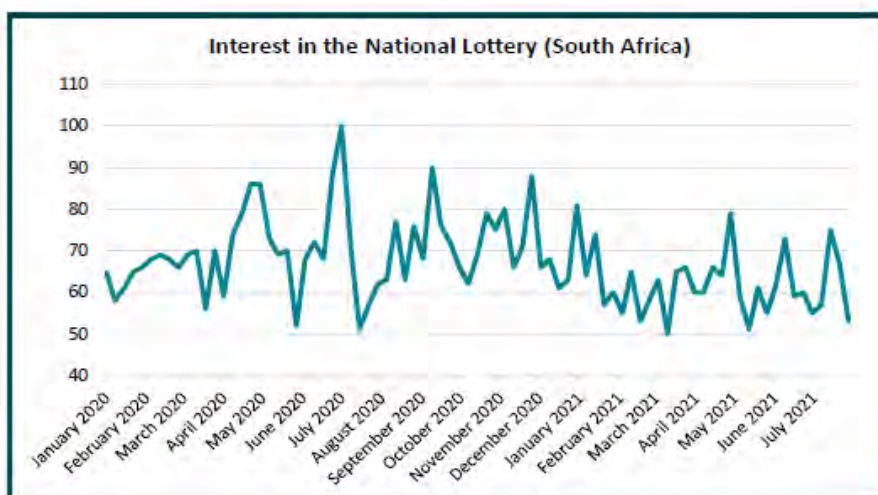
¹¹¹ National Lotteries Commission (NLC), *Annual Performance Plan 2020/21*, <https://www.nlcsa.org.za/wp-content/uploads/2021/03/NLC-APP-2020-21.pdf>

Attitudes and Perceptions Towards the National Lottery and Other Games

The last study that was conducted by the NLC commissioned in 2018 has shown that the poor odds of winning National lottery games as compared to other competing and illegal games appeared to be the major drawback associated with National Lottery. More specifically, the odds of winning large jackpot prizes are seen to be extremely slim compared to other games that directly compete with the National Lottery Games.

Besides the poor odds of winning associated with the National Lottery games, it was further revealed from the studies that there is a general lack of trust towards the National Lottery system by the communities. The apparent scepticism against the National lottery system stems from the methods that are used to draw the lottery winning numbers. The methods involved in the process are seen to be non-transparent and raise a lot of suspicion leading to the belief that the lottery winning numbers are in some way being manipulated. This view was expressed by lotto players and non-player who are of the opinion that the lottery system is designed to generate more revenue for the NLC than to allow for more winners¹¹².

It appears from Big Data analyses¹¹³ that during the period January 2020 to October 2020 there was an increasing consumer interest in the National Lottery whereafter interest decreased during the period November 2020 to July 2021. This consumer interest pattern with respect to the South African National Lottery can be explained by a complex mix of COVID-19, lockdown, economic growth, employment and consumer finances factors. However, the bulk of these factors are underlying or non-proximate predictors of interest in the National Lottery with the proximate predictors being the pay-off issues mentioned in the preceding discussion.



¹¹² National Lotteries Commission (NLC), *National Lottery participants and Attitudes Survey in South Africa in 2019*, http://www.nlc.org.za/wp-content/uploads/2019/07/NLC-2019-NATIONAL-LOTTERY-PARTICIPATION-AND-ATTITUDES-SURVEY_FINAL.pdf

The impact of COVID-19 on Behaviour and Participation Patterns in Lottery Games

A study that was carried out in Sweden regarding the Impact of COVID-19 on Online Gambling – A General Population Survey During the Pandemic in 2020 shows that gambling patterns for several gambling types was lower compared to a previous study in online gamblers in the same setting, while online non-sports gambling remained at high levels. In particular, the findings further shows that the gambling was the highest for online horse betting (90%), online casino (81%), online poker (74%) and online bingo (72%)¹¹⁴.

A study titled 'Gambling During the COVID-19 Crisis – A Cause for Concern'¹¹⁵ has found that COVID-19 pandemic could impact on the financial and psychological well-being of individuals resulting from the social isolation during spatial distancing, and these stressors in conjunction with substantial changes in gambling markets (land-based, online) during the pandemic may significantly influence gambling behaviours. The study further emphasizes that although gambling may be impacted in many ways during COVID-19 as a result of closing of casinos and cessation of sports that could have limited certain forms of gambling, internet gambling remained available, and COVID-19-related stress may have increased engagement in gambling.

It has been shown that technological advancements potentially alter customer behaviour and fuel growth in the lottery sector. Besides, it should be acknowledged that the retail space is still dominant, a shift from brick and mortar into the online channels was evident in South Africa during the COVID lockdowns. In line with international trends, it is expected that as South Africans gain access to the internet, there is high likelihood for shift towards the use of online medium to purchase lottery tickets. This trend is evident from a higher increase in the number people registering to play the lottery online as the country was in lockdown as a result of the COVID-19 pandemic¹¹⁶.

¹¹³ Google Trends, <http://trends.google.com>

¹¹⁴ <https://www.frontiersin.org/articles/10.3389/fpsyg.2020.568543/full>

¹¹⁵ Håkansson, Anders PhD; Fernández-Aranda, Fernando PhD, FAED; Menchón, Jose M. MD, PhD; Potenza, Marc N. MD, PhD; Jiménez-Murcia, Susana PhD, *Gambling During the COVID-19 Crisis – A Cause for Concern*, Journal of Addiction Medicine: July/August 2020 - Volume 14 - Issue 4 - p e10-e12

https://journals.lww.com/journaladdictionmedicine/fulltext/2020/08000/gambling_during_the_covid_19_crisis_a_cause_for.10.aspx

¹¹⁶ National Lotteries Commission (NLC), Integrated Report 2020, <http://www.nlcsa.org.za/nlc-ir2020/nlc-ir2020/general/risk-management.php>

Review of recent NLC study – NLC stakeholder perceptions survey 2021

There are numerous strategic outflows that emerged from the findings of the recent study that was conducted by the NLC during 2021. Some of the most salient strategic outflows that should be considered by NLC from the recent NLC stakeholder perception survey 2021¹¹⁷ include:

a. NLC regulatory function

There was view of a broad lack of awareness regarding the regulatory function of the NLC, necessitating more proactive education to increase public awareness of this crucial role in ensuring that the interests of all participants in the National Lottery are adequately protected. In addition, a decentralised approach, in particular to the regulatory function of the NLC, will empower provincial managers to assist the general public with enquiries. Such a drive will improve the quality and turnaround time of service delivery across all areas of operation of the NLC.

b. NLC Communication

Where the NLC is unfairly criticised in the media, a speedy response by the NLC is paramount to protect the good name of the NLC and dissuade the spreading of harmful accusations against the NLC. In order to optimise transparency and build staff morale, excellent internal communication is also required to ensure that staff feel included and experience a sense of belonging. This will contribute to productivity and efficient service delivery as a positive work force will strive for excellence.

c. Grant application process

The grant application process should be as accessible and simple as possible. Having the application forms available in a selection of South African national languages, in an online and hard copy format, will be favourably received. There is a need for feedback to applicants during the period they await the result of their application this will create transparency and contribute to improved service delivery. The need for more support by the NLC during the application process was expressed, especially in the rural areas. The establishment of smaller rural NLC satellite offices might be a sensible proposition.

d. Grantee disclosure and oversight

The strong sentiment expressed by internal and external stakeholders that it is in the public interest to disclose the names of grantees makes a strong case that the NLC board could remind Parliament of its discretion under the provisions of parliamentary

rule 189 to decide whether grantee information should be treated as confidential or not also considering the POPIA compliance requirements. More inspectors should be appointed to inspect the operations of grant applicants and grantees to ensure that the funds are responsibly utilised to the benefit of society.

e. Discretionary grants

The negative view held particularly by external stakeholders regarding discretionary grants for worthy good causes, requires reviewing and subsequent communication providing clarity regarding the decisions taken concerning this matter.

f. NLC standard of service delivery

The same high standard of service delivery across all provincial branches should be encouraged.

g. NLC technological advancement

It was recommended that a forward-looking technology approach is adopted by integrating innovative platforms in all operational areas of the NLC where it adds value.

THE IMPACT OF MACROECONOMIC, DEMOGRAPHIC, SOCIOECONOMIC, BEHAVIOURAL, ATTITUDINAL AND INSTITUTIONAL VARIABLES ON GROSS GAMING REVENUE

Having provided a detailed overview of changes in the macroeconomy, population (demographics), the socio-economic situation of South African consumers as well as some attitudinal and behavioural aspects of consumers in relation to the National Lottery, the question could be asked as to how all of this impacts Gross Gaming Revenue (as a predictor of National Lottery spend).

This will be the focus in the modelling-based analysis which follows where the aim will be to uncover the complex relationships between the said factors and Gross Gaming Revenue to provide strategic insights to the National Lotteries Commission regarding the predictors of consumer interest in the South African National Lottery.

Modelling methodology

To model the relationships between various macroeconomic, demographic, socioeconomic, behavioral and attitudinal variables on Gross Gaming Revenue to show the impact of changing macroeconomic dynamics on the South African National Lottery, a time-series econometric model was constructed. The model comprises of the following components:

- A time-series database covering the five-year period the period July 2016 to July 2021 comprising of macroeconomic (including inter alia various gross domestic product, household consumption expenditure and employment variables), demographic (including inter alia various population size, population distribution, population density, COVID-19 infection, COVID-19 death and COVID-19 vaccination variables), behavioral (including inter alia various gaming and lottery spend variables) and attitudinal (including inter alia various attitudes towards the national lottery and the coronavirus variables).
- Time-series Pearson Product Moment correlation and linear regression tests were used in order to determine the impact path of the various macroeconomic,

demographic, behavioural and attitudinal variables in the above-mentioned time-series database on gross gaming revenue and lottery spend outcomes.

- The use of the correlation and regression analysis outcomes to construct an impact path between the various macroeconomic, demographic, behavioural and attitudinal variables as well as gross gaming revenue and lottery spend outcomes.
- The construction of an impact model for modelling purposes using the impact path shown above.

A **database** comprising of macroeconomic, demographic, behavioural and attitudinal as well as gaming and lottery related variables was compiled for analysis and modelling purposes using a variety of data sources. The data from such datasets were all converted to weekly data spanning the period 31 July 2016 to 18 July 2021. The various data sources used include inter alia South African Reserve Bank (SARB) Time-series data (macroeconomic data), "Our World In Data" Database (demographic data), Gauteng Gambling Board (Gaming data), National Lotteries Commission (Lottery sales data) and Google Trends (Attitudinal and Behavioural data). The said database was subjected to data cleaning followed by statistical and econometric diagnostic analyses to determine the quality of the data and to address quality issues.

The variables in the database were subjected to correlation, regression, cointegration and causality tests using two statistical programmes, namely EViews and SPSS. The results obtained by such analyses are being shown and discussed below.

Modelling results

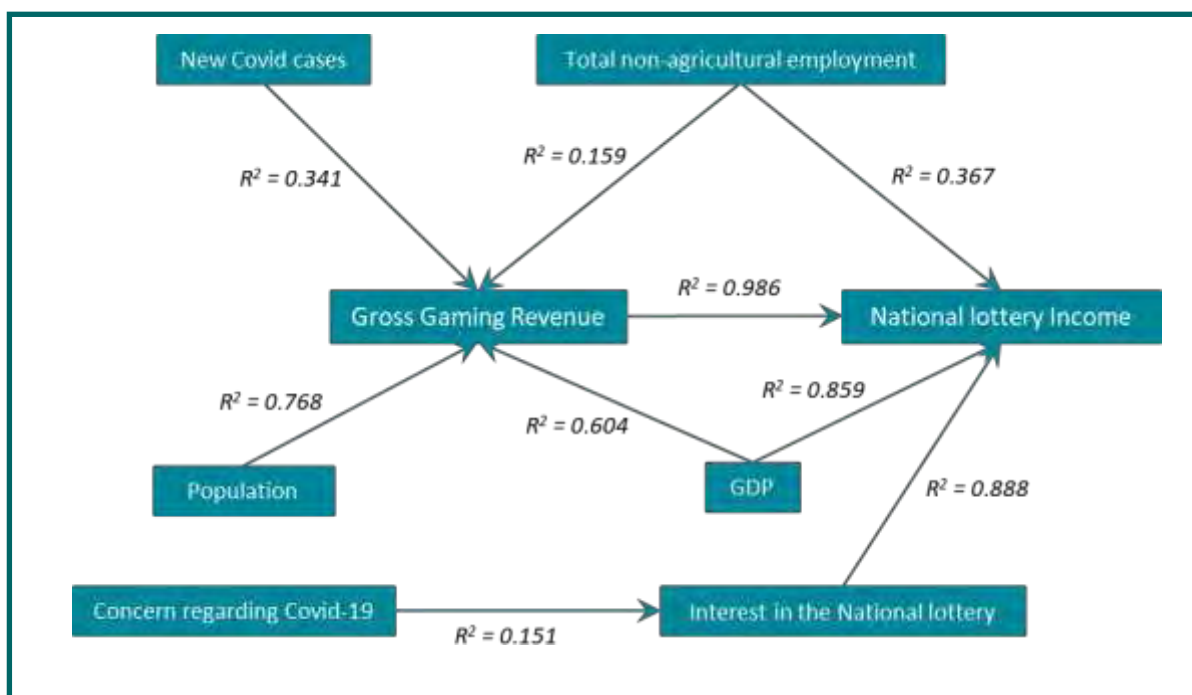
The first set of analyses conducted for the purposes of this study was correlation analyses. By means of such analyses it became clear that the various macroeconomic, demographic, behavioural, attitudinal, gross gaming revenue and lottery spend variables are generally correlated but the correlation coefficients found were generally low which are indicative of many such relationship being indirect relationships. To test for direct and indirect relationships between such data regression analyses were used. By means of such regression analyses the following relationships were found which are very pertinent for the purposes of the study under discussion:

- Gross Gaming revenue is a very strong predictor/influencer of Total National Lottery Income (R-Square is 0.986). The implications of this are that the National Lottery Income share 98.6% of the variance of Gross Gaming Revenue. It could therefore be expected that as Gross Gaming Revenue goes up National Lottery

Incomes would follow suit. Because of the fact that detailed National Lottery income is not available for the full period covered in this report, Gross Gaming Revenue was used as a proxy for National Lottery Incomes.

- National Lottery Incomes are also being strongly predicted/influenced by changes in the national Gross Domestic Product (R-Square is 0.859). This is to be expected because periods of strong economic growth ensures that there are more job and income generating opportunities which both contribute to higher incomes which leaves more money in the hands of consumers to spend on the National Lottery.
- National Lottery Incomes are also being strongly predicted/influenced by changes in the changes of consumers in the national lottery (R-Square is 0.888). It is clear from the data that when consumers conduct more online searches regarding the National Lottery and communicate more about the National Lottery on social media, greater expenditure on the National Lottery results from that.
- Gross Gaming Revenues (as a proxy for National Lottery incomes) are being strongly predicted/influenced by changes in the population (R-Square is 0.768). The implication of this is that as the population grew, and here especially the adult population, it had a strong impact of Gross Gaming Revenues as well.
- Another variable that was found to be a predictor of growth in Gross Gaming Revenue and the National Lottery include is total non-agricultural employment. It appears in this regard that there could be an impact path from population growth to employment growth to total household consumption expenditure to Gross Gaming Revenue to National Lottery incomes.

Based on the regression analyses reported above the impact path shown in the figure below was found using some of the above-mentioned variables. This figure is presented as an indicator of the complexity of the relationship found among the various variables in the model.



The implications for changing macroeconomic dynamics for the South African National Lottery

Given the strong impact path between the variables discussed above and shown in the figure the implication is that a large number of these variables as currently experiencing downside risks with respect to growth in 2021 which could have an adverse impact on the growth of both Gross Gaming Revenue and National Lottery Incomes.

Such downside risks with respect to the various variables discussed include population growth which is a strong predictor of GGR growth is being impacted by the adverse effects of COVID-related morbidity and mortality. Recently released population figures by Statistics South Africa has shown that COVID-19 already has a marked impact on mortality and life expectancy, while a consequence of COVID-related morbidity and mortality would also be lower fertility rates which will have an impact on long-term population and GGR growth.

Furthermore, Gross Domestic Product growth which is a strong predictor of GGR and National Lottery Income Growth has been showing a downward trajectory during the past few years with 2020 being the lowest at about -7%. Although GDP growth during 2021 is expected to be higher than 2020 at about 3.9%, such growth should be contextualized against the -7% of 2020 which means that even after such higher 2021 growth South Africa will still be in a weaker economic position than by the end of 2019.

This section provides a summary of the relevant implications of the environmental scan in terms of global, local and NLC-specific PESTLE frameworks.

Global Risks

A “global risk” is defined as an uncertain event or condition that, if it occurs, can cause significant negative impact for several countries or industries within the next 10 years. The following have been identified by the World Economic Forum as global risks¹¹⁸:

	Global Risk	Description
Economic	Asset bubble burst in large economies	Prices for housing, investment funds, shares and other assets in a large economy increasingly disconnected from the real economy
	Collapse of a systemically important industry	Collapse of a systemically important global industry or firm with an impact on the global economy, financial markets and/or society
	Debt crises in large economies	Corporate and/or public finances overwhelmed by debt accumulation and/or debt servicing in large economies, resulting in mass bankruptcies, defaults, insolvency, liquidity crises or sovereign debt crises
	Failure to stabilize price trajectories	Inability to control an unmanageable increase (inflation) or decrease (deflation) in the general price level of goods and services
	Proliferation of illicit economic activity	Global proliferation of informal and/or illegal activities that undermine economic advancement and growth: counterfeiting, illicit financial flows, illicit trade, tax evasion, human trafficking, organized crime etc.
	Prolonged economic stagnation	Near-zero or slow global growth lasting for many years
	Severe commodity shocks	Abrupt shocks to the supply and demand of systemically important commodities at a global scale that strain corporate, public and/or household budgets: chemicals, emissions, energy, foods, metals, minerals etc.

¹¹⁸ World Economic Forum, *The Global Risks Report 2021, Appendix A*, <http://reports.weforum.org/global-risks-report-2021/methodology/>

Environmental	Biodiversity loss and ecosystem collapse	Irreversible consequences for the environment, humankind, and economic activity, and a permanent destruction of natural capital, as a result of species extinction and/or reduction
	Climate action failure	Failure of governments and businesses to enforce, enact or invest in effective climate-change adaptation and mitigation measures, preserve ecosystems, protect populations and transition to a carbon-neutral economy
	Extreme weather events	Loss of human life, damage to ecosystems, destruction of property and/or financial loss at a global scale as a result of extreme weather events: cold fronts, fires, floods, heat waves, windstorms etc.
	Human-made environmental damage	Loss of human life, financial loss and/or damage to ecosystems as a result of human activity and/or failure to co-exist with animal ecosystems: deregulation of protected areas, industrial accidents, oil spills, radioactive contamination, wildlife trade etc.
	Major geophysical disasters	Loss of human life, financial loss and/or damage to ecosystems as a result of geophysical disasters: earthquakes, landslides, geomagnetic storms, tsunamis, volcanic activity etc.
	Natural resource crises	Chemical, food, mineral, water or other natural resource crises at a global scale as a result of human overexploitation and/or mismanagement of critical natural resources



	Global Risk	Description
Geopolitical	Collapse of a multilateral institution	Dissolution of a global multilateral institution established to resolve economic, environmental, geopolitical and/or humanitarian crises with regional or global implications: border disputes, environmental commitments, migration crises, health emergencies, trade disputes etc.
	Fracture of interstate relations	Economic, political and/or technological rivalries between geopolitical powers, resulting in a fracture of bilateral relations and/or growing tensions
	Geopolitization of strategic resources	Concentration, exploitation and/or mobility restriction by a state, of goods, knowledge, services or technology critical to human development with the intent of gaining geopolitical advantage
	Interstate conflict	Belligerent bilateral or multilateral conflict between states with global consequences: biological, chemical, cyber and/or physical attacks, military interventions, proxy wars etc.
	State collapse	Collapse of a state with global geopolitical importance as a result of internal conflict, breakdown of rule of law, erosion of institutions, military coup, regional and global instability
	Terrorist attacks	Large-scale, scattered or isolated terrorist attacks carried out by individuals or non-state groups with ideological, political or religious goals, resulting in loss of life, severe injury and/or material damage
	Weapons of mass destruction	Deployment of biological, chemical, cyber, nuclear and radiological weapons, resulting in loss of life, destruction and/or international crises


Societal	Collapse or lack of social security systems	Non-existence or widespread bankruptcy of social security systems and/or erosion of social security benefits: disability, elderly, family, injury, maternity, medical care, sickness, survivor, unemployment etc.
	Employment and livelihood crises	Structural deterioration of work prospects and/or standards for the working-age population: unemployment, underemployment, lower wages, fragile contracts, erosion of worker rights etc.
	Erosion of social cohesion	Loss of social capital and a fracture of social networks negatively impacting social stability, individual well-being and economic productivity, as a result of persistent public anger, distrust, divisiveness, lack of empathy, marginalization of minorities, political polarization etc.
	Failure of public infrastructure	Unequitable and/or insufficient public infrastructure and services as a result of mismanaged urban sprawl, poor planning and/or under-investment, negatively impacting economic advancement, education, housing, public health, social inclusion and the environment
	Infectious diseases	Massive and rapid spread of viruses, parasites, fungi or bacteria that cause an uncontrolled contagion of infectious diseases, resulting in an epidemic or pandemic with loss of life and economic disruption
	Large-scale involuntary migration	Large-scale involuntary migration induced by climate change, discrimination, lack of economic advancement opportunities, persecution, natural or human-made disasters, violent conflict, etc.
	Pervasive backlash against science	Censure, denial and/or scepticism towards scientific evidence and the scientific community at a global scale, resulting in a regression or stalling of progress on climate action, human health and/or technological innovation
	Severe mental health deterioration	Pervasiveness of mental health ailments and/or disorders globally and across multiple demographics, negatively impacting well-being, social cohesion and productivity; anxiety, dementia, depression, loneliness, stress etc.
	Widespread youth disillusionment	Youth disengagement and lack of confidence and/or loss of trust with existing economic, political and social structures at a global scale, negatively impacting social stability, individual well-being and economic productivity

	Global Risk	Description
Technological	Adverse outcomes of technological advances	Intended or unintended negative consequences of technological advances on individuals, businesses, ecosystems and/or economies: AI, brain-computer interfaces, biotechnology, geo-engineering, quantum computing etc.
	Breakdown of critical information infrastructure	Deterioration, saturation or shutdown of critical physical and digital infrastructure or services as a result of a systemic dependency on cyber networks and/or technology: AI-intensive systems, internet, hand-held devices, public utilities, satellites, etc.
	Digital inequality	Fractured and/or unequal access to critical digital networks and technology, between and within countries, as a result of unequal investment capabilities, lack of necessary skills in the workforce, insufficient purchase power, government restrictions and/or cultural differences
	Digital power concentration	Concentration of critical digital assets, capabilities and/or knowledge by a reduced number of individuals, businesses or states, resulting in discretionary pricing mechanisms, lack of impartial oversight, unequal private and/or public access etc.
	Failure of cybersecurity measures	Business, government and household cybersecurity infrastructure and/or measures are outstripped or rendered obsolete by increasingly sophisticated and frequent cybercrimes, resulting in economic disruption, financial loss, geopolitical tensions and/or social instability
	Failure of technology governance	Lack of globally accepted frameworks, institutions or regulations for the use of critical digital networks and technology, as a result of different states or groups of states adopting incompatible digital infrastructure, protocols and/or standards

South Africa: Risks and Strengths

Turning to South Africa, a large number of the global risks indicated above are also applicable to South Africa. However, South Africa also has a unique mix of risks to economic growth, economic development, job creation and poverty reduction risks and weaknesses pertinent to the PESTLE framework. Such risks can be summarized as follows based on the PESTLE framework:

Risk	
	<ul style="list-style-type: none"> • Widespread weak governance at national, provincial and local levels. • Competing political factions in the governing party. • Political and policy uncertainty. • Persistent government corruption albeit at lower levels than in the past. • Political unrest from time to time. • Political incitement by some political leaders. • The quality of government and government leaders are being widely questioned. • A high percentage of citizens don't agree with government policies. • Government experience service delivery problems at all levels of government. • Political manoeuvring taking up the bulk of the time of politicians to the detriment of actually governing.
	<ul style="list-style-type: none"> • Low historic economic growth rates. • Low levels of job creation. • High unemployment rates. • Persistent structural imbalances in the economy. • Low business and consumer confidence levels. • Low levels of formal sector entrepreneurship. • General inability to compete in international markets. • Very high levels of poverty and inequality. • Very high dependence on commodities for export earnings. • High levels of economic concentration in the metropolitan areas of South Africa. • Problems with respect to electricity generation capacity. • Skills shortages with respect to certain skills and oversupply of low-level skills. • Low efficiency of government spending. • The scarcity of foreign direct investment hindering the development of the extractive and manufacturing sectors. • Fragility of public accounts and public enterprises. • Large-scale economic dependence on fragile foreign capital flows and the erosion of foreign exchange reserves. • Ageing and insufficient infrastructure (inter alia transport and energy). • Deindustrialization, i.e. manufacturing only constitutes 12% of GDP. • An incomplete economic transition giving rise to persistent socioeconomic problems not being fully addressed.




Risk	
 <p>Social</p>	<ul style="list-style-type: none"> • Low quality of schooling system at all levels compared to international standards. • Low levels of social cohesion in South Africa. • Millions of South Africans feeling socially disempowered to improve their own livelihoods. • There is a very unequal distribution of opportunities in South Africa. • Millions of South Africans still experience very low levels of Quality of Life in South Africa. • There are a large number of competing social identities in South Africa. • High unemployment and stark income and wealth inequalities giving rise to social instability. • High crime – and here especially violent crime – incidence. • Poverty, growing inequalities and high unemployment among the youth is a great source of social risk in terms of crimes, strikes and demonstrations.
 <p>Technology</p>	<ul style="list-style-type: none"> • High data costs. • Low internet penetration in some communities. • Low levels of local technological innovation. • Low level of technical abilities among the economically active population in South Africa. • Low levels of technological literacy among South Africans. • The majority of South Africans not reaping the benefits of the Fourth Industrial Revolution.
 <p>Legal</p>	<ul style="list-style-type: none"> • Ineffective policing and prosecution in South Africa. • High crime rates. • Low levels of respect for the law among the general population. • Low levels of legal literacy among South Africans. • Limited faith in the South African legal system among South Africans.
 <p>Environment</p>	<ul style="list-style-type: none"> • Impact of climate change on crop production and the biodiversity. • Tragedy of the commons giving rise to environmental degradation. • The impact of a large carbon footprint due to large-scale coal powered electricity generation. • High levels of pollution due to manufacturing derived waste products and air pollution in the urban areas.

Having identified and shown the PESTLE-related risks, it is also important to identify the PESTLE-related strengths for South Africa as depicted in the following table.




Strength	
<p>P</p>  <p>Politics</p>	<ul style="list-style-type: none"> • South Africa is a regional political powerhouse. • South Africa has a relatively stable democratic dispensation with several checks and balances to maintain stability. • South Africa has a multi-party dispensation with freedom of speech entrenched in the constitution. • South Africa has a modern constitution with institutions such as the Constitutional Court to enforce adherence to the constitution.
<p>E</p>  <p>Economy</p>	<ul style="list-style-type: none"> • South Africa is a regional economic powerhouse. • South Africa is rich in natural resources such as gold, platinum, coal, chromium and rare metals. • South Africa has a well-developed services sector which contributes 71% to GDP. • South Africa has a well-developed and sophisticated financial sector. • South Africa has a floating exchange rate, good monetary policy execution and central bank independence.
<p>S</p>  <p>Social</p>	<ul style="list-style-type: none"> • There are high levels of inter-group and inter-cultural tolerance between different groups in South Africa in spite of political rhetoric to the contrary. • Due to more people completing secondary education each year there is progressively a larger group of socially empowered people in society. • South Africans are generally very active on social media allowing for the sharing of viewpoints and ideas among people nationally.
<p>T</p>  <p>Technology</p>	<ul style="list-style-type: none"> • The level of mobile phone – and even smart phone – usage in South Africa is quite high. • The level of internet coverage and internet use in South Africa is quite high. • There are high adoption rates with respect to new technologies – except some Fourth Industrial Revolution technologies - being introduced in South Africa.
<p>L</p>  <p>Legal</p>	<ul style="list-style-type: none"> • South Africa has a well-developed legal infrastructure although the enforcement thereof is often lacking as indicated above. • South Africa has a large-scale law enforcement, prosecution and penal system. • The South African Constitution with its Bill of Rights constitutes the hallmark of the South African legal system thus ensuring that a human rights culture is being promoted in South Africa.
<p>E</p>  <p>Environment</p>	<ul style="list-style-type: none"> • South Africa has a lovely climate and a wonderful and diverse fauna and flora. • South Africa has a variety of environmental protection laws, regulations and enforcement agencies.

NLC PESTLE - Factors, Opportunities and Threats




The following table provides a summary of the factors that could be identified from the preceding sections on the macro and institutional environments as they apply to the NLC in terms of the PESTLE framework. Opportunities and threats are also briefly discussed for each of the identified factors.

Political factors, opportunities and threats			
Factor		Opportunity 	Threat 
 Politics	<i>Intergovernmental relations</i>	Strong opportunity to utilise infrastructure established by other arms of government	Duplication of activities/interventions between NLC and other arms of government
	<i>Political goodwill</i>	The NLC has registered goodwill of current parliament, ministry, key stakeholders and Board of directors	Weak documentation of the NLC's successes and achievements may lead to negative perceptions threatening the goodwill
	<i>Political interference in the administration of the NLC</i>	Implement tight governance processes to minimise interference.	Avoidance of approvals that are not aligned with the NLC mandate
	<i>Upcoming SA local government elections</i>	New demands to address the needs of the previously disadvantaged communities, the youth, women and the aged	Councils could have different priorities that are not aligned with the objectives of the NLC
	<i>District development model</i>	Upscale NLC district allocations, job creation and partnerships engaged with the districts.	Failure to effectively roll-out Society Lotteries awareness




Economic factors, opportunities and threats

	Factor	Opportunity 	Threat 
 Economy	<i>Slowing global economic growth</i>	Global financial crisis will lead to reduction in donor funding hence partner agencies depending on donor funding will have lower penetration. Opportunity for NLC to increase outreach.	Ability of NLC to match required extended funding
	<i>Low SA economic growth rate</i>	High unemployment rate and poverty impact levels of gambling – more frequent participation	Participation of the poor and grant recipients in illegal games and lottery
	<i>High youth unemployment</i>	In a low economic growth environment entrepreneurship and enterprise development become more attractive to the youth as opposed to the shrinking formal employment	Current Eskom power load shedding and drought are barriers to enterprise development
	<i>Income inequality</i>	R34 billion household gambling expenditure on 'games of chance' (licensed and unlicensed modes)	Less affluent represents a sizeable portion of lottery players
	<i>AfCFTA export plan</i>	Contribute meaningfully to the dtic strategic priority of building mutually beneficial regional and global relations to advance South Africa's trade, industrial policy and economic development objectives	NLC inability to facilitate the identification of potential opportunities by the Arts, Culture and National Heritage beneficiaries to export their goods under the AfCFTA.




Social factors, opportunities and threats

Factor		Opportunity 	Threat 
	<i>ECD literacy levels</i>	Government priority of improving the foundational skills of literacy and numeracy, especially "Reading with meaning"	Adequacy of NLC funding and DBE budget allocation to address the problem
	<i>Security in schools</i>	Need to support government in implementing the whole school development project	State of readiness in terms of skills and resources
	<i>Nationalisation of health care system</i>	Leverage the state as partners in health care provisioning and delivery	Duplication in the deployment of resources and provision of health services
	<i>Women empowerment initiatives</i>	Develop specialised programmes for women entrepreneurs and facilities for women protection against violence	Non-alignment with the constitutional mandate of the dtic
	<i>Amid/post COVID-19 Assistance</i>	A sharp rise in citizen's demand for higher levels of assistance from the state and other important players in community development, such as NLC	NLC may find itself at the coalface of community frustrations, exacerbated by the COVID-19 pandemic. Needs to take this into consideration as it seeks to develop a blueprint for its operations, going into the future.




Technology factors, opportunities and threats

Technology factors, opportunities and threats			
	Factor	Opportunity 	Threat 
	<i>The 4IR</i>	Establishment of the PC4IR to focus on amongst others infrastructure and resources, human capital and future of work that will impact NLC mandate	Low level of participation and input into the work of the PC4IR by the NLC to impact its mandate
	<i>Technological advances</i>	<p>SA attitudes survey show that information technology enhances participation in the lottery</p> <p>The NLC stakeholder perception survey 2021 also recommended that a forward-looking technology approach be adopted by integrating innovative platforms in all operational areas of the NLC where it adds value</p>	<p>Technology advances have created challenges for regulators and policy makers – difficulties in regulating online gaming and lotteries</p> <p>The odds as it pertains to playing the lottery may well weigh in favour of the illegal outlets largely due to their aggression to reach patrons and the ease of access to such lotteries, among others</p>
	<i>Literacy and numeracy foundation for programming and coding</i>	Experts agree that people cannot learn basic programming and coding skills if their literacy and numeracy foundation is not solid – Enhance NLC contribution to ECD	Adequacy of human and financial resources for upscaling NLC contribution.

Legal factors, opportunities and threats

Factor		Opportunity 	Threat 
	<i>Regulating promotional competition</i>	Explore the authority to regulate, monitor & police promotional competition being moved back to the NLC	The NLC must mobilise human and financial resources in addition to the institutional aspects to implement.
	<i>Prohibiting and combating illegal gambling</i>	NLC be tasked with investigating and prosecuting illegal lotteries, including changing the current legislation to expressly state the powers of lottery inspectors to police illegal lotteries	Low trust in the national lottery system. R2.4 billion is spent on illegal gambling in South Africa.
	<i>Encourage equitable participation in all lotteries</i>	NLC should consider strategy for improving odds of winning	Unfavourable odds of winning and low payouts limit the levels of participation
	<i>Grantee disclosure and oversight</i>	Appointment of more M&E officials / inspectors to inspect the operations of grant applicants and grantees to ensure that the funds are responsibly utilised to the benefit of society.	NLC board failure to secure attention of Parliament to its discretion under the provisions of parliamentary rule 189 to decide whether grantee information should be treated as confidential or not also considering the POPIA compliance requirements

Environmental factors, opportunities and threats

Factor		Opportunity 	Threat 
	<i>Climate change</i>	Growing focus on environment conservation can offer new opportunities for the youth to start conservation related businesses	Environmental related businesses are capital intensive
	<i>Environmentally friendly grant funding products</i>	NLC developing policies and products that are aligned with major environmental initiatives	Denying funding to potential grant holders whose proposals are considered unfriendly to the environment
	<i>Natural disasters</i>	Strengthening proactive funding research in terms of addressing planned and unplanned NLC interventions equitably	Effectiveness of national and regional early warning systems
	<i>Extreme weather events</i>	Innovative proactive funding research and grant funding products	Failure of climate change mitigation and adaptation
	<i>Greening the economy</i>	Upscaling the NLC allocations made towards the environment funding focus area and the implementation of a comprehensive green building strategy	Lack of adequate funding and sector allocation reprioritisation due to decline in revenues

Four themes identified by Investec (2021) ¹¹⁹ to watch out for in South Africa during 2021 includes political expectations, growth and COVID-19, fiscal policy and debt sustainability in addition to Eskom power assessment.

- *Political expectations:* The political situation in South Africa will be influenced in the first instance by the way in which the COVID-19 pandemic develops during the year. It will influence public opinion about government in general, determine its impact on the economic dynamics and the impact on confidence in the short-term. Successes or failures in this respect will be translated into political optimism/pessimism and levels of economic confidence.
- *Growth and COVID-19:* The South African economy in 2021 will be shaped on the one hand by the COVID-19 pandemic and the timeline and efficacy of a vaccine rollout; and on the other by the ability of the government to enact structural reforms. These are critical if an economic growth recovery is to be sustained from 2022 onwards.
- *Fiscal policy and debt sustainability:* Without this, the debt to GDP ratio could rise to 100% over the next seven years compared to stabilising at 93% of GDP by 2024 if the interventions announced in the October 2020 are successfully implemented. The ability to rein in spending with the focus on expense control and an increase in spending effectiveness, is critical. The success of moving towards zero-based budgeting, government wage constraints and reducing public sector head counts could lower non-interest spending by R300bn over the medium-term expenditure framework (MTEF) period relative to the February 2020 budget. The November sovereign credit downgrade by Moody's to BB- with a negative outlook was influenced by the view of government not being able to reduce spending because of political and social resistance and other implementation challenges. The decision to lower spending is supported by the fact that the multiplier effect from government spending on the economy has turned negative, alongside debt levels continuing to rise.

¹¹⁹ Investec. 2021. *SA Economics. COVID-19 note – Friday 05 March 2021*. [Online] https://www.investec.com/en_za/focus/economy.html

- *Eskom power assessment:* Eskom cannot meet South Africa's peak demands going forward – the unplanned outages support this view. The Eskom generation system risks collapse unless urgent long-term maintenance and mid-life upgrades are made to existing coal-fired and nuclear power plants. There are no quick-fix or simple-to- implement solutions available anymore. Hard decisions and trade-offs need to be taken urgently to stabilise the current situation, otherwise the entire power system will further deteriorate and face real risk of collapse. Power supply/reduction options should be put in place in order to mitigate the current crisis, but to be effective these need urgent government decision making and implementation, which cannot be solved by Eskom alone.

REGULATORY COMPLIANCE

Regulatory Compliance is the cornerstone of the NLC, holding in custody, the primary mandate of the organisation being that of a Regulator. 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 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 and Sports Pools against the Amended Lotteries Act and Licence Agreement.

The NLC ensures optimum and balanced regulation of lottery operators through the Regulatory Compliance model depicted below:



NLC Regulatory Model

Source: Dr Lea Meyer (2013)

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 and Sports Pools is maintained.

Participant Protection:

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.

The National Lottery Participants Trust (NLPT):

One of the critical regulatory tools for ensuring the protection of participants is the NLPT. The NLPT is established in terms of the Trust Property Control Act 57 of 1998 and was founded by ITHUBA Holdings (RF) (Pty) Ltd in accordance with the third licence to operate the National Lottery. The licence is a regulatory instrument provided for, under the Lotteries Act, to enable the NLC to fulfil its regulatory mandate of monitoring ITHUBA's operations and ITHUBA's obligations to procure a trust for the purposes of protecting prize monies payable to National Lottery and sports pools participants who have 365 days to claim their prizes, together with money for tickets bought in advance for multiple draws. The duty of procuring the trust is a key element of the regulatory function of the NLC as set out in section 10(1)(j) of the Lotteries Act.

To improve trust in the National Lottery, enhance participation in National Lottery games and attract new participants, the NLC aims to promote transparency and fairness in the system and methods used to draw winning Lotto and PowerBall numbers and the elimination of the long time-interval before the draw of winning numbers as an assurance that there is no manipulation of winning numbers through the established "Education and Awareness" mechanism.

We shall further 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. Based on the Board's directive to give impetus to player protection, the following activities will be reinforced:

- ensuring that the Operator pays prizes promptly by conducting regular reviews of payments to prize winners;
- protecting players against possible fraud, by checking that the Operator implements appropriate security measures to verify the identity of winners who claim prizes;
- conducting reviews to ensure that the Operator protects the anonymity of winners, in line with the Licence requirements;
- approving and monitoring descriptions and procedures for key processes;
- ensuring that clear information is available to players, including information on games available, how to play and how to claim prizes;
- developing an Alternate Dispute Resolution Strategy to address the handling of complaints from players should they be unhappy with the service they have received from either a Retailer, Operator and the NLC, after having exhausted the complaints handling procedures;
- ensuring that there are controls in place to protect players against excessive play; and
- ensuring that there are controls in place to protect against underage play.

Society and other 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. Regulatory Enforcement assesses applications for societies and lottery schemes. As part of our campaign to promote sustainability of non-profit organisations (NPOs), we encourage civil society organisations 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.

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 comprehensive *“Impact of Illegal Lotteries”* (2016) study documented the proliferation of illegal lotteries in the country. It included an analysis of totalisators offering sports pools, fahfee, bookmakers offering fixed odd bets on the outcome of a lottery, some promotional competitions, bets placed on international lotteries and lottery scams. According to the study, the amount typically lost to the economy equates to R6 billion per annum. Historically, the NLC took punitive action against the operators of these illegal lottery schemes. However, NLC has considered the possibility of legalising and licensing some additional lottery schemes. In this way, to adapt the famous US anti-prohibition saying to our current purpose, we hope to bring popular but illegal games “out of the underground and into the sunlight” where they can be appropriately monitored and regulated. In this way, the reputation and integrity of the National Lottery can best be protected, whilst revenues for the National Lottery and for good causes are maximised. This subsequently led to the *“Feasibility Study on the Regulation of Illegal Lotteries”*. In essence, the study gives rise to a number of recommendations, including amending the current legislation; blurred lines of regulatory responsibility and jurisdiction between the lotteries and gambling legislation; and the consideration of new regulatory approaches.

Investigations

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. Promotional competitions are always difficult to regulate, as they are both a form of lottery and a tool to promote business. Section 36 of the Consumer Protection Act (CPA) defines promotional competitions as “any competition, game, scheme, arrangement, system, plan or device for distributing prizes by lot or chance”. This definition applies regardless of whether participants need to demonstrate any skill or ability in order to win a prize. Due to the element of chance, promotional competitions are often categorised as lotteries or gambling. The massive expansion in social media in South Africa has made promotional competitions an increasingly popular way for businesses to interact with potential customers. Promotional competitions may not charge a consideration or subscription as a condition of entry. As such, they are not supposed to compete with the National Lottery and are not intended to be money-making schemes in their own right. The Impact of Illegal

Lotteries study confirmed that this does not always occur, and that many promotional competitions “either charge too high an entry fee, sell more than the allowed number of tickets, or have a prize where the value exceeds a prescribed limit. As a result, these promotional competitions are being run more for commercial gain than for promotional purposes” (NLC 2016: 38). It is clear that promotional competitions are abused, and that many illegal schemes are offered under the guise of promotional competitions. Some form of regulation is needed to protect consumers from this abuse.

The Lotteries Amendment Act, 2013 removed the definition of a promotional competition from the Lotteries Act, despite the fact that the term is still used in sections 1, 56, and 57 of the Lotteries Act. This means that promotional competitions that meet the conditions of a lottery cannot be authorised in terms of the Act. The argument in favour of the NLC regulating promotional competitions directly is that the NLC has a better understanding of the workings of lottery schemes and is therefore better placed to regulate this particular game of chance and to protect the consumer. From this perspective, the Lotteries Act should be amended to make provision for both the authorisation and the regulation of promotional competitions.

GRANT MAKING

Grant Funding Department is responsible for ensuring that grants are administered efficiently and economically. The current Grant Funding Model is designed to promote and support the NLC's strategic mandate by responding to socioeconomic problems and leverage on opportunities through strategic funding. The key principle of the NLC's funding model is to utilise NLC capitals to create opportunities for communities to realise their potential. The funding model is driven by an overall objective to Fund for Impact to maximise return on limited resources.



NLC's Grant Funding Model

Apart from developing a better understanding of local needs, the NLC is committed to the optimisation of beneficiary support. 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 is implemented by the NLC in order to achieve impact in funding. Focus has therefore been aligned to map out funding outcomes so that 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.

Pro-Active Funding

Proactive funding assists in addressing strategic developmental issues to enhance social engineering on a wide geographic basis. In this mode, the broad project idea originates with and is developed strategically and proactively by the funder based on research conducted. Proactive funding may also be made available for emergency support following natural disasters or calamities. For the 2022/23 financial year, 60% of proactive funding will be channelled to planned programmes as follows:

- District Development model implementation
- Infrastructure projects
- Agriculture projects

The above initiatives can further be segmented into the following broad programmes:

Programme	Descriptor
PROGRAMME 1:	Completion and Rollout of Infrastructure Projects that will Contribute to Economic Recovery for the South African Economy
PROGRAMME 2:	Agricultural Projects that will contribute to Food Security and Job Creation
PROGRAMME 3:	Construction and Refurbishment of Integrated Facilities to cater for Gender Based Violence Victims and for People with Disabilities
PROGRAMME 4:	Construction of Sports Facilities within Communities
PROGRAMME 5:	Green Projects (projects that focus on coastal waste management, environmental management, cleaning, and recycling of waste)
PROGRAMME 6:	School Sanitation Projects
PROGRAMME 7:	Industrialization - Support Initiatives that Produce Locally with Intention to Access Local and International Markets for Sustainability

The remaining 40% is reserved for Emergency projects (disasters, pandemics, hunger interventions, etc.)

The NLC prides itself on the attraction of a skilled and experienced work force. Aligned to the commitment to be a better regulator and beneficiary centric funder, the entity has embarked on investing in the upskilling of critical positions to improve efficiencies. The establishment of the Grant Funders Professional Standards in partnership with tertiary institutions and other funding organisations remains a focal point. Moreover, NLC has realised the impact and the looming changes as a result of the 4th IR. On the whole governments will increasingly face pressure to change their current approach to public engagement and policymaking, as their central role of conducting policy diminishes owing to new sources of competition and the redistribution and decentralization of power that new technologies make possible.

Ultimately, the ability of government systems and public authorities to adapt will determine their survival. If they prove capable of embracing a world of disruptive change, subjecting their structures to the levels of transparency and efficiency that will enable them to maintain their competitive edge, they will endure. If they cannot evolve, they will face increasing trouble.

This is particularly true in the realm of regulation. Current systems of public policy and decision-making evolved alongside the Second Industrial Revolution, when decision-makers

had time to study a specific issue and develop the necessary response or appropriate regulatory framework.

Given the 4th IR's rapid pace of change and broad impacts, legislators and regulators are being challenged to an unprecedented degree. The primary question is about how regulators and legislators can preserve the interest of the consumers and the public at large while continuing to support innovation and technological development. The general consensus is that entities need to embrace "agile" governance, just as the private sector has increasingly adopted agile responses to software development and business operations more generally. This means regulators must continuously adapt to a new, fast-changing environment, reinventing themselves so they can truly understand what it is they are regulating. To do so, governments and regulatory agencies will need to collaborate closely with business and civil society.

To this end, the NLC has adopted a forward-looking skills agenda, one that focuses on infusing a digital mindset in the workforce by making technology and innovation the pinnacle of all training programmes.

PART C: MEASURING OUR PERFORMANCE

PART C: MEASURING OUR PERFORMANCE

JOINT INDICATORS DTIC & NLC

During 2021, the Minister set out a directive for all entities in the dtic family to work on a set of “Joint KPI’s” (J-KPI’s). Initially, there were 7 identified areas that have now been regrouped into 3 overarching integrated outputs.

The areas of focus represent key priorities of government that are set out in more detail in the Annual Performance Plan of the dtic. The NLC has made a concerted effort to include the DDM and Transformation J-KPI’s in the APP of the entity.

NLC will contribute to achievement of the Joint indicators and the output required is a report to the Executive Authority that sets out the actions taken by the entity highlighting the contributions to achievement of the dtic outcomes.

Joint KPI	OUTCOME	OUTPUT	INDICATOR TITLE	INDICATOR DEFINITION	ANNUAL DTIC TARGET	CONTRIBUTION BY THE NLC
INDUSTRIALISATION <ul style="list-style-type: none"> o <i>Sector Partnerships</i> o <i>Localisation</i> o <i>Beneficiation Initiatives</i> o <i>Covid Industrial Production</i> o <i>African & Global Exports</i> o <i>Green Economy Initiatives</i> o <i>Investment Initiatives</i> 	Industrialisation and Localisation:	Report documenting the integrated support to drive industrialisation through master plans in national priority sectors; increased and diversified localisation through government and private sector procurement; and promotion of beneficiation	Report on integrated support across DTIC to drive industrialisation that supports economic recovery; covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation	Integrated support across DTIC to drive industrialisation that supports economic recovery; covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation	Integrated support to drive industrialisation that supports economic recovery; covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation	A quarterly report on ways in which the NLC work contributes to the achievement of the indicator.
	African & Global Exports:	A clear plan that indicates the potential opportunities to grow exports in terms of the AfCFTA, with responsibilities assigned to facilitate implementation	Completed AfCFTA Export Plan to grow value-added exports to the rest of Africa, setting out the opportunities by product, sector and country	AfCFTA export plan to grow value-added exports to the rest of Africa setting out the opportunities by product, sector and country	Completed AfCFTA export plan to grow value-added exports to the rest of Africa setting out the opportunities by product, sector and country completed	A quarterly report on ways in which the NLC work contributes to the achievement of the indicator.

	utilise these opportunities					
	Investment Initiatives: Strategic investment by enterprises (private and public) to support growth of South African economy	Investment projects facilitated and investment directed towards key sectors of the economy	Report on Investment facilitation and growth: steps taken to support new investment in key sectors	Investment facilitation and growth through steps taken to support new investment in key sectors	Report on investment facilitation and growth: steps taken to support new levels of investment in key sectors developed.	A quarterly report on ways in which the NLC work contributes to the achievement of the indicator.
	Green Economy Initiatives: Growing the Green Economy and greening the economy	Report on growing the Green Economy and greening the economy	Report on growing the Green Economy and greening the economy through actions to support project facilitation, policy development, investment promotion, new product development or industrial processes	Actions to green the economy	Actions to grow the Green Economy and greening the economy, through measures such as support for project facilitation, policy development investment promotion, new product development or industrial processes	A quarterly report on ways in which the NLC work contributes to the achievement of the indicator.
TRANSFORMATION <ul style="list-style-type: none"> o <i>BEE promotion</i> o <i>Worker Empowerment</i> o <i>Structure of the economy: Economic concentration; SME promotion</i> o <i>SEZ's and Industrial Parks</i> o <i>Township Economy</i> o <i>District Model Reporting</i> o <i>Integrated Delivery: within DDM by dtic family</i> 	Contribute to intergovernmental action in implementation of the District Development Model towards district economic development	District integrated report with district development economic maps	Report on District Development Model and Spatial equity including incorporating all work within the District Model	District Development Model and Spatial equity including incorporating all work within the District Model Development Model and Spatial equity including incorporating all work within the District Model.	District Development Model and Spatial equity including incorporating all work within the District Model.	A quarterly report on ways in which the NLC work contributes to the achievement of the indicator.
	Promoting a growing and inclusive economy	Report on actions to promote transformation through structural changes in the economy to enable	Report on actions to promote transformation through structural changes in the economy to enable	Actions to promote transformation through structural changes in the economy to enable greater inclusion and	Actions to promote transformation through both structural changes in the economy to enable greater	A quarterly report on ways in which the NLC work contributes to the

		greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities	greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities	growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities	inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities.	achievement of the indicator.
DELIVERY / CAPABLE STATE <ul style="list-style-type: none"> o <i>DTIC Institutional capacity: building strong capacity within staff</i> o <i>Building the entity staffing and governance capacity & quick response</i> o <i>Shared services from the dtic to smaller entities (cost saving) and across dtic institutions</i> o <i>Rationalising functions between the department (policy/monitoring& evaluation/oversight and consequence management) and entities (delivery/administration)</i> o <i>Addressing red tape and compliance in internal processes</i> o <i>Review of legislation and regulations</i> 	Functional, efficient and integrated services within the DTIC to improve economic development and ease of doing business	Actions to promote functional, efficient and integrated government and measures to reduce red tape across DTIC and entities	Report on strengthening and building capabilities and agility in the DTIC and its entities, to improve efficiencies in programmes and entities, to contribute to economic development and ease of doing business	Strengthening and building capabilities and agility in the DTIC and its entities, to improve efficiencies in programmes and entities, to contribute to economic development and ease of doing business	Review of unnecessary red tape and compliance requirements in DTIC entities and programmes; monitoring implementation times of DTIC services	A quarterly report on ways in which the NLC work contributes to the achievement of the indicator.

o Ensuring effective support functions from other public entities to achieve dtic outcomes						
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5. Institutional Programme Performance Information

Programme 1	Administration & Business Support
Purpose	To ensure that the NLC remains a professional and sustainable organisation with innovative and agile frameworks, systems and standards that are globally competitive.

Outcomes, Outputs, Performance Indicators and Targets

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited / Actual Performance			Estimated Performance	MTEF Period		
			2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
A professional and sustainable organization	Optimal performance and effective adaptation of employees	1.1 The Future Fit People Strategy is implemented	-	-	People Strategy was developed and implemented	People Strategy implemented by developing culture transformational plan	Align the Structures, Systems, processes and policies as defined in the Future Fit People Strategy	Implement the “leadership” model that is appropriate for the organisation as defined in the Future Fit People Strategy	Develop programmes to proactively capacitate people for future careers as defined in the Future Fit People Strategy
	Protect and Strengthen the NLC Brand	1.2 The NLC Brand Management Plan is implemented				Developed and implemented the NLC Brand Management Plan	Implement and monitor the NLC Brand Management Plan	Implement and monitor the NLC Brand Management Plan	Implement and monitor the NLC Brand Management Plan

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited / Actual Performance			Estimated Performance	MTEF Period		
			2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Strategic Partnerships at national and provincial level	1.3 Identify, develop and implement Strategic partnerships with key stakeholders at provincial and national level	-	-	-	-	Strategic partnerships with 9 key stakeholders (provincial and national) are developed and implemented	Monitor the implementation of key strategic partnerships	Monitor the implementation of key strategic partnerships
Innovative and agile frameworks, systems and standards that are globally competitive	Optimise returns to good causes	2.1 Percentage disbursement of grants as per GNR644, 6(c)(iv)	83% of grants disbursed	91% of grants disbursed	80% of grants disbursed	85% of grants disbursed	90% of grants paid in line with the regulated 60 day timeframe	95% of grants paid in line with the regulated 60 day timeframe	100% of grants paid in line with the regulated 60 day timeframe
	Promoting transformation in the economy to enable greater inclusion and growth	2.2 Number of Enterprise Supplier Development (ESD) Programs implemented nationally					Implement 3 ESD programs nationally	Implement 5 ESD programs nationally	Implement 6 ESD programs nationally
	Driving digital transformation	2.3 Formulate the organisational digital transformation strategy	-	-	-	-	The NLC Digital Transformation Strategy is formulated	Implement phase 1 of the digital transformation strategy	Implement phase 2 of the digital transformation strategy

Indicators, Annual & Quarterly Targets

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
1.1 The Future Fit People Strategy is implemented	Align the Structures, Systems, processes and policies as defined in the Future Fit People Strategy	Develop the implementation framework and communications plan for the alignment of the structure, systems, processes and policies.	Implement the framework and communications plan	Implement the framework	Implement the framework and deliver the aligned structure, systems, processes and policies
1.2 The NLC Brand Management Plan is implemented	Implement and monitor the NLC Brand Management Plan	Develop the brand management plan for the new year	Implement the brand management plan	Implement the brand management plan	Assess the efficacy of the plan
1.3 Identify and develop Strategic partnerships with key stakeholders at provincial and national level	Strategic partnerships with 9 key stakeholders (provincial and national) are developed and implemented	Appoint the working committee for the identification of provincial and national strategic key stakeholders and develop the related action plan	Implement the action plan	Implement the action plan	Provide a report on the key stakeholders identified and strategic partnership MOU's , to Exco
2.1 Percentage disbursement of grants as per GNR644, 6(c)(iv)	90% of grants paid in line with the regulated 60 day timeframe	90% of grants disbursed	90% of grants disbursed	90% of grants disbursed	90% of grants disbursed
2.2 Number of Enterprise Supplier Development (ESD) Programs implemented nationally	Implement 3 ESD programs nationally	Identify the provinces and issue the call	Selection of suppliers	Implement ESD program	Implement ESD program
2.3 Formulate the organisational digital transformation strategy	The NLC Digital Transformation Strategy is formulated	Appoint the working committee and develop the framework and ToR	Appoint the service provider	Map new divisional experiences and business model	Formulate the NLC Digital Transformation Strategy

Programme 2	Regulatory Compliance
Purpose	To ensure that the trust and integrity of the lottery landscape is maintained through exercising our regulatory oversight in enforcing safe and sustainable lotteries and sports pools.

Outcomes, Outputs, Performance Indicators and Targets

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited / Actual Performance			Estimated Performance	MTEF Period		
			2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Safe and sustainable lotteries and sports pools	Fair and safe national lottery	3.1 The National Lottery monitoring matrix implemented	Compliance with licence conditions monitored	Compliance with licence conditions monitored	Compliance with licence conditions monitored	Compliance with licence conditions monitored	Implementation of the National Lottery Monitoring Matrix	Implementation of the National Lottery Monitoring Matrix	Implementation of the National Lottery Monitoring Matrix
	Fair and safe sports pools	3.2 The Sports Pool monitoring matrix implemented	-	-	-	Compliance with licence conditions monitored	Implementation of the Sports Pool Monitoring Matrix	Implementation of the Sports Pool Monitoring Matrix	Implementation of the Sports Pool Monitoring Matrix
	Enhanced Regulatory Activities	3.3 Number of regulatory activities decentralised to provinces	-	-	-	-	Decentralise two (2) regulatory activities to provinces	Decentralise and monitor 2 regulatory activities to provinces and monitor	Monitor decentralised regulatory activities

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited / Actual Performance			Estimated Performance	MTEF Period		
			2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Retailer Inspections to ensure the integrity of the National Lottery	3.4 Number of retailer inspections conducted nationally	-	-	-	650 retailer inspections conducted	700 retailer inspections conducted	750 retailer inspections conducted	800 retailer inspections conducted
	Protecting the interests and preventing harm to participants	3.5 Percentage investigations onreported and identified lottery schemes	78% of all identified and reported lottery schemes investigated	96% of all identified and reported lottery schemes investigated	95% of all identified and reported lottery schemes investigated	100% of all identified and reported lottery schemes investigated	Conduct investigations on 100% of all identified and reported lottery schemes	Conduct investigations on 100% of all identified and reported lottery schemes	Conduct investigations on 100% of all identified and reported lottery schemes

Indicators, Annual & Quarterly Targets

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
3.1 The National Lottery monitoring matrix implemented.	Implementation of the National Lottery Monitoring Matrix	Implement the National Lottery Monitoring Matrix	Implement the National Lottery Monitoring Matrix	Implement the National Lottery Monitoring Matrix	Implement the National Lottery Monitoring Matrix
3.2 The Sports Pool monitoring matrix implemented.	Implementation of the Sports Pool Monitoring Matrix	Implement the Sports Pool Monitoring Matrix	Implement the Sports Pool Monitoring Matrix	Implement the Sports Pool Monitoring Matrix	Implement the Sports Pool Monitoring Matrix
3.3 Number of regulatory activities decentralised to provinces	Decentralise two (2) regulatory activities to provinces	Identify mainstream regulatory functions including the roll-out plan	Identification of relevant role-players and conduct training	Conduct training	Full implementation of the 2 regulatory functions in the provinces
3.4 Number of retailer inspections conducted nationally.	700 retailer inspections conducted	200 retailer inspections conducted	200 retailer inspections conducted	150 retailer inspections conducted	150 retailer inspections conducted

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
3.5 Percentage investigations on reported and identified lottery schemes.	Conduct investigations on 100% of all identified and reported lottery schemes	Conduct investigations on 80% of all identified and reported lottery schemes	Conduct investigations on 85% of all identified and reported lottery schemes	Conduct investigations on 95% of all identified and reported lottery schemes	Conduct investigations on 100% of all identified and reported lottery schemes

Programme 3	Grant Making
Purpose	Supporting a sustainable and impactful civil society sector to boost economic growth, inclusion and to enable meaningful transformation.

Outcomes, Outputs, Performance Indicators and Targets

Outcome	Outputs	Output Indicators	Annual Targets						
			Audited / Actual Performance			Estimated Performance	MTEF Period		
			2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
A sustainable and impactful civil society sector	Regulation 3A(1)(a)	4.1 Percentage of applications adjudicated within 150 days	98% of applications adjudicated within 150 days	99% of applications adjudicated within 150 days	-	90% of applications adjudicated within 150 days	90% of applications adjudicated within 150 days	100% of applications adjudicated within 150 days	100% of applications adjudicated within 150 days
	Funding aligned to the developmental needs of South Africa	4.2 A minimum of 10% allocated to projects located in the districts of the District Development Model (DDM)	-	-	-	-	Allocation of 10% of funds to projects located in the districts the DDM	Allocate 15% of funds to projects located in the districts the DDM	Allocate 20% of funds to projects located in the districts the DDM
	Monitoring and Evaluation of the projects we fund	4.3 2000 Monitoring reports completed	2847 sitevisits	2500 site visits	1400 monitoring reports (sitevisits)	2500 monitoring reports	Complete 2000 Monitoring reports	Complete 2250 Monitoring reports	Complete 2500 Monitoring reports

	Investing in the sustainability of NLC funded organisations	4.4 Number of capacity building programs implemented nationally	-	-	-	-	Implement 4 capacity building programs nationally	Implement 9 capacity building programs nationally	Implement 12 capacity building programs nationally
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Indicators, Annual & Quarterly Targets

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
4.1 Percentage of applications adjudicated within 150 days	90% of applications adjudicated within 150 days	90% of applications adjudicated within 150 days	90% of applications adjudicated within 150 days	90% of applications adjudicated within 150 days	90% of applications adjudicated within 150 days
4.2 A minimum of 10% allocated to projects located in the districts of the District Development Model (DDM)	Allocation of 10% of funds to projects located in the districts the DDM	10% of funding allocated to projects located in the DDM districts	10% of funding allocated to projects located in the DDM districts	10% of funding allocated to projects located in the DDM districts	10% of funding allocated to projects located in the DDM districts
4.3 2000 monitoring reports completed	Completion of 2000 monitoring reports	Complete 600 monitoring reports	Complete 600 monitoring reports	Complete 400 monitoring reports	Complete 400 monitoring reports
4.4 Number of capacity building programs implemented nationally	Implement 4 capacity building programs nationally	Implement 1 capacity building program	Implement 1 capacity building program	Implement 1 capacity building program	Implement 1 capacity building program

6. Explanation of Planned Performance over the Medium-Term Period

Programme 1: Administration and Business Support

The National Lottery operates within a dynamic environment that is characterized by the rapidly changing technological advancements, and a competitive gaming industry that is subject to the entry of new and innovative gaming modes, as well as constant changing gaming attitudes and behavioural patterns among the punters. In this regard it is important for the NLC to keep abreast of the technological changes and be proactive and innovative in terms of product development to remain relevant in the regulation of the industry.

The introduction of the Joint Indicator Descriptors by the Minister of Trade, Industry and Competition has heralded a new path for the NLC in attempting to integrate all government efforts to uplift society.

The combination of outputs in this programme will position the NLC to execute both mandates to ensure a safe and sustainable lottery industry for maximum economic and social impact.

In the ever - changing world of business, new products and services, technological and social media trends, political, legal and economic shifts demand continuous investment in an organisation's main asset, its people. Organizations of the current era require exceptional quality of leadership and business processes if they are to renew themselves and become a receptive and motivated enterprise proficient of sustaining success. The concept of "organizational renewal" is completely different from organizational development as the entire dynamics shift when the change in the company is being managed, keeping the changing business environment as a primary focus. Therefore, to be successful, organization must develop a leadership style, business process and culture that can effectively handle the challenges and prospects that might come up. A management style that was adequate under one set of conditions may become progressively less effective under changing circumstances. Thus, organizational renewal results in preventing corporate entropy. The NLC broadly refers to this process as their "Future Fit People Strategy." The focus for the year in perspective is the alignment of systems, processes and policies to the strategy.

NLC's Brand Management Plan is aimed at continuously developing a positive perception of the entity. Unfortunately, the spate of negative media articles has cast a shadow on the good work that the NLC undertakes and the lives that are positively impacted by the proceeds that

are derived from the sale of lottery tickets. This aspect is critical to maximise revenue for good causes against dwindling sales, a depressed economy and an increase in competition for the National Lottery. Additionally, the market has become saturated with scams and individuals are often victims of such illegal activities. Having a strong brand will shield the NLC from unnecessary controversy and reinforce its role as a regulator.

Strategic partnerships are geared at enhancing the mandates of the NLC with specific reference to the funding mandate. It is envisaged that these key partnerships will ensure sustainability of funded projects and streamline decision making and buy in, especially at provincial levels. Infrastructure projects require significant capital outlay notwithstanding other factors such as security of tenure, community ownership, operational funding support and sustainability. Historically, the NLC has noted that most infrastructure projects experience substantial setbacks for various reasons including that of buy-in from provincial government structures and red-tape from municipalities in the identification of suitable land. It is worth mentioning that once the project is completed, the NLC hands it over to the relevant national body / provincial structure. This validates the importance of ensuring that agreements with the relevant stakeholders / partners are in place upfront.

In 2013, the Enterprise Development Report by Impact Amplifier and New York University's (NYU) Centre for Global Affairs reported that the South African corporate sector's injection of billions of rands into enterprise development (ED) did not have a successful impact on socio-economic transformation. Additionally, the report found that the commitment by the companies did not accomplish the intentions of the Broad-Based Black Economic Empowerment (B-BBEE) Codes. And these were not just any companies. The report drew data from 60 of the top 100 companies listed in the Johannesburg Stock Exchange (JSE) and that represent some of SA's largest ED programmes. A good Enterprise Supplier Development (ESD) Programme has the potential to be life changing for a small business by helping to expand its market access. ESD which forms part of B-BBEE Code of Good Practice, involves the upliftment of a small company in which a larger company may like to procure with in future. The main goal of NLC's enterprise development is to create sustainable businesses that grow and lead to job creation, which, in turn, contributes to economic growth. In South Africa, enterprise development can lead to the growth of more small businesses, can provide those entering the job market with opportunities and can ensure the provision of these opportunities are sustainable. Enterprise development programmes are aimed at transferring skills and wealth that lead to the sustainable growth of a business and shall be developed in a strategic manner.

Closely aligned to the concept of organisational renewal and the future fit people strategy is the NLC's digital transformation strategy. COVID-19 has proved to be a tipping point in governments' digital transformation in that it has accelerated the pace. The NLC is no exception. Before the pandemic, NLC was primarily "doing digital"—that is, leveraging digital technologies to enhance service delivery capabilities but still largely relying on legacy operating models. It is envisaged that this transformation will result in the NLC using technologies such as AI, cyber, and cloud to elevate the human experience and radically transform service delivery and back-office operations. At the heart of digital transformation is moving from ad hoc application of digital to designing and implementing digital technologies so that they are embedded across the organization and in its DNA.

Programme 2: Regulatory Compliance

The developments in the gaming and lottery industry have an influence on the regulatory environment of the lotteries and also contributed to the amendment of the Lotteries Act 57 of 1997. Provisions made in the Lotteries Amendment Act No.32 of 2013 had an impact on the NLC regulatory, functional and governance role namely: amendment of certain definitions; to provide for 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 professionalization 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; and to provide for matters connected therewith.

The outputs in this programme aim to uplift the regulatory function of the organisation to give **direct impetus to the Board's directive. It further serves to reinforce the NLC's existence to** safeguard participants and the wider public by effectively regulating the lottery industry. The approach will enable the NLC to respond to emerging risks and issues whilst constantly seeking ways to drive up standards. This is especially important due to the challenges and opportunities online gaming and smartphone technology is bringing to the sphere. Protecting children and the vulnerable from being harmed or exploited by gaming continues to be a priority as demonstrated through the piloting of retailer verification visits.

The monitoring of the National Lottery and Sports Pools Operator is executed through the monitoring matrices. This is at the heart of the regulatory function and is directly derived from the licence agreement. We further plan to increase our regulatory footprint by onboarding functions provincially to as to serve our participants in an improved manner.

The outputs in this programme are intended to ensure a safe and sustainable lottery industry for maximum economic and social impact.

Programme 3: Grant Making

The District Development Model aims to improve the coherence and impact of government service delivery with focus on 44 Districts and 8 Metros around the country as development spaces that can be used as centres of service delivery and economic development, including job creation. A large portion of the South African population remains in poverty. The youth are specifically hardest hit by unemployment. 56.4% of economically active youth aged 15 to 24 are unemployed while 35.6% of the youth aged 25 to 34 are unemployed. The highest levels of youth unemployment are found among youth with a matric qualification or lower. While the official unemployment rate increased from about 23% in 2009 to nearly 30% in 2019, the expanded unemployment rate increased from less than 29% in 2009 to nearly 40% in 2019. This is just one aspect we consider when formulating our priority areas. Extensive research is conducted nationally to inform where the need is the greatest. Our approach this year is aligned to the integrated framework of national government in that our focus has shifted from measuring our impact in terms of numbers. For the MTSF period, the NLC will focus on measurable and impactful outcomes. Our revised strategy entails the identification of outcomes that we intend to achieve which will be mapped to the priority areas. The process requires alignment of the entire value chain and work has already commenced in this regard.

Monitoring and evaluation is critical in assessing the impact of our developmental interventions. Whilst it is not the only mechanism we deploy, the tools used are important to measure the outputs (products, capital goods, and services that result from a development intervention. E.g. Number of people trained / Number of workshops conducted) and the outcomes (The likely or achieved short-term and medium-term effects or changes of an intervention's outputs. E.g. Increased skills / New employment opportunities) and the impact (The long-term consequences of the program, may be positive and negative effects. E.g. Improved standard of living)

Many **NPO's** face challenges which cannot be overcome overnight. To survive and flourish, civil society organizations must have the competence to represent themselves and others. That's why training must be ongoing, and why building capacity through processes can be so effective. Training is fundamentally important, but training must be focused on more than just the basics. The NLC aims to **capacitate NPO's nationally to ensure** a robust and sustainable civil society sector exists in South Africa.

The outputs in this programme are intended to improve the way we fund. The combination of outputs in this programme will position the NLC to execute the funding mandate to ensure a safe and sustainable lottery industry for maximum economic and social impact.

7. Programme Resource Considerations

NLC's process of preparing its budget is done in accordance to ensure alignment with the strategy and the Annual performance plan outputs. The process factors in the Board of Directors strategic direction; the cascading of these into the divisional planning of core and support business units. The finance division issues comprehensive budget guidelines for the compilation of the budget which is followed by one-on-one sessions with the CFO and team to ensure alignment of the budget with the strategy and APP. Budgets are prepared on an activity-based approach and cost containment measures are always incorporated in the process.

The NLC must ensure the financial sustainability, control and discipline of the organization in line with applicable legislation and policy prescripts.

The NLDTF does not receive an appropriation from the fiscus, however as stipulated in section 23 of the Lotteries Act, the revenue of the fund (i.e NLDTF) consists of-

- a) The sums paid to the fund in terms of section 14(2)(e) - share of ticket sales from the national lottery
- b) Interest and dividends derived from the investment of money standing to the credit of the fund; and
- c) Other money lawfully paid into the fund.

The 2022/23 revenue projections received from the operator depict a year on year 4% nominal growth from the 2021/22 budget of R1.5 billion to R1.6 billion. Grant allocations are budgeted at R1.24 billion which is an increase of 6% from the 2021/22 financial year. The total operational expenditure (excl. RFP costs of R26.8 million) is 30% of the total revenue and is in line with the approved Budget policy.

Total operational expenditure [Incl. employee and RFP costs] is R587 million which is a year-on-year increase of 3% which is in line with the revenue growth of 4%. An observation made over the past financial years is that operational expenditures have grown at faster rate than

the slow growth rate of revenue as depicted in the Revenue, Employee costs and Operational trend analysis. This budget sought to normalise this. Total operational expenditure [excl. Employee costs] has reduced by 14% mainly due to the need to align growth in expenditure to the revenue growth. The reduction is also because in the prior year expenditure there was an approval of the deviation from the 30% of 5% whereas the 30% was met in the current year.

The NLC is currently in the process of preparing the 4th National Lottery Request for Proposal (4th RFP) and the associated costs have been included in the total operational expenditure. The total budget for the 4th RFP is R26.8 million which constitutes 4,5% of the total operational expenditure. The total operational expenditure to total revenue ratio is 30% excluding the 4th RFP costs. RFP costs have been excluded in the 30% cap as they are considered exceptional expenditure. It is worth noting that some of the RFP costs are offset from the license fee payable upon appointment of the successful national lottery operator as well as the license application fee. The application amount has been budgeted at R12 million Rand. The license fee is only payable during the year of appointment of a successful national lottery operator which is anticipated during the 2023/24 financial year.

The revenue from share of ticket sales has contributed on average about 80% of the total revenue. The dependency on the lottery operator poses a risk to the NLC and thus the requirement to keep reserves in the event of revenue disruption or if there is no revenue inflow to the NLC and NLDTF. The approved reserve strategy requires that the NLC maintains a 100% operating reserve ration. This means that the reserve levels maintained must sustain the organisation for a period of at least 12 months at the same levels of spending of a prior financial year.

The costs associated with Programme 1: Administration and Business Support - includes the organisational employee costs of R152 million, operational expenditure in terms of goods and services of R203 million and capital expenditure of R35 million.

The costs associated with Programme 2: Regulatory Compliance comprises of R51 million employee costs and R3 million for operational expenditure.

The costs associated with Programme 3: Grant Making comprises of R1 239 billion which represents the NLDTF budget for allocations, R155 million employee costs and a related R39 million for operational expenditure.

	Total Budget	Projections	Projections
	2022/23 R 000	2023/24 R 000	2024/25 R 000
REVENUE	1,877,955	1,440,112	1,875,350
NLDTF	1,613,456	1,177,823	1,613,456
Interest Received	75,016	78,767	77,915
License Signing Fees	2,500	2,500	2,500
Societies & Other Lotteries	80	83	87
Unclaimed and expired prize money	140,000	145,600	145,600
Withdrawals	20,000	20,000	20,000
Interest from the Participants Trust	10,903	11,339	11,793
Sundry Income	4,000	4,000	4,000
RFP Lottery Fee - Application Fee	12,000	-	-
EXPENDITURE	1,842,884	1,404,535	1,841,358
Allocations	1,239,115	765,144	1,190,577
Advertising & Publicity	11,701	12,391	33,754
Agency Emoluments	2,000	2,118	2,330
Audit Fees	6,105	6,466	5,516
Bank Charges	241	255	199
Board Members Emoluments	15,227	16,125	15,270
ICT Operational Cost	26,878	28,464	34,405
Conferences / Meetings	3,533	3,742	3,112
Consulting Fees	37,974	40,214	39,132
Courier & Postages	617	654	633
Depreciation	8,571	9,076	7,493
Electricity, water, rates & taxes	4,100	4,342	4,590
Refreshments & Catering	1,230	1,302	936
General Expenses	626	663	958
Insurance	689	730	1,165
Legal Fees	30,050	31,823	30,393
Motor Vehicle Expenses	600	635	441
Outsourced services	13,740	14,550	12,715
Print & Stationery	2,684	2,842	3,663
Professional fees	8,000	8,472	7,413
Lease costs	26,324	27,878	29,150
Repairs & Maintenance	7,201	7,626	5,128
Removals	275	291	445
Employee Costs	358,927	380,104	368,948
Recruitment costs - Permanent appointments	600	635	741
Staff Training	2,571	2,722	1,815
Staff Welfare	1,544	1,635	2,249
Subscriptions	622	659	454
Security	5,769	6,110	7,405
Telephone & Fax	4,120	4,363	1,652
Recruitment - Temporary Staff appointments	395	418	371
Travel & Accommodation	6,089	6,448	8,892
Workmens Compensation	480	508	339
Investigation cost	10,000	10,590	14,614
Trust Administration Fee	3,676	3,893	3,744
Trustee fees	610	646	715
NET SURPLUS	35,071	35,576	33,993

TOTAL CAPEX BUDGET

Office accommodation
Computer Equipment
Office Equipment
Intangible Assets
Furniture and Fittings
Network Infrastructure

	35,665	-	-
	20,000		
	3,855		
	-		
	4,800		
	2,010		
	5,000		
	8,571	9,076	7,493
Depreciation	8,571	9,076	7,493
	7,977	44,653	41,485

8. Updated Key Risks

Ref. No.	Outcomes	Risk Description	Causes/ Background to risks	Consequences	Residual Risk Exposure	Interventions/ Actions to improve management of the risk	Owner	Time scale	
								Start Date	End Date
1	Innovative and agile frameworks, systems and standards that are globally competitive	System does not provide for sufficient regulatory oversight	'Lack of independent monitoring of the operations of the National Lottery and Sports pools and other lotteries	<ul style="list-style-type: none"> Lottery participants not protected Financial losses Reputational harm/ integrity of national lottery Litigation 	High	Development of a strategy to address the lack of independent monitoring	Executive: Regulatory Compliance	Apr-22	Apr-23
			Circumvention by the operator of the terms and conditions of the Lotteries Act and other relevant legislation; and the license			Continuous regulatory monitoring	Executive: Regulatory Compliance	Oct-21	Mar-23
			Ineffective monitoring of national lottery operator			<ul style="list-style-type: none"> Formal studies to determine the viability/availability of leveraging on gaming technologies and on monitoring tools for enhanced oversight. Investigate the use of advanced technologies other than IVS to be investigated. 	Executive: Regulatory Compliance & CIO	Apr-22	Mar-23
			Ineffective ICT systems to exercise effective oversight Too much trust and reliance placed on operator's ICT systems					Apr-22	Apr-23
2	Safe and sustainable lotteries and sports pools.	Ineffective enforcement and prohibition action	Inadequate mechanism to prevent and/ or detect illegal lotteries and sports pools	<ul style="list-style-type: none"> Litigation Reputational damage Impaired sustainability 	Medium	<ul style="list-style-type: none"> Implement recommendations arising from the illegal lotteries research process Lobby for review of Lotteries Act to include enforcement powers 	Executive: Regulatory Compliance & Executive: Legal	Oct-21	Mar-23
			Circumvention of the Lotteries Act and other relevant legislation by illegal operators						

Ref. No.	Outcomes	Risk Description	Causes/ Background to risks	Consequences	Residual Risk Exposure	Interventions/ Actions to improve management of the risk	Owner	Time scale	
								Start Date	End Date
			Overlapping regulatory mandate between the NLC and Gambling Boards			<ul style="list-style-type: none"> Investigate other mechanisms to deal with illegal operators 			
3	A professional and sustainable organization	'Impaired organisational sustainability	Inadequate cost/ budget management and planning	<ul style="list-style-type: none"> Reputational harm/ integrity of national lottery Adverse impact on civil society & beneficiaries 	Critical	Continuous budget monitoring	CFO	Apr-22	Mar-23
			Increase in number of applications versus limited financial resources						
			Declining/ stagnant NLDTF contributions			Recommend review of % revenue contribution model to the NLDTF as part of the development of RFP strategy	Commissioner Board	Apr-22	Mar-23
			Dependence on single revenue source			Revenue maximisation as part of RFP strategy	CFO	Oct-21	Mar-23
			Sustainability of the national lottery operator			Periodic monitoring of implementation of the sustainability strategy and business plan	Executive: Regulatory compliance	Apr-22	Mar-23
			Adverse actions of the Lottery Operator and third parties			Continuous monitoring by regulatory compliance	Executive: Regulatory compliance	Apr-22	Mar-22
			Impaired organisational reputation			<ul style="list-style-type: none"> Investigation of reported cases and media reports. Engagement with the press counsel for false/misleading media reports 	'Executive: Legal CoSec	Apr-22	Mar-22
4	A professional and sustainable organization	Failure by the executive authority to appoint a national	Operational inefficiencies leading to delays in appointment of the operator	<ul style="list-style-type: none"> Impaired sustainability 	Critical	The Board to formulate an approach to engage with the Minister	Commissioner CoSec Board	Oct-21	Jul-22

Ref. No.	Outcomes	Risk Description	Causes/ Background to risks	Consequences	Residual Risk Exposure	Interventions/ Actions to improve management of the risk	Owner	Time scale	
								Start Date	End Date
		lottery operator on time	Challenges to RFP process by stakeholders arising out of perceptions of the RFP process	<ul style="list-style-type: none"> Reputational harm/ integrity of national lottery Financial losses 		Reserves strategy in place to protect business continuity and ensure that NLC is less affected by key business disruptions	CFO COO	Apr-22	Mar-23
			Misalignment between the shareholder and NLC			To ensure the RFP strategy is aligned with stakeholder considerations during upcoming RFP process Reserving strategy	Commissioner 'Executive: Legal	Apr-22	Mar-23
			Non-compliance with licensing and procurement processes			Appointment process for the new lottery operator	Board	Apr-22	Mar-23
			Ineffective revenue maximisation strategies as part of RFP and Licence negotiations			Revenue maximisation as part of RFP strategy	Chief Finance Officer	Oct-21	Mar-23
5	A professional and sustainable organization	Critical business continuity disruptions	Business disruptions at the lottery operator	<ul style="list-style-type: none"> Reputational harm/ integrity of national lottery Impaired sustainability Adverse health & safety impact 	Medium	<i>Continuous monitoring of the business plan of the operator</i>	Executive: Regulatory compliance	Apr-22	Mar-23
			Inadequate business continuity management by NLC			Contingency plan to manage adverse outcomes at the Lottery Operator and this should be part of RFP process going forward (Board completed draft RFP bid, sent to the minister's office for approval) Advertisement planned for 2022	Chief Operating Officer	Apr-22	Mar-23
			Reputational and business disruption threats due to actions against the organisation by third parties			Prioritise resolution of third party action to minimise effects on the organisation, the lottery, and stakeholders	All Executives	Apr-22	Mar-23
			Reliance on single-lottery-operator model (Regulated)			Development of the revenue maximisation strategy	Chief Operating Officer	Oct-21	Mar-23

Ref. No.	Outcomes	Risk Description	Causes/ Background to risks	Consequences	Residual Risk Exposure	Interventions/ Actions to improve management of the risk	Owner	Time scale	
								Start Date	End Date
			Adverse effect of natural and man-made disasters			Exploit the use of miscellaneous focus funding area	Chief Operating Officer	Apr-22	Mar-23
			Inadequate detection mechanisms to proactively identify unforeseen business disruptions, e.g. pandemics and other disruptive events (including natural disasters)			<i>Continuous review and testing of the business continuity plan</i>	COO	Apr-22	Mar-23
			Lack of awareness of pandemic measures by employees			Ongoing communication in line with National alert levels	Senior Human Capital Manager	Apr-22	Mar-23
6	Innovative and agile frameworks, systems and standards that are globally competitive	'Ineffective management of information	Security breaches (internal & external) at the Lottery Operator	<ul style="list-style-type: none"> Regulatory sanction Reputational harm/ integrity of national lottery Lottery participants not protected 	High	- Independent review of systems security - Minimum security standards in agreement	CIO	Apr-22	Mar-23
			Loss of data and unauthorised access to sensitive information [POPI Act]			Communications management intervention	CIO	Apr-22	Mar-23
			Communication/ publicising personal and beneficiary information			License revocation (for instances of gross non-compliance)	CIO	Apr-22	Mar-23

Ref. No.	Outcomes	Risk Description	Causes/ Background to risks	Consequences	Residual Risk Exposure	Interventions/ Actions to improve management of the risk	Owner	Time scale	
								Start Date	End Date
			Inadequate internal information security			Independent review of systems security	CIO		
			Impaired security on systems used in lotteries and sports pools			<i>Monitoring of information security incidents</i>	Executive: Regulatory Compliance & CIO	Apr-22	Mar-23
			Technology security breach due to people incorrectly securing or using systems			Logical security investment and enhancement to minimise risk exposure due to remote working	CIO	Apr-22	Mar-23
			Inability to extend effective monitoring over remote working facilities			Cloud based services strategy to me rolled out	CIO	Apr-22	Mar-23
			Unauthorised access to sensitive information			Protection of Personal Information Act ("PoPIA") compliance project implementation and reporting.	Exec: Legal	Apr-22	Mar-23
			Communication/ publicising personal and beneficiary information			Consent form issued to grantees to agree to the publishing of information in the annual report/NLC website	CoSec Executive: Legal	Apr-22	Mar-23
			Inadequate internal information security policies			Information management gap analysis	CoSec Executive: Legal	Apr-22	Mar-23

Ref. No.	Outcomes	Risk Description	Causes/ Background to risks	Consequences	Residual Risk Exposure	Interventions/ Actions to improve management of the risk	Owner	Time scale	
								Start Date	End Date
			Multiple technology platforms falling outside ICT security policy and oversight model			Incident management (ongoing) advisory and root cause analysis	CIO	Apr-22	Mar-23
7	A professional and sustainable organization	Non-optimal human capital structure and skills to meet mandate and strategic obligations	Inadequate skills to match change in strategic vision (80/20 - Regulatory versus Grant funding)	<ul style="list-style-type: none"> Impaired performance and service delivery Adverse health & safety impact Reduced organisational performance 	Medium	- Review of current structure and alignment with requirements - Skills audit Right mix of skills to be identified after skills audit	Senior HCM Manager	Apr-22	Mar-23
			Ineffective change management (and communication)			Ongoing adaptation of change management strategy in line with environmental changes	Commissioner	Apr-22	Mar-23
			Hybrid working environment			Identify positions to be affected by artificial intelligence and automation for reskilling Provision of support during change management initiatives	Senior HCM Manager	Apr-22	Mar-23
			Ineffectual consequence management			Accountability and consequence management to be strictly implemented	Commissioner Senior HCM Manager	Apr-22	Mar-23
			Critical vacant positions			Filling of critical positions	Commissioner Senior HCM Manager	Apr-22	Mar-23
			Inadequate health and safety management			Continuous monitoring of health and safety standards	Senior HCM Manager	Apr-22	Mar-23
8	A professional and sustainable organization	Ineffective shareholder relations	Communication between the organisation and the shareholder	<ul style="list-style-type: none"> Impaired performance and service delivery Reputational harm/ integrity of national lottery 	Critical	Ongoing shareholder lobbying by the Board	Board (Assurer: Commissioner) COO	Apr-22	Mar-23
			Performance is dependent of timeous shareholder response						

Ref. No.	Outcomes	Risk Description	Causes/ Background to risks	Consequences	Residual Risk Exposure	Interventions/ Actions to improve management of the risk	Owner	Time scale	
								Start Date	End Date
9	A professional and sustainable organization	Ineffective governance and succession planning	Expiry of employment contracts for critical positions	<ul style="list-style-type: none"> Impaired sustainability Reputational harm/ integrity of national lottery 	Critical	Ongoing engagements with DTIC by the Board	Board (Assurer: Commissioner)	Oct-21	Mar-22
			Readiness of succession candidates [inclusive of board members and distributing agent members]			Ongoing implementation of the succession plan Development of Board succession strategy including three month handover period	Senior Manager: Human Capital CoSec Commissioner Board	Oct-21	Mar-22
10	A professional and sustainable organization	Fraud and unethical conduct	Inadequate organisational ethical and compliance culture	<ul style="list-style-type: none"> Reputational harm/ integrity of national lottery Financial losses Litigation 	High	<ul style="list-style-type: none"> - Develop and implement compliance framework - Assessment of effectiveness of hotline - Effective screening of employees prior to employment - Periodic screening of employees who work in critical posts - Ethics awareness programmes 	CoSec/ Exec: Legal/ HCM/ Risk Management	Apr-22	Mar-23
			Ineffective controls and monitoring thereof			<ul style="list-style-type: none"> - Monitor number of fraud cases within specified periods - Ensure consequence management is implemented for instances of fraud 	Executive: Legal	Apr-22	Mar-23
			Misrepresentation by applicants; ECD sector is supplier driven with consultants developing false applications			<ul style="list-style-type: none"> - Risk profiling of beneficiaries - Strengthening of verification process especially in provinces Build technical capacity in staff such as financial analysis Implement GIS technology to do virtual site visits Increased spot checks and random audits required 	Chief Operating Officer CoSec CIO	Apr-22	Mar-22

Ref. No.	Outcomes	Risk Description	Causes/ Background to risks	Consequences	Residual Risk Exposure	Interventions/ Actions to improve management of the risk	Owner	Time scale	
								Start Date	End Date
			Unethical behaviour by Board members, Exco and other staff			Code of Ethics Code of Conduct	CoSec	Apr-22	Mar-23
			Conflict among beneficiaries post disbursement and inadequate governance structures of beneficiaries			n/a			
			Non adherence with policies and procedures			<i>Consequence management</i>	Senior Manager: HCM	Apr-22	Mar-23
			Unethical conduct by vendors in supply chain			<i>Vetting of NLC staff</i> <i>Annual disclosure interest</i>	CoSec	Apr-22	Mar-23
			Inadequate anti-fraud awareness			<i>Continuous fraud awareness</i>	Executive: Legal	Apr-22	Mar-23
			Unethical conduct by agents (assisting with funding applications)			Review and implement findings of detailed study that was conducted to establish extent of non-compliant actions by agents in order to inform future action	Executive: Legal	Apr-22	Mar-23
			Dependency on 3rd party assurance (certificates for NPO/NPC issued by Department of Social Development)			Build structured relationship with 3rd party assurance entities	Executive: Legal	Apr-22	Mar-23
			Fraud and unethical conduct by the operator and lottery players			Include the requirement to disclose material fraud to the NLC in lottery operator performance and contractual obligations	Executive: Legal	Apr-22	Mar-23

9. Public Entities

Not applicable to the NLC

10. Infrastructure Projects

Not applicable to the NLC

11. Public Private Partnerships

Not applicable to the NLC

PART D:
TECHNICAL
INDICATOR
DESCRIPTIONS
(TID)

Indicator Title	1.1 The Future Fit People Strategy is implemented
Definition	The NLC's "Future-Fit People Strategy" is a People Strategy that ensures that the organisation and its people can work happily and perform optimally in a changing world and adapt effectively as changes impact upon the workplace. For the year under review, the focus of implementation is on aligning the structure, system, processes and policies to ensure a digitally optimised organisation to enable effectiveness and efficiency.
Source of data	HCM Reports
Method of Calculation / Assessment	Reports tabled at Exco on the progress of implementation
Means of verification	Approved reports
Assumptions	The organisational culture and change management are effective
Disaggregation of Beneficiaries (where applicable)	Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a
Spatial Transformation (where applicable)	Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired performance	A motivated and digitally equipped workforce
Indicator Responsibility	SM:HCM

Indicator Title	1.2 The NLC Brand Management Plan is implemented
Definition	The brand management plan is aimed at showcasing the good work that the NLC executes in both the regulatory as well as grant making space. It is premised on a proactive stance in communicating with all stakeholders.
Source of data	Marketing and Communications material in all media forms (print, radio, visual)
Method of Calculation / Assessment	Production of the POE
Means of verification	Reports tabled at Exco
Assumptions	Communication is effective in showcasing good stories and that there are no budgetary constraints
Disaggregation of Beneficiaries (where applicable)	Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a
Spatial Transformation (where applicable)	Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a
Calculation type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired performance	Effective and transparent communication to elevate the NLC brand
Indicator Responsibility	COO

Indicator Title	1.3 Identify, develop, and implement Strategic partnerships with key stakeholders at provincial and national level
Definition	In the theme of integrated services and government, the NLC must ensure that strategic partnerships are developed and nurtured to ensure the sustainability of organisations and the survival of NLC funded projects. This must materialise at both provincial and national levels.
Source of data	Signed MOU's between the NLC and respective key strategic partner
Method of Calculation / Assessment	Simple count of the MOU's
Means of verification	Report tabled to Exco
Assumptions	The identified strategic partners are amenable to entering into partnerships with the NLC
Disaggregation of Beneficiaries (where applicable)	Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a
Spatial Transformation (where applicable)	Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a
Calculation type	Cumulative (year-end)
Reporting Cycle	Annual
Desired performance	Sustainability of NPO's
Indicator Responsibility	COO

Indicator Title	2.1 Percentage disbursement of grants as per GNR644, 6(c)(iv)
Definition	This target refers to the percentage of allocated grants that must be paid (disbursed) as per regulation (GNR644). This implies that payment must be made within 60 days of receipt of a fully compliant grant agreement. A grant agreement is considered to be compliant if all stipulated conditions have been met, including the submission of an acceptable form of verification of banking details.
Source of data	Finance reports
Method of Calculation / Assessment	Days are calculated from the date of receipt of the grant agreement as date stamped. The date of payment is reflected on the EFT summary or online banking statement.
Means of verification	Finance reports and grant agreements
Assumptions	Grant agreements received are fully compliant with NLC requirements
Disaggregation of Beneficiaries (where applicable)	Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a
Spatial Transformation (where applicable)	Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a
Calculation type	Cumulative (year-end)
Reporting Cycle	Annual
Desired performance	Timeous and accurate payments to grant beneficiaries
Indicator Responsibility	CFO

Indicator Title	2.2 Number of Enterprise Supplier Development (ESD) Programs implemented nationally
Definition	The indicator is a direct response to the Transformation Joint Key Performance Indicator of the dtic. The Enterprise Development is done on suppliers that are not on NLC's database aimed at start-ups or new entrants. NLC will roll-out 3 ESD programs in the financial year.
Source of data	SCM reports
Method of Calculation / Assessment	Simple Count
Means of verification	ESD reports
Assumptions	There are sufficient New entrants and start-ups in the market
Disaggregation of Beneficiaries (where applicable)	Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a
Spatial Transformation (where applicable)	Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a
Calculation type	Cumulative (year-end)
Reporting Cycle	Annual
Desired performance	Economic Transformation
Indicator Responsibility	CFO

Indicator Title	2.3 Formulate the organisational digital transformation strategy
Definition	The NLC's Digital Transformation Strategy is a plan of action describing how the NLC will strategically reposition itself in the digital economy to allow for innovation, and the enhancement of the operating and business models to improve service delivery and access to the organisation.
Source of data	Digital Transformation reports
Method of Calculation / Assessment	Qualitative analysis
Means of verification	Reports tabled at Exco
Assumptions	There are no budget constraints
Disaggregation of Beneficiaries (where applicable)	Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a
Spatial Transformation (where applicable)	Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a
Calculation type	Cumulative (year-end)
Reporting Cycle	Annual
Desired performance	A digitally enabled organisation with enhanced service delivery and access
Indicator Responsibility	CM

Indicator Title	3.1 The National Lottery monitoring matrix implemented
Definition	The monitoring matrix refers to the scorecard developed by the NLC in order to monitor the operator's performance and compliance to the license conditions for the national lottery.
Source of data	National lottery monitoring matrix
Method of Calculation / Assessment	Assessed / Completed National Lottery Monitoring matrix
Means of verification	Populated and completed NL monitoring matrix
Assumptions	The operator is monitored for compliance to the licence conditions for the national lottery
Disaggregation of Beneficiaries (where applicable)	Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a
Spatial Transformation (where applicable)	Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a
Calculation type	Cumulative (year-end)
Reporting Cycle	Annual
Desired performance	Optimum compliance of the national lottery operator
Indicator Responsibility	EMRC

Indicator Title	3.2 The Sports Pool monitoring matrix is implemented
Definition	The monitoring matrix refers to the scorecard developed by the NLC in order to monitor the operator's performance and compliance to the license conditions for sports pools.
Source of data	Sports pool monitoring matrix
Method of Calculation / Assessment	Assessed / Completed Sports Pool monitoring matrix
Means of verification	Completed Sports Pool Monitoring Matrix
Assumptions	The operator is monitored for compliance to the licence conditions for the sports pools licence
Disaggregation of Beneficiaries (where applicable)	Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a
Spatial Transformation (where applicable)	Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a
Calculation type	Cumulative
Reporting Cycle	Quarterly
Desired performance	Optimum compliance of the national lottery operator
Indicator Responsibility	EMRC

Indicator Title	3.3 Number of regulatory activities decentralised to provinces
Definition	In the current financial year - a minimum of 2 identified regulatory activities will be decentralised to the provinces. This is to ensure effective service delivery and the promotion of the NLC's regulatory mandate .
Source of data	Training workshop material
Method of Calculation / Assessment	Simple count of the 2 regulatory functions
Means of verification	Regulatory Compliance Reports
Assumptions	Functions can be effectively decentralised
Disaggregation of Beneficiaries (where applicable)	Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a
Spatial Transformation (where applicable)	Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a
Calculation type	Cumulative
Reporting Cycle	Annual
Desired performance	Access to regulatory services of the NLC
Indicator Responsibility	EMRC

Indicator Title	3.4 Number of retailer inspections conducted nationally
Definition	A retailer refers to vendors who have vetted by the operator to sell lottery tickets to the public. (Excludes B2B and E-Commerce channels). The NLC will conduct 700 inspections to verify compliance and to audit retailer data.
Source of data	Retailer inspection and sales reports
Method of Calculation / Assessment	Simple count (700 retailer inspection and sales reports)
Means of verification	Number of retailer inspection and sales reports
Assumptions	Adequate resources to undertake inspections
Disaggregation of Beneficiaries (where applicable)	Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a
Spatial Transformation (where applicable)	Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a
Calculation type	Cumulative
Reporting Cycle	Annual
Desired performance	Ensuring the integrity of the National Lottery and sports pools
Indicator Responsibility	EMRC

Indicator Title	3.5 Percentage investigations on reported and identified lottery schemes
Definition	<p>Illegal lottery schemes contravene the provisions of the Act and its applicable regulations and statutes. The impact of these unlawful schemes has both an economic and social dimension. As the regulator, the NLC must take reasonable steps to ensure that unlawful activities relating to illegal lotteries are prevented, detected and prosecuted (where relevant) in order to prevent harm to the public.</p> <p>Illegal schemes are usually identified through a process of legal analyses by scanning print and electronic media as well as reports by members of the public.</p>
Source of data	Illegal schemes report spreadsheet
Method of Calculation / Assessment	Simple count 100% of cases investigated both pending and closed
Means of verification	Regulatory Compliance reports and the number of Illegal Scheme cases
Assumptions	Co-operation from scheme operators
Disaggregation of Beneficiaries (where applicable)	<p>Target for Women:</p> <p>n/a Target for Youth:</p> <p>n/a</p> <p>Target for People with Disabilities: n/a</p>
Spatial Transformation (where applicable)	<p>Reflect on contribution to spatial transformation priorities: n/a</p> <p>Reflect on the spatial impact area: n/a</p>
Calculation type	Cumulative
Reporting Cycle	Annual
Desired performance	Preventing harm and ensuring that the interests of all participants are adequately protected
Indicator Responsibility	EMRC

Indicator Title	4.1 Regulation 3A(1)(a) – Percentage of applications adjudicated within 150 days
Definition	150 days is the regulated time in terms of Regulation 3A(1)(a) in which an application received from the public should be adjudicated. This is aimed at ensuring that the NLC responds to applicants within a reasonable time. The target is 90%.
Source Data	150 days report
Method of calculation/assessment	Date of adjudication by the Distributing Agency less the date the application was received by NLC
Means of verification	Date stamp on application and the Distributing Agency Adjudication Sheet
Assumptions	Fully appointed Distributing Agency members
Disaggregation of Grant Holders (where applicable)	Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a
Spatial Transformation (Where applicable)	Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a
Calculation type	Cumulative
Desired Performance	Ensuring timeous adjudication of applications received (Service Delivery)
Indicator Responsibility	COO

Indicator Title	4.2 A minimum of 10% allocated to projects located in the districts of the District Development Model (DDM)
Definition	The DDM constitutes another J-KPI from the dtic and consists of a single strategically focussed One Plan for each of the 44 districts and 8 metropolitan geographic spaces in the country, wherein the district is seen as the 'landing strip' . It seeks to find sustainable ways for citizens and communities to meet their social, economic and material needs and improve the quality of their lives. NLC aims to ensure a minimum of 10% of project funding to these identified districts.
Source of data	Grant Reports on DDM project allocation
Method of Calculation / Assessment	Percentage Calculation = $\frac{\text{Total allocated to DDM projects} \times 100}{\text{Total allocations}}$
Means of verification	As per the above calculation
Assumptions	Sufficient applications received from the DDM areas
Disaggregation of Beneficiaries (where applicable)	Target for Women:n/a Target for Youth: n/a Target for People with Disabilities: n/a
Spatial Transformation (where applicable)	Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a
Calculation type	Cumulative
Reporting Cycle	Annual
Desired performance	Impactful and sustainable funding
Indicator Responsibility	COO

Indicator Title	4.3 2000 monitoring reports completed
Definition	M&E is important for the NLC as it assists us to assess the difference we make and demonstrates our effectiveness in impactful funding. The M&E division will in the year implement their Monitoring and Evaluation plan by conducting 2000 monitoring reports on funded projects. The reports will be completed from a sample from all 4 sectors (Charities, Arts, Sports & Misc).
Source of data	Monitoring reports spreadsheet
Method of Calculation / Assessment	Simple count
Means of verification	Count of the number of monitoring reports
Assumptions	Adequate data sample
Disaggregation of Beneficiaries (where applicable)	Target for Women: n/a Target for Youth: n/a Target for People with Disabilities: n/a
Spatial Transformation (where applicable)	Reflect on contribution to spatial transformation priorities: n/a Reflect on the spatial impact area: n/a
Calculation type	Cumulative
Reporting Cycle	Annual
Desired performance	Impactful and sustainable funding
Indicator Responsibility	EMRC

Indicator Title	4.4 Number of capacity building programs implemented nationally
Definition	<p>Sustainability of Non-profit organisations is a concern for the NLC as the current demand for funding far outstrips the supply.</p> <p>We believe that Capacity Building is the first step in elevating the non-profit to the next level of operational, programmatic, financial, governance and organisational maturity so that it may effectively advance its mission into the future. The NLC would like to ensure that this effort will represent a strategy towards the creation of a sustainable and effective organisation by building the competencies of the people leading the NPO's.</p>
Source of data	Attendance registers, Workshop content, certification
Method of Calculation / Assessment	Simple count
Means of verification	Number of workshops on capacity building conducted
Assumptions	Commitment to attend program exists
Disaggregation of Beneficiaries (where applicable)	<p>Target for Women: n/a</p> <p>Target for Youth: n/a</p> <p>Target for People with Disabilities: n/a</p>
Spatial Transformation (where applicable)	<p>Reflect on contribution to spatial transformation priorities: n/a</p> <p>Reflect on the spatial impact area: n/a</p>
Calculation type	Cumulative
Reporting Cycle	Annual
Desired performance	Impactful and sustainable funding
Indicator Responsibility	COO