

**DEPARTMENT OF SOCIAL DEVELOPMENT**

**Codes of Good Practice for  
South African Non-profit Organisations  
(NPOs)**

**Issued in terms of section 6(1)(b)(I) of the Nonprofit Organisations Act, 1997 (Act No,71  
of 1997)**

# **Codes of Good Practice for South African Non-profit Organisations (NPOs)**

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## **Codes of Good Practice for South African Non-profit Organisations (NPOs)**

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### **PURPOSE OF THE CODES**

An objective of the Nonprofit Organisation's Act of 1997 is to encourage and support nonprofit organisations (NPOs) in their contribution towards meeting the many needs of the Republic of South Africa's diverse population by:

- creating an environment in which nonprofit organisations can be productive and effective; and
- developing the abilities of nonprofit organisations to become effective partners with government and the private sectors in the upliftment and care for South Africa's communities and environments; and
- encouraging nonprofit organisations to accept the responsibilities of ensuring that they respond to and maintain high standards of practice in: good governance; effective management; optimisation of resources; successful fundraising; productive relationships with government, beneficiary communities, donors, sponsors, and the general public; careful administration of their organisations; and ethical behaviour.

The Department of Social Development has developed these codes in keeping with the requirements of the Nonprofit Organisations Act of 1997, in consultation with a representative number of nonprofit organisations throughout South Africa. These codes are the result of a shared vision for what constitutes good practice in leading and managing nonprofit organisations of all sizes across all interest sectors, with a particular focus on governance, administration, fundraising and the donor community. It is hoped that by setting these guidelines each organisation that registers under the Nonprofit Organisations Act will accept these guidelines and use them to their advantage and to the advancement of the South African nonprofit sector as a whole.

Although there are three distinct focuses to the Code of Good Practice, these sections have been combined into one document. This recognises that a productive nonprofit organisation community benefits from the overlapping responsibilities of those engaged in giving, raising and managing a variety of resources. The three sections are:

## **Section A: Nonprofit Organisation (NPO) Leadership and Management**

## **Section B: Nonprofit Organisation Fundraising and Resource Mobilisation**

## **Section C: Roles and responsibilities of Donors and Sponsors**

The Code of Good Practice is comprehensive, but it does not provide detailed standards of conduct. Office bearers of nonprofit organisations are responsible for the effective and efficient management and administration of their organisations, and also the maintenance of discipline according to their constitutions. Recognising that these codes will be used by a wide variety of nonprofit organisations, operating under many different circumstances, the text is broad ranging and in a style that makes the code understandable and useable.

# **Codes of Good Practice for South African Non-profit Organisations (NPOs)**

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## **DEFINITIONS OF WORDS AND TERMS (Alphabetical)**

- accounting officer -** The person given the responsibility of managing the day-to-day NPO accounting operation. This could be a full-time or part-time staff position, or an out-sourced person or accounting firm, or a volunteer, depending on the size and complexity of the organisation, its incomes and expenditures.
- administrator -** The person given the responsibility of managing the day-to-day NPO administration operation. This could be a full-time or part-time staff position, or a volunteer, depending on the size and complexity of the organisation.
- chief executive officer -** The person given the responsibility of heading up an NPO's full-time, part-time or volunteer staff. He or she is appointed by the NPO's governing body and reports to that body on all the day-to-operations of the organisation.
- constitution -** The formal document capturing the founding statement, vision and broad objectives of an NPO. It encompasses all the procedures and disciplines required for the orderly governance and operation of the organisation. In the case of registered Trusts or Foundations this includes Trust Deeds in terms of the Trust Property Control Act of 1988, and in the case of registered Section 21 Companies the Memorandum and Articles of Association.
- consultant -** Most NPOs do not have the resources to employ all the staff and expertise required to execute programmes, administer the operation and raise funds. It is possible to place a number of these functions with outside consultants who are hired under

contract to provide their expertise to specific short to medium term functions.

- donor -** An individual or institution who agrees to voluntarily provide resources, more often or not money, in response to various appeals presented by an NPO, in support of their programmes, projects and operational costs.
- fundraiser -** A person engaged full-time, part-time or in a volunteer capacity, by an NPO to raise resources, more often than not money, in support of programmes, projects and operational costs. This function can also be outsourced to individuals or businesses who provide fundraising services.
- governing body -** The group of an NPO's constituency representatives who are elected or invited to voluntarily serve as the constituted leadership of an NPO. The governing body can be given the title of, among others: Board, Board of Directors, Trustees, Council or Steering Committee.
- mission -** This is a short statement that makes the purpose of an NPO clear, and indicates its reason for being. If an NPO is to fulfil the purpose for which it came into being, its mission should be reviewed regularly.
- nonprofit organisation -** This is a collection of people who come together for common purpose, and agree to formalise a programme to fulfil this purpose. They conduct their activities towards this purpose, and should there be excess income after expenditure ("profit") this excess is made available to the benefit of the purpose. Nonprofit organisations are known by other generic titles such as: Non-governmental Organisation (NGO), Community Based Organisation (CBO), Civil Society Organisation (CSO), Public Benefit Organisation (PBO), Trust or Foundation, Charity, and Religious Body/Institution. **NOTE: The term Nonprofit Organisation has been abbreviated to read "NPO" throughout the Codes.**
- office bearer -** A person designated to hold a position of authority and responsibility within an NPO. This can be either in governance or management; either as a full-time staff, part-time staff or as a volunteer.
- policy -** An NPO adopts policies to guide its actions in critical issues. Each policy expresses the organisation's values and is a broad statement of intent. Policies resolve questions about how the organisation generally conducts its operations at different

levels in the present and the future.

- programme officer -** A person engaged full-time, part-time or in a volunteer capacity, by an NPO to supervise or manage a service programme designed to meet its purposes. On rare occasions this responsibility will be out-sourced to individuals or businesses who provide these services.
- sponsor -** An individual or institution who openly supports an NPO, or its activity or its event, usually to obtain publicity for the sponsor or the sponsor's products or services. Funds or other resources are provided to the NPO in return for this privilege. This arrangement is sometimes called cause-related marketing.
- volunteer -** An individual who provides services to an NPO and its service, administration or fundraising programmes, without remuneration. However out-of-pocket expenses are often reimbursed by the NPO, and in some cases an honorarium is offered to the volunteer.

## **Codes of Good Practice for South African Non-profit Organisations (NPOs)**

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### **Section A: Nonprofit Organisation (NPO) Leadership and Management**

#### **1. Introduction**

Three distinct groups of organisations have important impacts on community life in the South African democracy. The first of these groups is the **State or Government**, through which all of society expresses its political life and the supervision of community life. The State is voted into power through elections, performs services in the community and these activities are funded by taxes on individuals and institutions. This revenue is supplemented by foreign aid, in the form of grants or loans. The second group is **Private enterprise or the business sector**. Its influence over the community is felt when it meets the needs and desires of individuals by providing goods or services at a price. Public response is to make voluntary payment for products and services, and from this support businesses continue to meet community needs and wants, and make a profit for themselves in the process.

The third group is the **Nonprofit Organisation sector (NPOs)**. This is made up of organisations that begin when individuals in the community agree to act together for common purpose. Their early financial support comes mainly from the founders who dig deep into their own pockets, followed by appeals to donors for their voluntary response. Resources also come from government subsidies or grants or contracts, and self-generated income.

When an individual or a group of like-minded individuals see a need or problem in the community, and do something to address that need or problem, they have initiated an action. When that action is sustained by their efforts through organising themselves to continue the activity, they give birth to an organisation. Many community organisations remain in this voluntary state, driven entirely by the energies and resources of the founders and their members. As soon as a community organisation seeks recognition or looks for resources beyond itself it has to establish a formal institution. This usually involves: The appointment of a controlling body (committee or board); the writing of a constitution; the opening of a bank account; the voluntary registration of the organisation under the Nonprofit Organisations Act; and the optional registration of the organisation as a Section 21 Not-for-gain under the Companies Act, or as a Trust under the Trust Deeds Act.

The nonprofit sector, as with most sectors, suffered from global isolation, restrictions, limited resources and inadequate relationships with other sectors. In order to overcome this burden, it is vitally important to address relationships, service delivery, transparency, accountability, governance and management to ensure development in our country. These codes of practice have been developed with the support of hundreds of national, provincial NGOs and CBOs. These codes are based on the Constitution of South Africa, and attempt to stimulate change and to enrich the environment of the nonprofit sector. The codes are dependent on the active role played by and support of all nonprofit organisations.

Another important activity in the early stages of forming an NPO, is the preparation of a Mission Statement. When the individual or group of individuals first set out to meet a community need or problem, they have a vision. This vision is for a better life in the community, or for a day when the need had been successfully met or the problem solved. For-profit organisations (businesses) are driven forward by their desire to make profits. Non-profit organisations (NPOs) move towards fulfilling their visions. This journey or driving force is usually captured in words – a few sentences – a short paragraph – describing the NPO's reason for existence, its Mission.

The NPO, its continuing service activities, its need for resources and the way in which it organises itself, are all focused on fulfilling its Mission. All their planning, whether it be for programme or funding, flows out of the need to fulfil the Mission.

The leaders of the emerging NPOs soon find out that they carry three major responsibilities, in order to fulfil the mission and ensure the organisation's survival and growth. The first is to make sure that its service programme is meeting the community needs or problems effectively and efficiently. The second is to establish a reliable and sustainable support (funding and other resources) base in order for the organisation to fulfil its work. The third is to ensure that procedures are in place to ensure the careful and accountable handling of all the organisation's resources and programmes. When the day-to-day activities of the NPO increase so much that it is no longer possible to handle them all in volunteer time, the committee or board has to make a decision about appointing fulltime or part-time staff. The first person appointed is called the Co-ordinator, or the Manager, or the Chief Executive Officer (CEO), and reports to the organisation's governing body.

Growth in service, resource-raising, finance and administration will eventually mean that further staff are appointed, usually by the CEO. Some of the work will continue to be done

by volunteers, or part-time people. You now have a structure comprised of volunteers at the top - serving on the board, paid staff below, and volunteers under the staff - helping to deliver the service or raise the funds.

## **2. Operating principles**

NPOs, irrespective of their diverse interests and activities, are expected to agree to a set of common values by which the sector will be recognised. These values are influenced by the need for an NPO to assist in the combating of poverty and inequality, and to strive to improve the lives and circumstances of all South Africans. With this in mind NPOs commit themselves to the following principles:

- Being faithful to the Republic of South Africa; honouring and abiding by its Constitution;
- Promoting the unity and wellbeing of those who comprise the South African nation;
- Being responsive to the needs and welfare of the people of South Africa;
- Respecting the rights, culture and dignity of all people within the framework of the Bill of Rights, as enshrined in the South African Constitution; enhancing race and gender equality (adhering to the spirit of ‘ubuntu’);
- Ensuring that there is no discrimination against any member of the public on account of race, gender, ethnic or social origin, colour, sexual orientation, age, disability, religion, political persuasion, conscience, belief, culture or language;
- Acknowledging that every human being has a unique value and potential, irrespective of origin, disability, ethnicity, gender, age, sexual orientation, beliefs, socio-economic and legal status;
- Believing in the dignity, equality and worth of all South Africans, and in a fair and just society that protects and enhances the wellbeing of all its citizens; reflecting this wherever possible in the composition of its leadership, staff and volunteers;
- Supporting a participatory democracy;
- Co-operating, collaborating and networking with other organisations around issues of mutual concern;
- Applying people-centred development;
- Promoting voluntarism at all levels;
- Treating other organisations courteously and respectfully at all times;
- Ensuring the organisation remains true to its mission and objectives;

- Ensuring that the organisation presents itself, its policies and its programme in a positive light to the public, regardless of personal feelings or beliefs;
- Ensuring that the organisation is approachable, helpful and accessible in its relationships with beneficiaries, who are expecting high standards of service;
- Striving towards the provision of an excellent, efficient and effective service at all times;
- Being mindful of the circumstances and concerns of the beneficiaries when making decisions that affect them;
- Ensuring that the organisation has honest and open relationship with its supporters;
- Ensuring that the members serve the organisation in an unbiased and impartial manner, setting aside personal interests and upholding its good name, in order to create confidence in the organisation and the nonprofit sector as a whole;
- Ensuring that the organisation forms associations only with organisations that adhere to similar principles.

### **3. Leading and managing**

For an NPO to fulfil its mission and achieve its objectives, the office bearers have to be prepared and equipped to face a variety of daily situations. For an NPO to perform well its governing body and staff leaders need commitment, enthusiasm and initiative. The governing body and staff leaders have both distinctive and overlapping roles and responsibilities to achieve this.

#### **The governing body:**

The governing body of an NPO tends to emerge from the circumstances that gave birth to the organisation they serve. As the nature and structure of the organisation changes and grows so the governing body finds itself faced with changing roles. At any stage of its life it is important for a governing body to clarify its responsibilities. A governing body that meets the legal standards of its constitution and registration, in the performance of its duties, also positions the organisation for success through good management and ethical practices. Service on a governing body is very important for the organisation, and the performance of duties must be taken seriously. Each individual governing body member, and the body as a whole, is held accountable for actions with respect to the organisation. They may delegate some of the work to outsiders, but they cannot delegate their final responsibility.

Most NPOs will claim to be initiated by a concerned community, who are either requiring a service to meet a particular need, or are seeking to apply resources to deal with a need. Governing body members usually find themselves representing either or both of these audiences. The effectiveness of a governing body is measured by the attention it gives to care, loyalty and obedience:

- ***Duty of care:*** To act as an ordinary, wise person would – in the same circumstances; applying careful, attentive and informed participation. There is no measure of just how much time, skill and attentiveness an individual must bring to her or his actions as a governing body member. This standard requires that governing body members base their decisions on adequate information.

Governing body members don't have to be experts at everything that comes before them. However, any member with special expertise is expected to contribute that specialised knowledge in his or her activities as a governing body member. Each member need not be fully involved in every action and decision of the governing body. The duty of care permits delegation to other members, committees, staff or even outsiders, within reason.

- ***Duty of loyalty:*** To act in good faith, in the best interests of the organisation. The duty of loyalty imposes safeguards and standards of fairness in situations where there are conflicts of interest. The legal standards address this concern by requiring activity such as: full disclosure; approval by the majority of governing body members; getting good deals for the organisation.

Another type of loyalty is raised when an individual member and the organisation are potentially in competition for the same side of a transaction. Only when the organisation chooses to forgo the opportunity is a governing body member free to go ahead on his or her own behalf.

- ***Duty of obedience:*** To act to ensure that the organisation operates within the laws, and rules governing its formation and status, and in accordance with its own constitution and mission. Actions taken that contradict the organisation's own rules or that do not fit with the organisation's purposes as described in its constitution, may be withdrawn if challenged.

Members of the governing body usually serve for two to four years, and the organisation's constitution should make sure that “fresh blood” comes onto the governing body at regular intervals. The following list of ten major roles and responsibilities of NPO governing bodies takes into account that:

- a. Governing body and member responsibilities are basically the same for all NPOs – even though each organisation might feel that they are unique;
- b. How governing bodies and their members actually fulfil their responsibilities will vary as a result of many factors, whether its staff and budget are small or large; whether it is a new organisation, or one founded many years ago.

- c. There is no ideal governing body size or composition or organisation that has proven itself to be viable in all circumstances.
- d. All organisations change over time and that calls for periodic review, fine-tuning, and sometimes a major overhaul of the governance structure.
- e. Governing bodies and their members begin to reach the peak of their performance when they exercise their responsibilities by asking good and timely questions, rather than just running the programme or implementing their own policies.

With these in mind, therefore, an NPO governing body:

- **Determines the organisation's mission and purpose:**

The governing body must produce documents that set out the reasons for the organisation's being - its mission statement, goals, objectives and policies. This includes a conflict of interest policy to guard against any possibility of personal gain, by governing body members or staff, being obtained from any of the organisation's transactions. It should describe the needs or problems being met, the constituencies that it serves and the constituencies that support the work. Above all it should be able to explain the organisation's uniqueness, and the compelling arguments that will attract funding. The governing body should take the lead in adhering to its constitution, policies and strategic plans.

- **Selects and appoint the chief executive officer:**

To carry out the mission and purposes, the governing body must select the right kind of people to head up the organisation, the Chief Executive Officer (CEO) and often the senior staff, whether they be full-time, part-time or volunteer. This should include the preparation of job descriptions for these positions, and the supervision of the CEO. The CEO, and maybe some of the other senior staff will sit on the board in non-voting positions.

The governing body's interest in the staffing of the organisation could include: personnel policies, affirmative action policies, record keeping, legal compliance, selection of personnel, organisation charts, job design, salaries, gratuities, motivation, supervision, performance appraisal, career and professional development, and labour relations.

- **Supports the CEO and reviews his or her performance:**

The head or chief executive officer (CEO) of a nonprofit organisation, whether it be a volunteer or full-time position, has to report to the governing body. The CEO is expected to make regular reports on progress of the organisation's service and fundraising activities, the administration and financial management processes and the implementation of the organisation's plans. The CEO needs the moral and concrete support of the governing body.

- **Ensures effective organisational planning:**

Governing body members must be involved in the planning processes of the organisation; defining its desired future and the means to bring it about. They are responsible for deciding and reviewing the organisation's mission, and what result/s the organisation aims to achieve to fulfil its mission; selecting the functions and specific programmes, both service and support, the organisation will need to implement to achieve these results;

designing the steps (annual objectives) and structure that will be necessary to carry out its work effectively and efficiently.

In order to do this the governing body should ensure that: There are values that guide the organisation; there is a long-term vision for the organisation's future; there is a clear definition of the work the organisation does; there is a description of the results expected from the organisation's work over the planned period; there is an annual operating plan and budget (both income and expenditure) in place; the progress towards implementing the plan is monitored and regularly evaluated. Large NPOs might appoint a planning committee to take responsibility for this activity.

- **Ensures the organisation has adequate resources:**

A nonprofit organisation is only as effective as it has resources to meet its purposes. Providing adequate resources is a governing body responsibility. In larger organisations the fundraiser might not be a governing body member, but the body gives full support to the fundraising processes. It is through the governing body that large potential donors are influenced. Members should be able to provide contacts in areas of the market with funding potential. To do this effectively they themselves must be financially committed to the organisation. They must establish an annual income plan; monitor the income progress regularly. Many NPOs appoint a fundraising committee to take responsibility for this activity.

- **Manages the organisation's resources effectively:**

The governing body is the guardian of a nonprofit organisation's resources. In the case of Section 21 Companies financial responsibility rests with the individual governing body directors. The governing body is responsible for the assets and resources held by the organisation and to make sure they are managed properly, through the implementation of procedures and control mechanisms that ensure the proper use of the organisation's assets. The governing body should assure itself that adequate financial planning, budgeting, accounting, payroll, taxes, annual reports to the Department of Social Development, internal controls, financial analysis, cash management, reserves and risk management are in place. A governing body needs to monitor the budget through regular financial reports, and taking necessary action to make sure the budget remains balanced throughout the year.

The governing body also obtains and accepts the annual audit of financial accounts, looks after the organisation's assets and investments, and ensures that all legal requirements are complied with. Some governing bodies appoint a finance committee to pay close attention to this important work.

- **Determines and monitors the organisation's programmes and services:**

The governing body should have an understanding of each of the organisation's service programmes and/or projects and how they implement the mission. Their role is to question whether the organisation's current programme and services match its stated mission and objectives. To do this they must: Approve the annual programme plans; agree to the methods used to monitor and evaluate the programmes or projects; insist on receiving regular progress reports on each programme or project and their accomplishments; critically analyse the

organisation's culture and activities, making sure that changes necessary to build creativity, diversity, responsibility and respect, while recognising all cultural groups as equal partners in developing the organisation, are implemented. Should the service programme be complex or of a highly technical character some NPOs appoint a programme committee to take responsibility for this activity.

- **Enhances the organisation's public image:**

The governing body serves as a link between an organisation's staff or volunteers, and the organisation's clients, members, community and donors it serves. Usually the CEO or the chairperson are the main public spokespersons for the organisation; whoever is chosen should be authorised by the governing body. Members could have contacts with many areas of influence; in commerce, the media, the government. They should always guard against giving personal opinions in the name of the organisation, and be equipped to promote the organisation with accuracy and enthusiasm at every opportunity.

In order to fulfil this responsibility the governing body members should be informed about the organisation's markets - beneficiaries, clients, supporters etc. In larger NPOs this could mean taking an interest in market research, market planning, product development, packaging and distribution, pricing, promotion, sales, communications and public relations. At the very least the governing body should know how effectively and efficiently the organisation is serving or reaching these markets. They should ensure that an annual report is prepared.

- **Serves as a court of appeal:**

The mark of an effective and maturing NPO, is one who's governing body members do not get involved in the day-to-day running of the operation, and do not become involved in the inter-personal relationships of staff, or the controls of the CEO. From time to time the judgement of the CEO might be questioned by a staff member. The Board will need to be consulted by the CEO in these disputes. In small or new organisations where some governing body members also serve as volunteer staff, conflicts and confusion often emerge when members do not understand their responsibilities and sensitivities of these dual roles.

These processes are more effectively enabled when the organisation establishes and maintains disciplinary and grievance procedures with clear lines of authority and accountability.

- **Measures its own performance:**

Every two or three years the governing body should give itself an opportunity to examine its own progress and performance. This is most effective if each governing body member joins the organisation with an agreed standard of performance or job description in place. Progress can be measured at an evaluation workshop, or by interviews with each member conducted by the chairperson and/or the CEO. Minimum criteria against which performance can be measured could include: Knowledge of the organisation; commitment to the organisation; influence in the client or donor community; ability to give; willingness to work.

### **The staff leadership:**

To make the most of governing body and staff effectiveness, governing body members, committees and staff will need to work together cooperatively, recognising how each of their roles and responsibilities overlap with each of the others. This is all done with the aim of achieving the NPO's mission.

The primary responsibility of the staff, whether they be full-time, part-time or volunteer is to implement the organisation's programme in accordance with its constitution, mission and strategic plans. This includes the development of its own human resources, the faithful stewardship of its resources, and the optimum use of all its resources, including time. This empowerment process focuses on building human capacity and improving the skills of people. The CEO takes responsibility for leading these processes and activities. He or she should strive to keep the staff informed and enable them to participate in identifying needs and opportunities, helping them to address these and take ownership of the processes. The organisation's office bearers should consider the following codes to achieving these ends. The staff leadership should:

- Endeavour to understand the organisation inside and out;
- Provide policy guidance and leadership to the governing body. Staff policies must adhere to the Labour Relations Act and other relevant legislation and must protect the rights of employers, employees, members and volunteers;
- Manage, direct and implement all service, fundraising and administration operations, programmes and activities of the organisation;
- Implement the policy decisions and directives of the governing body;
- Uphold and adhere to the constitution and policies of the organisation;
- Educate the governing body regarding their unique and also overlapping roles and responsibilities with the staff;
- Report regularly to the governing body and otherwise ensure that the board is kept informed of all organisation activities;
- Advise the governing body in a timely fashion of any developments that may affect the organisation's well-being;
- Establish and maintain effective internal communications systems;
- Maintain effective financial controls in place; approve all financial disbursements and otherwise monitor all financial and accounting activities of the organisation;
- Prepare annual budgets with the assistance of the staff, a treasurer (if appointed) and finance committee (if appointed);

- Hire, supervise, evaluate and fire staff. Develop adequate and acceptable systems of assessing skills, experience and qualifications, levels of responsibility and performance, and remunerate on this basis. Have clear and transparent procedures for employing new staff and disengaging staff;
- Encourage and support the involvement of volunteers;
- Maintain organisation records, files, documents and archives;
- Enter into contracts with suppliers on behalf of the organisations, with approval of the governing body;
- Represent the organisation to other organisations, the media and the public at large;
- Prepare meeting agendas, staff notices, reports, daily correspondence and other necessary internal and external communications;
- Maintain the confidentiality of sensitive information.

#### **4. Financial management**

Unlike businesses that earn their income by selling goods or services, and unlike the government whose resources are provided by taxation, a nonprofit organisation does not own the resources it raises. NPOs are expected to be careful and effective managers of the resources entrusted to them by donors, sponsors and the state. Financial management systems, no matter how simple and basic, need to be developed and maintained by an organisation's office bearers to ensure the appropriate use of resources. Generally this can be achieved by:

- Setting up appropriate financial systems and employing qualified persons, either full-time part-time or voluntarily to administer and manage these systems;
- Developing a financial policies and procedures manual (in the case of maturing NPOs) that might include: Financial statement presentation, distribution and timing of financial statements, system of accounting codes, bank statement reconciliation procedures, investment policies, cheque signing procedures, travel expense and per diem policies, income collection and recording systems, payroll policy, insurance policies, controls over fixed assets, controls over inventories (if applicable), budgeting procedures, tax procedures (if applicable) and conflicts of interest;
- Complying with South Africa's accepted accounting and auditing practices, as regards procedures, banking, reporting and record keeping;
- Conducting annual financial audits;
- Preparing realistic annual organisational income and expenditure budgets;

- Monitoring the actual income and expenditure performances against the budgets and adhering to them where possible. When it becomes necessary to make adjustments, the staff should consult with the governing body before bringing the budget into line with actual performances;
- Setting up clear policies on loans and staff advances;
- Developing a policy regarding the receipt of outside honoraria and/or remuneration in order to avoid 'double' or inappropriate payment;
- Establishing effective controls for the handling of petty cash;
- Introducing clear procedures for the authorisation, preparation, signing and issuing of cheques;
- Having disciplinary procedures in place to deal with any misuse or misappropriation of resources or assets;
- Establishing acceptable ratios and standards to keep control of fundraising and administration costs;
- Ensuring that designated funds are used only for the purpose for which they were given;
- Reducing the risk of financial dependency on narrow funding sources by developing a diversified funding base;
- Establishing an effective purchasing system that: Ensures competitive quotations are considered where applicable; purchase orders are authorised; that goods or services are checked against purchase orders; payment procedures are adhered to; and appropriate records are maintained.
- Establishing an effective contracting or tendering system that: Complies with the requirements of procurement legislation; is open and fair; meets all the requirements of each contract or tender.

## **5. Accountability and transparency**

One of the objectives of the Nonprofit Organisations Act is to encourage and support NPOs in their role towards meeting the diverse needs of South Africa's population, by inspiring them to maintain adequate standards of transparency and accountability. An NPO does not own the resources it needs to fulfil its mission, but is allowed to use money and other gifts to achieve planned objectives. Those who release these resources have to be persuaded that the work will be done according to plan, and with responsibility.

An NPO exists and is sustained by its ability to maintain open and productive relationships with its key stakeholders: Those the organisation serves; those who provide the resources to

the organisation; and those who create an enabling environment in which the organisation operates. It is in the best interests of the organisation, its governance and leadership to pay close attention to improving its standards of accountability and transparency, by having:

- A clear mission to drive the organisation and its programmes. An organisation that lacks direction is not worth supporting;
- Carefully selected governance, staff leadership and competent staff and volunteers in office. People who can be trusted;
- An effective strategic plan of action, with controls in place to monitor and evaluate progress. Opportunities must be provided for beneficiary stakeholders and communities to be involved in the planning processes, regular evaluations and updating of programmes and projects;
- Policies and systems in place that make sure that the optimum use is being made of all the available resources - people, skills, money, materials and facilities;
- Accounting systems and controls in place that ensure the transparent and effective handling of money and resources coming in and going out;
- An organisation that is willing and open to public enquiry and questioning. Transparency is fostered by providing timely, accessible and accurate information on the organisation and its activities to donors and others. Its annual general meeting must be held with full, open and accurate disclosure of relevant information concerning goals, programmes, finances and governance.

## **6. Ethical and responsible behaviour:**

NPOs exist on the support they receive from others, given in trust and with the hope that problems and issues will be effectively addressed by the organisation's mission and objectives. Because NPOs are expected to "do good" with these resources the public expects them to be beyond reproach. Any misbehaviour brought to light by enquiry or the media becomes a slight on the entire NPO community. Therefore all NPOs are expected to conduct their operations ethically and behave responsibly in their dealings with others. While the application of the following standards and principles might vary from one organisation to the next, they remain a good place to start:

- ***Honesty:*** Honest people are truthful, sincere, forthright, straightforward, frank and candid. They do not cheat, steal, lie, deceive or act deviously. NPO staff and volunteers should be scrupulously honest in their dealings with donors, beneficiaries, employees, volunteers, governing body members, the public and the authorities.
- ***Integrity:*** People and organisations with integrity are principled, honourable and upright. They are courageous and act on convictions. They will fight for their beliefs and will not adopt an "ends justify the means" philosophy that ignores principle, or is

expedient at the expense of principle. NPO staff and members respect the integrity of the mission established by their governing body.

- ***Promise keeping:*** People worthy of trust keep promises, fulfil commitments, abide by the spirit as well as the letter of an agreement. They do not interpret agreements in an unreasonably technical or legalistic manner to rationalise non-compliance or to create justifications for escaping their commitments.
- ***Fidelity/loyalty:*** People worthy of trust demonstrate fidelity and loyalty to other people and to organisations by friendship in adversity, support, and devotion to duty. They do not use or disclose information that is learned in confidence for personal or professional advantage. Staff and governing body members should safeguard their ability to make independent professional judgements by scrupulously avoiding undue influence and conflicts of interest.
- ***Fairness:*** Fair people manifest a commitment to justice, the equal treatment of individuals, and tolerance for and acceptance of diversity. They are open-minded, willing to admit they are wrong, and, where appropriate, change their positions and beliefs. They do not overreach or take undue advantage of another's mistakes or difficulties.
- ***Caring for others:*** Concern for the well-being of others manifests itself in compassion, giving, kindness, and serving. It requires that one attempts to help those in need and avoids harming others.
- ***Respect for others:*** Ethical people demonstrate respect for human dignity, privacy, and the right to self-determination of all competent adults. They are courteous and decent. They provide others with the information they need to make informed decisions about their own lives.
- ***Transparency:*** Staff should provide as much relevant information to the public as is reasonably possible to permit intelligent assessment of goals, means, and results as they relate to the organisation's mission.
- ***Responsible citizenship:*** Responsible citizenship involves lawfulness, participation, social consciousness, and public service. NPOs must be especially careful to obey all relevant regulations and laws.
- ***Pursuit of excellence:*** Ethical people are concerned with the quality of their work. They pursue excellence and are diligent, reliable, industrious and committed.
- ***Accountability:*** Ethical people accept responsibility for their decisions, for the foreseeable consequences of their actions and failures to act, for setting an example to others and for providing feedback to donors and sponsors on how funds were utilised.
- ***Safeguard public trust:*** NPO governance, leaders, staff and volunteers have special obligations to lead by example, to safeguard and advance the integrity and reputation of all organisations that depend on voluntary support and public trust, to avoid even the

appearance of impropriety, and to take whatever actions are necessary to correct or prevent the inappropriate conduct of others.

## Codes of Good Practice for South African Non-profit Organisations (NPOs)

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### Section B: Nonprofit Organisation Fundraising and Resource Mobilisation

#### 1. Introduction:

The word “Fundraising” has been used by NPOs for more than one hundred years, to describe the gathering of resources. The most important of these resources is money. These days it is almost impossible to support the work of these organisations from donor income alone. Resources have to be found from many different directions and methods. Today more and more NPOs are charging for their services. Schools ask parents to pay fees for their children, community service centres are charging their clients, because they no longer have enough donor support to offer free services.

In some cases donors make gifts of items such as office equipment or building materials, instead of cash. People in the community are encouraged to support an organisation by giving their volunteer time, or their skills, or physical items such as curtains and chairs for the office. A number of NPOs are making candles, fencing materials or printing T shirts for sale, and making a “profit” from these sales to support their operational costs. This variety of support can hardly be called “fundraising”, so a new term is coming into use, “Resource Mobilisation”.

There are three important stakeholders involved in the fundraising process. The first is the **Beneficiary**, the person or community that has a need. The second is the **Donor**, the person or institution that has the money or resources. The third is the **NPO** that acts as the important link between the beneficiary and the donor. Any definition of fundraising should mention these three stakeholders. Here is one example: *"The creation and assessment of public awareness to (human) need, and the co-ordination of resources of service, finance and fundraising programmes to deal effectively with that need at minimum cost, to the satisfaction of the donor."*

The need to release as much of the money raised to the cause for which it is raised, is bringing about the discipline of efficient and effective activities, often described as professional fundraising. Fundraising is one of the fastest growing professions in civil society. No longer is it seen to be an unwelcome begging task that relies on a never ending stream of good ideas, that an NPO hopes will succeed more often than they fail. While

fundraising activities are handled mainly by volunteers, or people doing it as a part-time job for NPOs, it is serious hard work. Yet the very real practical challenges of the occupation are driving fundraisers to seek professional status.

Fundraising in today's rapidly changing environment is complex. No magic formula has ever been devised to transform an urgent, even desperate, wish for support into instant results. There was a time when those who cried "*help*" loud enough and long enough, usually received the donations for which they were looking. But today, with electronic media bringing the world and its problems into our communities, the public has become hardened to a world of increasing need; cynical about society's ability to deal with problems, that grow bigger instead of going away.

There is a discipline to the development of funds, that proceeds in a logical order, from preparation to planning, to the execution and control of a fundraising programme. Fundraising will become increasingly effective and efficient through the application of a planned and businesslike approach to the task. While there are no fundraising success formulas, there are underlying principles that work well in all societies. These proven principles are based on the knowledge that fundraising remains more of an art than a science.

Because NPOs are driven by need to deal with community issues and solve community problems, they tend to pay most attention to designing and implementing service programmes and projects. The emphasis on accountability today also demands that an NPO should make sure that adequate administration systems are in place to look after the resources it has available. Most registered NPOs have enjoyed the support of major foreign donors in recent times, often under contracts spanning a number of years. All these factors have meant that the need to plan for future funding has not been given the same priority as service delivery or administration.

When a staff CEO or co-ordinator is appointed to an NPO the governing body often gives the funding responsibility to that person. Fundraising is not a task that appeals to the average governing body member! Whether the governing body retains its fundraising responsibility or passes it on to a staff member, fundraising is not usually seen as a planned activity, demanding time, skill and resources of its own. The worst scenario is when the organisation continues to be dictated to by the agenda of its major funding source or sources. It remains dependent on outside forces, and is sometimes side-tracked from its mission.

Without adequate resources an NPO cannot fulfil its mission, and it is up to its leadership to make sure that those resources are available. This means that as much attention should be given to establishing a secure and sustainable funding base as to the design and delivery of effective services. When this is recognised, fundraising (or resource mobilisation) become an identifiable line item in an NPO's annual expenditure budget.

If an NPO is interested in sustaining its work, and attracting funding support over the lifetime of the need, then it must pay attention to the following:

- ***The Mission:*** If an organisation does not know why it exists then it does not deserve to be supported. An NPO's Mission Statement should capture "*its reason for being*". Donors will not fund organisations that do not know why they do what they do.

- ***A plan for the organisation's future:*** Most NPOs do not have a written plan. They drift along without any direction. Worst of all they operate, or run projects, only when they have money. No funder will support an organisation if it does not know where it is going to or what results it plans to achieve .
- ***Effective internal and external communications:*** An NPO exists in an ever changing environment, both internal and external. If these are not examined regularly, no one will know what action to take. And if the volunteers and staff do not work together in planning ways around the problems, and taking advantage of the opportunities, there will be no commitment to get the work done. If the organisation does not find out how best to effectively communicate its services to the community and its funding needs to the supporters, it will soon close down.
- ***Investing in its own growth:*** An organisation needs three basic skills: The skill to address the problems or issues for which it was founded; the skill to find the resources required to sustain itself and its projects; and the skill to manage the operation and the resources. This means constantly investing in the development of these skills through its governing body, staff and volunteers. It also should realise that raising resources costs money, and therefore budget for this expenditure.
- ***Building relationships with its community and supporters:*** The heart of securing a sustainable future is for the organisation to build relationships with its major audiences. These are the people who need its services, and those who provide the funds. An important ground-rule in fundraising is that, when an NPO needs money it should be able to approach its friends first. Building a base of “*friends for life*” needs an investment in time by all the volunteers and staff.
- ***Servicing the funders and sustaining their support:*** Fundraising will not be sustained if an NPO takes that attitude of “*grabbing the cheques and running*”. Holding on to friends and supporters, means keeping them informed, and converting them into loyal partners in the programme. It takes time to cultivate and maintain these relationships, through excellent administration and personal contact with those who are becoming an NPO's most important supporters.

The Department of Social Development prepared these fundraising codes in keeping with the requirements of the Nonprofit Organisations Act of 1997, in consultation with relevant stakeholders in the fundraising sector. These codes represent a shared vision of what constitutes good practice in raising support from a variety of sources. By embracing these guidelines those engaged in raising funds for South African NPOs will ensure the professionalisation of this discipline and thereby instill confidence in the NPO sector.

## **2. Ethical values for those engaged in fundraising**

NPOs are moving through dramatic times, particularly as it relates to funding. Many are emerging from a period when standards and behaviours have been dictated to by two unavoidable forces: The needs of the communities being addressed by each NPO; and the

open and sometimes hidden intentions of major donors. This experience has not created a ground for ethical and moral debate. NPOs have been driven mainly by expediency. But there are signs of an emerging democratically driven, proactive role for NPOs South Africa's domestic societies. If NPOs are to be the custodians of community driven development; to be proactive rather than reactive agencies; to be guided by their missions instead of by the agendas of funding sources; then NPOs had better know who they are, where we are going to, and how they should behave in the process.

There is a natural tendency for the public to believe that those who are engaged in NPOs established for public good should behave in an exemplary way. It is expected that the NPO sector be beyond reproach. Reflective fundraisers should now be asking deep questions such as: *“Why does our profession exist?”* or *“How do fundraisers contribute to the common good?”* or *“To what common standards do fundraisers adhere?”* or *“How does self-interest influence the performance of fundraisers and their organisations?”* or *“What incentives motivate fundraisers?”*

Taking fundraising seriously moves the NPO sector to consider whether the practice is a profession or not. Although Fundraising is not legally recognised as a profession, it has made progress on the road towards professionalisation. The public has tended, in recent years, to call any person or group raising funds for remuneration, a “professional fundraiser”. The attainment of professional stature requires a level of conduct in attitudes and behaviour that rise above merely doing a job in a competent manner. The standards and ethics that are applied to fundraising practice reflect and reinforce the purpose and style of any NPO. In other words, how an NPO conducts fundraising says a great deal about it, and may actually determine the organisation's character.

Most NPOs handle fundraising themselves, and the function usually falls on the shoulders of the CEO. In some cases the CEO has the assistance of a fundraising committee appointed by the governing body. Growing or larger NPOs employ a full-time or part-time staff person or a department of people to carry the day-to-day responsibilities of fundraising. There are individuals and organisations who offer their services to NPOs as “professional fundraisers” and raise funds on behalf of an NPO under contract, either for a commission or a retainer or both. Fundraising consultants are also available in South Africa. They do not raise funds but help build the funding capacity of the organisation by providing advice, training and mentoring to NPO staff and committees.

In multi-cultural societies the traditions and customs of one group are not necessarily accepted by the other, and impose themselves on organisations who serve one culture while raising funds in another. Knowing about the larger environment within which fundraising for specific purposes takes place, is important to fundraisers, if they are to have a balanced and enlightened perspective on their work. Fundraising practice, as it becomes more professional, becomes more open, more candid, more accountable to those who have given their money and other resources.

Each NPO, if it is survive, has to set standards of conducting its business. After all if its activities are unacceptable to donor audiences then it will soon run out of resources. This usually follows the desire of the organisation and its leadership, including the fundraisers, to

first of all respect an internal management discipline of analysing, planning, executing, controlling, monitoring and evaluating. The acceptance of fundraising as a management function will reflect the degree of internal self-regulation that exists within an organisation.

In a survey of the American public taken in 1989, only 37% felt that fundraisers are trustworthy. The South African public opinion is not known, but few fundraisers would argue against the need to set organisational and professional standards based on traditional personal ethics, listed in Section A on pages 16 and 17. The standards and ethics that govern fundraising practices play a defining role in what NPOs contribute to the common good.

### **3. The responsibilities of a fundraiser:**

Within the context described above what should be the “professional” behaviour of a fundraiser working inside an NPO, or an outside fundraiser working for an NPO? Bear in mind that a fundraising person could be a governing body member, or the CEO, or a staff person, or a volunteer, or an external individual. The fundraiser should:

- Understand the organisation’s mission and develop fundraising activities that both compliment the mission and assist the organisation towards achieving it;
- Develop a deep understanding of the organisation’s values, programmes and projects, and a knowledge of the beneficiary communities; demonstrate an ability to interpret this understanding and knowledge into effective fundraising communications;
- By nature be outgoing and visionary. Any fundraising plan or activity should be able to demonstrate the urgency, uniqueness, relevancy and worthiness of the programmes and projects that the NPO has to offer;
- Obtain support for the organisation in an open, honest and trustworthy manner, resisting the temptation to over claim or disguise the organisation’s ability to achieve the promised outcome;
- Be able to identify potential contributors through discovering their linkages, interests and financial ability; involve herself or himself in the prospect-cultivation process, and accept responsibility for seeking funds to meet agreed income targets;
- Make a contribution towards the building of a respected fundraising profession, recognising that the true characteristics of such a profession are that:
  - It should be practised as a fulltime occupation;
  - Formal training is necessary;
  - There is a need to form, belong to and serve a professional association;
  - There is a need to formulate a code of ethics.
- Demonstrate their professional responsibilities, thereby placing the best interests of the NPO and those it serves above their own personal interests;

- When called upon, recognize and carry out obligations to the NPO by giving counsel and assistance in respect of the fulfillment of its goals and other aspects of internal funding-related management.
- Encourage and give their full support to the provision of education and training of the highest practicable standards to those responsible for fundraising activities and do their utmost to improve technical and other performance standards within the profession. Foster the sharing of ideas, experiences and practices so as to contribute to the common pool of fundraising knowledge, the good of organisations and agencies on whose behalf fundraisers work, and the success of the causes and of the people that such organisations and agencies seek to serve.
- In good faith co-operate with fellow practitioners in curbing malpractice and eliminating unethical and undesirable conduct within or impinging upon the fundraising profession and, in particular they will oppose and not wittingly be party to:
  - misrepresentation in any form, including exaggerated claims of past achievements or offers or promises to raise unobtainable sums of money;
  - contracts or undertakings for fundraising services on the basis of a guarantee in respect of compensation in any form for the non-achievement of declared financial objectives; or involving hidden costs to the organisation or agency recipient of the fundraising service.
- Predict fundraising results only on the basis of prior professional assessment of the particular circumstances and their bearing upon considerations important to such results.

#### **4. The hiring of an outside fundraiser:**

Some NPO leaders and governing bodies are tempted to put their fundraising in the hands of a so-called “professional fundraiser”. This usually means someone who asks for a percentage of the funds they raise (such as 15%) and/or a retainer. The idea that the organisation only pays when money is raised sounds like a good idea. Alternatively the fundraiser could ask for a fixed monthly retainer. However these arrangements could create problems, such as:

- Donors today want to know that their money is being used to meet the need for which they responded. When a slice of their gift is taken by the solicitor (commissioned fundraiser) they have every right to question his or her motives.
- Donors will want to question how much of the funds they give to a solicitor actually gets through to the organisation they represent, even if the cheque is made out in favour of the organisation
- Cultivating gifts from large donors is a long-term activity. This does not suit a commissioned fundraiser, who wants to strike a decision as quickly as possible so that

they can earn their monthly dues.

- NPOs should be convinced by now that effective fundraising is far too complex for simple solutions, such as paying a commission. Some gifts take years to negotiate and achieve.
- The tracking of commission-bearing income requires detailed administration. With a number of fundraising and public relations activities taking place simultaneously, how does an NPO separate those gifts that are generated by the “sales-person” and those that are not? To what extent can you ascribe the influence of the commissioned fundraiser in each situation?
- Major donors do not always have ready money, but might be prepared to pledge a gift over a period, either in regular payments or by a lump sum at a future date. What happens if the pledge is not met – does the NPO still pay the commission, or ask for it back?
- Volunteer boards or staff will resent the fact that they might have done a lot of work developing a prospective donor’s interests, and the commissioned fundraiser comes along and is paid for “clinching the deal”.
- How do the rest of the NPO staff feel when one person is being paid according to their productivity. Why should this fundraiser be singled out for special treatment?
- There is never any guarantee that a prospect will respond positively, so the frequency and incidence of success are always in doubt. If the going gets tough the commissioned fundraiser might need to find a way to escape.
- In order to bring in an income the fundraiser will be tempted to shorten the negotiation process by securing a “yes” at a lower gift level, than might be the full potential of the donor.
- Commissioned fundraisers might be tempted to say anything about the NPO they represent to gain favour with a donor. This is a real danger when the fundraiser is not employed by the organisation. What are they saying about the NPO? What is this doing to the NPO’s hard-earned image? Will this ensure a long term partnership between the NPO and the donor - the essence of sustainable and reliable funding?
- Donors are looking for a relationship with those who spend their money. Many major funders are not prepared to negotiate with outside fundraisers. Recently, some major donors are stating this in their funding guidelines.
- A detailed contract must be signed by both the NPO and the fundraiser or fundraising organisation. This contract should clearly: State the responsibilities of both parties; set income targets; explain what administration or travel costs are involved and how they will be controlled; build in regular opportunities to review progress; explain who “owns” the relationship with the donors during and after the contract is terminated; contain an

opportunity for either the NPO or the fundraiser to terminate the contract by giving at least 30 days' notice

Commission-based fundraising works best in short-term fundraising such as organising a fundraising event or a competition. The fundraiser receives a percentage of the net income after all costs have been paid for. Whenever an NPO plans to enter into a contract with an outside fundraiser it is always wise to find out the experiences of their previous clients.

## **5. Hiring a fundraising consultant:**

The dictionary describes a consultant as, “*A person who gives professional or technical advice, such as a doctor, lawyer, engineer, editor etc.*” A fundraising consultant works with key staff members and governing body members to resolve fundraising and related organisational issues. The exact methods and services vary from one consultant to another, and from one situation to the next.

A consultant can be viewed as an NPO's best friend or worst enemy and still help the organisation to achieve desired results. The NPO might see very little of this person, or the consultant might virtually live with the organisation. One thing is certain and that is, the chemistry between the client and the consultant must be strong and supportive. The consultant must be flexible in meetings the organisation's needs and have enough experience to help the organisation work through its problems.

The NPO's governing body and staff must have faith in their consultant and not work against the agreed strategies.

Fundraising consultants provide the following five broad categories of work:

- ***Capital and Special Campaigns:*** This is a campaign to raise a lot of money from a few donors within a specified time. A consultant might be involved in directing the campaign. He or she will usually recommend a feasibility study, to test the potential donor response to the campaign case, before the organisation commits itself to the full drive. The consultant undertakes a series of objective interviews with community leaders and prospective donors, and issues a report and recommendations. The consultant will also train the solicitors.
- ***Operating and Annual Campaigns:*** Organisations need to bring in a regular flow of income to satisfy their monthly operating costs. The most important method used is direct mail, whether it be appealing to or upgrading donors, or developing and reminding members and subscribers. Consultants can help NPOs set up donor management systems and a fundraising mix that provides this essential regular income. This mix might also include membership programmes, donor pledges, special events, the sale of services, and games of chance
- ***Orienting and Training Staff and Volunteers:*** It is essential for consultants to transfer their knowledge and skills to the organisations they serve, so that they adopt the abilities that will bring them to self-support. Consultants can provide formal

training in workshops and seminars, and on-the-job mentoring as they help staff and volunteers implement fundraising strategies.

- **Other Support Services:** Non-profit organisations have a right to be concerned about the effectiveness of their fundraising programmes. Boards may be troubled about their own leadership, staff strengths, public relations and many other components of the fundraising programme. A consultant can be called in to audit their fundraising situation and recommend the steps that need to be taken to move into a more effective fundraising operation. As a result they might be called in to assist with fresh organisation and fundraising strategy planning.
- **Endowment giving:** This remains a most neglected area of fundraising, yet the most cost effective. Income from major donor endowments, wills, insurance policies and other investments can provide a steady flow of operational income in future years. Consultants can help with the introduction of an endowment programme and train the staff and volunteers to implement it.

There are a number of logical steps in the process of hiring a fundraising consultant:

- **Determine your organisation's needs:** What does the organisation need and how much can it afford to spend? The first step to calling in a consultant is internal. Consultants perform a number of services, but the organisation should keep in mind that any fundraising effort is a long-term process, and investing in a consultant will go on impacting the fundraising programme long after the contract has expired. The NPO has to know exactly what the consultant is to do for the organisation and how much can be paid for the service.
- **Build up a list of consultants:** Talk to other NPOs about their experiences. Who do they recommend?
- **Put the needs of the organisation in writing:** Ask for a written response from each consultant on the short list. This could vary from a simple response to a formal proposal, and should include an estimate of the fees. This information will help the NPO decide which services match the needs they have identified. Further information can be gathered over the telephone, until the organisation is satisfied that it has enough to plan a final decision.
- **Hold interview meetings with those who are of interest:** Make sure that the governing body chairperson, or CEO, or chairperson of the fundraising committee - or all three are in the interview meetings. Allow enough time for each consultant to make a full presentation and to answer questions. It is good to prepare questions before hand, so that the interview team gets what they need out of each meeting.
- **Check references:** The committee should make a decision after the interviews, and it is important for them to check the references given by each candidate. Select a number of current and former clients. You might need to check which consultant staff member you

will be working with, and get to meet that person. It is essential that the consultant has been a successful fundraiser, and an expert in fundraising.

- **Select the consultant:** Do not postpone the decision. While the interviews and information is still fresh in the mind, come to a decision. If the decision is to wait a while, that is fine as long as the decision is made. A failure to act at this point indicates a lack of commitment by key governing body members and staff to what had been previously planned. No consultant's work will make up for that lack of leadership commitment. If the decision is made to appoint, contact the chosen consultant immediately.
- **Negotiate a firm contract:** A legally binding contract forms the basis for a relationship between the NPO and the consultant. Work with the consultant to develop a document that adequately reflects the proposed relationship. No standard form of fundraising consultancy contract has yet been prepared in South Africa - each consultant works on his or her own.

It goes without saying that consultancy is relatively new to the NPO sector. Apart from the misunderstandings about a consultant's role, NPOs tend to make life very difficult for those who are introducing new standards of professional fundraising practice in South Africa in the following ways:

- It is common practice for consultants to offer the first hour or two of their time free (pro bono). At this first meeting the NPO should explain its needs and the consultant outlines the steps that could be taken to meet those needs. However, some NPO representatives take advantage of this early contact by trying to "milk" advice out of the consultant - after all it's for free!
- NPOs assume incorrectly that consultants will raise money for them, and for a commission. This misperception comes as a result of a lack of understanding, and the activities of a number of commercial operators who are going around calling themselves "professional fundraisers".
- It is standard practice for a consultant to submit a detailed proposal or quotation to the NPO. In this, often lengthy document, the parameters of an agreement are explained, a step-by-step description of the proposed consultancy is given, together with full cost details. The consultant expects a response to his or her proposal, even if it is "no thanks". But experience among consultants is that 9 out of 10 prospective NPOs don't even bother to acknowledge receipt of the proposal, let alone give their decision.
- One of the reasons behind the previous problem is that often the NPO's governing body has not been involved in the discussions leading up to the decision to approach a consultant. This decision has been taken on the initiative of the CEO. Consequently when the proposal comes in the governing body wants nothing to do with it. This also indicates that fundraising remains a lonely function in most NPOs, instead of being one of the most important pillars on which a governing body stands. As a result, if a consultant is hired, it increases the frustration and loneliness of the staff. New

recommendations do not even get to the governing body, let alone approved by them.

- Indications are that most NPOs do not budget to spend money on fundraising costs. This further adds to the frustration of both staff and consultants, who are expected to work miracles with no resources.
- Consultants are often called in to help deal with fundraising issues, yet most of the time the funding problems are internal, originating with the governance and management. The problem is not that there is no donor money available, but that the NPO is not well organised to ask for it or manage it.

Attitudes that effect successful NPO/consultant relationships negatively are:

- NPO's are looking for a quick fix, and this does not exist.
- Consultants are contacted by NPO's when they are already in deep trouble.
- Often the problems identified as fundraising issues are in fact management and governance issues, or the organisation has lost direction.
- NPOs are confused on the commission issue.
- NPOs expect the consultant to become their fundraiser.
- The governing body knows there is a funding problem but they are reluctant to be part of the solution.
- There has been too much reliance on a narrow funding base - of corporates, foundations or foreign donors.
- NPO's don't see that fundraising is a full time occupation, making it difficult to implement consultant's recommendations.

## **Codes of Good Practice for South African Non-profit Organisations (NPOs)**

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### **Section C: Roles and responsibilities of Donors and Sponsors**

#### **1. Introduction**

*"We make a living by what we get, but we make a life by what we give"* (Winston Churchill). This captures the heart of the NPO sector and the strong sense of mission evident among the

some three million South Africans who work in it as staff or volunteers. Their work is made possible by the selfless and generous giving of individuals and institutions called donors. This spirit of caring and concern for others is contained in the word “philanthropy”, that has come to be understood as voluntary giving for common good.

The word “*philanthropy*” which entered the English language in the 17th century from the Greek (*philanthropia* - “*The love of mankind*”), has been used to describe many ethical and religious systems, movements of thought, and social situations. It has been associated with charity, civic spirit, humanitarianism, social control and social work. Little has been researched or written on the past, present and future of giving, or of “philanthropy”. Nothing has been researched or written about giving in the African context. But it is a powerful force affecting the quality and values of the human race. For over 6000 years, philanthropy has funded wars, erected temples, built universities, established movements, preserved cultures and changed the course of world history.

The Chinese were taught that the care for others is a personal virtue. Looking back into Jewish history, we find that the act of giving (*Isaiah 58:7*) and tithing (*Deuteronomy 14:22*) was part of social life and relationships. Judaism influenced early Christian ideas and practices in philanthropy. The apostle Paul developed the Hebrew idea of steward-ship, which assumes that the rich man is not the owner but merely the steward of the wealth in his hand (*Genesis 1.26*), and must therefore use it in accordance with God's commands (*2 Corinthians 8,9*). The early Christian commitments to those in need, to the sharing of wealth, and to building a sense of fellowship in the community of believers, were regarded as expressions of Christian love.

Philanthropy can also be traced back to Egyptian writings which talked of giving to make life happier and better for others. The Greek and Roman ideas of philanthropy differ from the Egyptians in that it was directed for kindly acts “towards people”, not just the poor and needy. Their guiding policy preferred the idea of public responsibility in the form of work relief projects or doles. In western Europe the church found ample scope for institutionalising the doctrine of love of fellow men by encouraging and sponsoring gifts for charitable hospitals, colleges, and monasteries with well-defined functions for the care of the poor. In Catholic countries the church continued to function in charitable and educational roles with little state supervision.

The idea of voluntary organisation in charity developed with new social and economic forces associated with overseas expansion, including the slave trade, the industrial revolution, and the need for a cheap but stable and reliable labour force.

Modern philanthropic ideas were spread world-wide when religious movements undertook to “Christianise” and “civilise” indigenous peoples overseas, and to support growing colonial empires, as in the case of Southern Africa. In the later part of the 19th century and in the early years of the 20th, we experienced a “golden” chapter in the history of philanthropy. A great deal of giving, both during the lives of donors and in provisions in their estates (possessions left behind when someone dies), continued to be directed toward charitable and religious institutions and causes. An increasing emphasis was put on the use of philanthropy for the prevention of shortcomings in the social order, and for the general improvement of the quality of civilisation.

Most religious movements teach caring and charity to their followers. Apart from Judaism and Christianity we find that Buddha teaches that there are four things which bring happiness to man in this world. One of them is: *“He should practise charity, generosity, without attachment and craving for wealth.”* Among the moral and ceremonial teachings of Islam, emphasis is placed on: *“Selflessness as a form of gratitude to God. And feed with food the needy wretch, the orphan and the prisoner, for love of Allah only. We wish no reward nor thanks from you.”* In the Hindu tradition, the stress in the Vedic hymns on the offering of gifts to the gods is an essential feature of religious experience. This is generalised to include the concept of the duty of liberality to all who are in need. The motivation for charity is not, therefore, an appeal to compassion based on an understanding of human suffering or of common brotherhood, but rather a recognition of the right of the recipient of a gift to share in the good fortune of the donor.

How well has this philanthropic movement been transferred into Africa? Over 90% of Non-profits throughout Southern, Central, East and West Africa are church or mission related. Up until recent times they have been relying on foreign funding for nearly all of their programme budgets. A Kenyan once wrote: *“Missionaries have often been blamed for not teaching about giving. It is true that some missionaries implied that the only gift God appreciated was cash, not for example, produce from the farm such as grains, fruits and animals. Consequently Africans who had no cash could not participate in the giving. Gradually African believers became mere spectators. By ignorance, or at best minimizing, the resources available in the churches of Africa we bypass and discourage opportunities for growth and self-reliance.”*

“Philanthropy” is a household name in the African culture. Unlike in first world countries such as the USA, Britain and other European countries, Africa, although it is not a well-developed continent has a rich philanthropic tradition. Giving is part of the African culture. In the African culture people receive satisfaction if they are given an opportunity to give and to share the little that they have with others. The concept of ‘*Ubuntu*’, ‘*Botho*’, and ‘*Wolanani*’ hospitality is inborn among Africans and normal to their existence.

In African societies people do not live in isolation. People stay together, to support one another in times of need. A man stays with others of his clan in what is termed ‘*kgoro*’. Their houses are built very close to each other, only divided by a thin boundary of either a mud wall, reeds or what is called ‘*lefuo*’. In this way communication between or amongst households is easy, and this encourages sharing. Men only go inside their houses during bedtime. Men of the same clan stay at ‘*kgoro*’ to receive visitors and to guard their belongings. They eat together and help each other in providing guidance for their boys.

Each household has a kraal, but when it is milking time or caring for the livestock in the fields, all boys of the same clan go together - even those who don’t have livestock in their homes. They share the chores and even share the milk, food and everything that each household has. Boys from poor families will be allocated livestock of their own when they come of age, to start their own kraal.

Women who cannot afford their own fields, help those who have ploughed. At harvest time, they are given a year's share to feed their families. Extended families stay together. Elderly people are cared for by their own children. The concept of '*Ubuntu*' goes to the extent that a girl is allocated to her cousin in marriage, so that she can look after an aunt who may be poor or ill, or who maybe does not have girls. If a woman does not have children her younger sister is allocated to go and bear children for her. In some cases women get married to houses. That means a household without boys can marry so that it continues to exist; and other men of the same clan will take care of these women. In this way a man is allowed to marry as many women as he can afford so that no woman in the community is without a man to care for her. This ensures that all fatherless children are cared for.

Africans derive pleasure in giving and sharing. A chief makes sure the needy are cared for. Grain and meat '*lehlakore*' and other gifts like beer, used on special occasions, are taken by the chief to feed the poor and the needy. These gifts supplement where the state or those in power do not give aid. They fill the gap. In these and many other ways the African philanthropic movement has developed over the years to satisfy the desire to give as individuals, as groups (clubs and societies are prominent in African culture); giving in many forms, even free labour and services.

Donors and philanthropists from the western world have overlooked the ability of grassroots communities to care for their own needs - in ways that have allowed them to survive and grow over many centuries. Communal village life has taught us to care for our neighbour. Whether the need of a family has been food, or medical help for a sick child, or finding money to send a child to school or college, the relatives and the community found a way to provide. In the spirit of *ubuntu* those who *have* reach out to those who *have not*. This movement has become well organised through the *stokvel* system of saving and sharing.

In looking back 6000 years, what *golden thread* can be seen in philanthropic history? A consistent motivation seems to have driven people to give - in ancient Egypt, Greece, Rome, Europe and Africa. Each culture with its own religion and values has created philanthropists who have carried on these ideals and values by giving away their resources. In the words of the best known modern writer on the subject: "*Philanthropy has come to be known in the 20th century as voluntary action for public good, through voluntary action, voluntary association and voluntary giving.*" (Robert Payton: Center on Philanthropy - Indiana).

Community organisations (NPOs) are people-centred. Most of them meet the needs of people in their communities. All of them are run by staff and/or volunteers. They all rely on the concern, care and interest of people (donors) for their resources. As we look out upon the wide variety of human, social and environmental needs across South Africa, we see that mankind is organised to deal with these needs in three separate yet overlapping ways.

Needs such as education, housing and health are usually addressed by the government, using funds raised by taxes or foreign aid. Needs such as food, shelter, medical services, entertainment, clothing and jobs have become the driving force of businesses, who sell these goods or services at a profit in order to be successful. Because neither the government nor the business world are able to deal with all of a democratic society's needs, communities have

to take care of many local and national problems and issues themselves, particularly at a grassroots level.

Whenever NPOs set out to plan fundraising programmes, they begin by searching for the individuals, groups or institutions who will be willing to contribute. Even though South African organisations have always concentrated a lot of their effort on foreign donors, foundations, trusts and businesses for support, they always find themselves negotiating with individuals in these institutions. Eventually the decision to fund a programme is taken by an individual or committee of individuals.

Donors of all descriptions join with NPOs in their actions and operations aimed at benefiting the community and the wider society in which all live. This social investment includes the relationships that those with resources have with the society in which they enjoy their own livelihood; an involvement in the problems of regional, national, and local significance that face that society. The focus is on the mutual interdependence of donors and NPOs.

The primary interest of these Codes are to serve as a guide for all who make donations or enter into sponsorships with South African NPOs of all descriptions and in all sectors; that is foreign, corporate, trust, foundation and individual donors. Recognising that those who give, while having rights of their own, need also to subscribe to standards and values, ideals and aspirations that will result in the release of effective welfare and development programmes in South African communities through the thousands of NPOs that represent them.

## **2. Funding markets in South Africa:**

Ask the average NPO where they expect their future funding to come from, and they will not be able to give you a straight answer. It is as though they have been trapped inside a narrow view of where their support lies by their past funding experiences. Some have enjoyed the attentions of foreign governments and funders. Others have relied on government subsidies or contracts to support their salaries and monthly operating costs. While most organisations have been trying to tap the local corporations with little lasting success.

Few statistics are available on where South African NPOs have been getting their support. In developed countries such as Canada, the United States and Great Britain, this information is readily available through government statistics offices, or research units, or associations of nonprofit organisations. In 1994 the Johns Hopkins University, Baltimore US, initiated an international research programme. Among the statistics they reported on how NPOs are funded. Their initial research, of organisations in 12 countries (6 developed and 6 developing countries) revealed that 43% of NPO funds come from government grants and subsidies, 47% they generate themselves, and 10% is given by donors.

Although information out of African countries was not included in the first round of this research, estimates suggest that 90% has come from donors and 10% from self-generated income. The South African picture is also not clear, but there are indications that around 70% of NPO income comes from donors, 25% is self-generated and 5% is provided by government in the form of subsidies and grants.

Fundraising is a marketing or exchange process, requiring an understanding of the total potential support markets (constituencies); what turns them on and what turns them off. Only with this understanding will an NPO be equipped to communicate effectively in its marketplace, and convey the benefits of investing in its programmes. Resources for NPOs in South Africa are available in many forms, such as:

- a. Donations of money
- b. Donations of products or property or equipment or skills or service (Gifts-in-Kind)
- c. Sharing of costs, such as paying the telephone account or providing office space
- d. Sponsoring an event, such as a music concert to raise funds
- e. Purchasing services that the NPO provides, such as a skills training workshop
- f. Purchasing products the NPO makes, such as T shirts or toys
- g. Buying tickets to a sports event, or a raffle
- h. Interest from an investment, or on reserves in the NPO's bank account
- i. Membership fees or subscriptions to a publication

These resources are available to be released from a variety of sources. The potential funding sources, or markets in South Africa are:

***Foreign donors:*** Billions of Rand have been given by foreign governments and donor agencies to South African NPOs and the government in recent years. For many organisations locked in “struggles” against the former oppressive regime, this was their only source of income. Since 1994 foreign government funding has tended to go through the new democratically elected government, whereas private foreign donor funding has remained with the NPOs. It is estimated that 11% of NPO income comes from foreign sources.

Foreign donors can be divided into two categories, those who do not have offices or representation inside South Africa, and those who do:

*a) Outside Southern Africa:* - Governments (e.g. United Kingdom & United States)- Government funded agencies (e.g. Canadian International Development Agency) - Foundations or Trusts (e.g. Henry J Kaiser Family Foundation) - International aid agencies (e.g. Oxfam, Bread for the World) - International corporations (e.g. Reebok, Coca Cola Company)

*b) Inside Southern African Countries:* - Embassies or consulates (Most embassies are in the capital cities) - Government funding agencies (e.g. United States Agency for International

Development - USAID)- Foundations or Trusts (e.g. Ford Foundation) - Corporations (e.g. John Deere, Kodak, Bata)

***South African Corporates:*** Investment by South African businesses has been growing. There are over 200 000 registered businesses in South Africa and over two million micro and small to medium informal businesses. It is estimated that 11% of all giving to South African NPOs comes from the corporate sector. Research (Bureau of Marketing Intelligence annual survey) tells us that 60% of corporate giving goes to their own projects – impacting their staff or markets. Their giving has not grown much in recent years, because corporate donations are driven by profits. When profits are down there is less money to give away.

This means that there is potential for growth in giving, particularly among the small to medium size businesses. Many of the large companies are looking for returns on their investments in the community. This opens up the possibility of entering into partnership (sponsorship) campaigns with the marketing departments of these companies. Corporates can be subdivided into national and local businesses. Negotiating with national corporates usually takes place through their head offices, but some branch offices have small discretionary funds for the support of local NPOs.

***Charitable Foundations/Trusts:*** Although there is no list of Trusts, all have to be registered under the Trust Deeds Act of 1974. A charitable trust comes into existence when a person or institution, who wants to form a Trust donates cash or property to another person known as the Trustee. These funds are administered for the good of beneficiaries, whether individuals or organisations. A Trust is governed by a Trust Deed which sets out the name, objectives, appointment and powers of the Trustees and the management of the Trust. It is believed that around 700 Charitable Trusts exist in South Africa, established by private individuals, or businesses or the government, and they supply about 5% of annual NPO income.

***Institutions:*** This description covers all organisations and groups of people with similar interests. For instance there are education bodies from pre-school to university level; religious bodies; sports clubs, service clubs (such as Round Table and Rotary) and cultural clubs. Often these clubs or institutions adopt a theme or a focus or an interest, for a period, and raise funds or provide services and volunteers to assist the causes they have chosen.

***Individuals:*** There are an estimated 40 million people in South Africa, of which around 15% are economically active, and could be termed a donor market. Here lies the largest number of potential donors for NPOs. Estimates reveal that 9 million individuals are donating R8 billion a year to NPOs. The art of cultivating giving and support from individuals is the greatest fundraising challenge. Individuals can be divided into many categories. Here are some, grouped by various qualities:

- *Active donors* - *Prospective donors* - *Gender* - *Members or subscribers* - *Age* - *Board members* - *Marital status (married/single/ divorced etc.)* - *Staff* - *Interests (children/ animals/aged etc.)* - *Volunteers* - *Giving habits (cash/cheque/debit order etc.)* - *Parents* - *Education* - *Past students* - *Home (house/apartment etc.)* - *Pupils* - *Household income* - *Clients* - *How much they last gave* - *Beneficiaries* - *When they last gave* - *The general public* - *Occupation.*

***Fees for services:*** Most NPOs serve people and meet their various needs. In the past many of these services were given free, particularly to poor or destitute people. However, an education institution such as private school or university charges fees. And other NPOs are now looking at ways of creating income out of selling services. For instance a health clinic will make a nominal charge for a visit, or medication; a regional HIV/AIDS education programme will be paid for by the government. Volunteers serving NPOs are often involved in income earning activities to help support the organisation.

***Sales of goods or products:*** Many NPOs are involved in skills training and producing all kinds of products. Agricultural groups grow crops and livestock; sewing groups produce clothing and linen; groups are making bricks, wire fencing, window frames, bread and many other items. The primary aim is to help previously unskilled or unemployed people reach for self-support. But the organisation itself can benefit by marketing the products for a fee or commission, or charging for the use of equipment and facilities. They can buy raw materials in bulk and sell to the producers for a slight mark-up.

There are other ways of benefiting from the sale of goods. Some organisations use direct mail catalogues at Christmas time, offering cards and presents. They receive a percentage of the retail price. Others print diaries, calendars or T-shirts, or sell key rings, baskets of fruit, pen and pencil sets, and many other useful items at a profit. The key to success is to have a retail outlet, or a sales team or a large group of willing volunteers. These are run as for-profit businesses and the net profits are passed on to the NPO.

### **3. What motivates donors to give?**

In planning the marketing of a product or service, a business must find out what people (the market) need and how to stimulate response by meeting those needs with the product, or service. Similarly with fundraising, you must understand what produces positive response. How do people make choices among health, human rights, educational, recreational, social, environmental and other services they may need or want?

The first task is to understand how people develop their initial interest in a product or issue, and what needs or wants come into play as they decide on their response. We can break this down into three areas:

- a. What factors trigger the interest?
- b. What deeper needs and values come into play when potential donors consider their response?
- c. What specific wants are activated by these needs?

A donor's interest in an issue can be stimulated by internal or external factors. An internal factor consists of the person beginning to feel a need for, or readiness to do something. This

factor might take the form of a physical stimulus such as hunger or thirst, or a psychological stimulus such as boredom or anxiety.

An external factor consists of something for the outside coming to the person's attention and stimulating interest. This factor could be personal, such as a friend or relative or work colleague, or it could be non-personal such as a newspaper article, a letter, a grant proposal, or a radio programme.

These *triggering* factors have the ability to arouse a set of needs in a person. They do not create the needs but activate existing needs. So the fundraiser should understand which basic needs of the individual are served by which issue or product. One of the most useful measures of basic needs is Maslow's "*Hierarchy of Needs*". Maslow says that people act to satisfy their lower needs first before satisfying their higher needs. For example a starving man first devotes his energy to finding food. When this basic need is satisfied, he can then spend more time on his safety needs, such as eating the right foods and breathing clean air. When he feels safe, he will take time to deepen his social affiliations and friendships. Still later, he can develop pursuits that will meet his need for self-esteem and the respect of others. Once this is satisfied, he is free to develop his potential in other ways. As each lower need is satisfied, it ceases to be a motivator and a higher need starts defining a person's motivations.

Knowing at what need level a donor is, helps the NPO shape an appeal for the maximum response. For instance *fear* is used in stimulating support for projects combating dreaded diseases.

People who have developed an interest in a specific issue or product are usually able to identify the specific wants that they would like to be satisfied. These wants can be discovered by asking people what they are looking for. No organisation or cause can satisfy all the wants among its potential donors. But by keeping a finger on the pulse of the giving markets an NPO is able to offer programmes and solutions to problems that satisfy the donor's expectancies. While community organisations want to avoid being dictated to by their donors, they will be assured of ongoing support if the donors are satisfied that their money has been well spent on programmes they feel are a priority.

Given this information about people's (donors') needs and wants, The NPO can use this to gain positive response to appeals for help? While an NPO might have an idea as to what people need at various stages in life, it must not disregard the fact that these are often influenced by events in the world about us. With the high cost of running any fundraising programme it follows that NPOs must take the time and trouble to seek out the most responsive audiences. And with the limited number of potential donors in South Africa, NPOs need not only to hold on to the donors they have, but grow their interest in ways that will release more resources from them more frequently.

Fundraising is not begging, it's helping people to help people. No matter what a person's exterior appearance or behaviour might be, inside is a voice that urges them to be better than they appear to be. Giving is one activity that brings out the very best in each. The most powerful motivator is that people give to people - they don't give to needy organisations. They don't fund a debt. The heart of effective fundraising is capturing people's attention and

persuading them to give - over and over again. Here are some reasons donors have for supporting the work of NPOs.

**Individuals:** All giving is made by individuals. Some give on behalf of a corporate, or a foundation or the country they represent. For most individuals it is a personal gift from their own resources:

- *It makes me feel good* - It is more blessed to give than receive.
- *I want something in return* - When I have a need I would like you to support me.
- *Peer pressure* - My friends and my family are giving, therefore I must give.
- *I like you* - I like what you and your organisation are doing in the community.
- *It happened to me* - I want to help someone who has a need like me.
- *Because you asked me* - I did not know you had a need until you asked me.

**Corporates:** Businesses only give when they make a profit, and most giving by companies is linked to their image or their future profitability. Sometimes this is called, “*Enlightened self-interest*”:

- *Improve the company image* - The community will feel that we care for them.
- *Promote my interest* - We support job creation because working people are customers.
- *For publicity* - We want to tell our customers that we support the community.
- *To avoid paying tax* - We make donations to receive a tax rebate (if available).
- *To stimulate our sales* - More happy customers means more people buying from us.
- *I like your proposal* - The project proposal you submitted meets our criteria and interests.

**Foundations (or Trusts):** The area that a Foundation gives money to is usually described in its Trust Deed. This reflects the desire and interests of the original donors to the charitable Trust. The institution is usually required to dispose of a certain percentage of its annual revenue from investment.

*We have money to give* - Our constitution compels us to distribute a certain amount each year.

*Sympathy or empathy* - It was out of a concern for (education) that our Trust was founded.

*To bring about change* - We believe that the money available to us can make a difference.

*Matches our interest* - The founding group wanted to make sure we supported (human rights).

*We are compelled to give* - It is written into our Foundation Constitution.

*It's a cause we believe in* - It is in the national interest to support (job creation).

**A Foreign Government or Agency:** Governments in the first world are urged to support the developing world. Often the decision to do so is a political one, as part of foreign policy. Most governments use independent agencies (such as USAID - America or CORDAID - European Union) to manage their grants to community organisations.

- *For recognition* - Helps to build our standing among global nations.
- *To build a relationship* - As part of a bi-lateral trade agreement.
- *For peace and justice* - We can contribute towards building world peace, by supporting the upliftment of poor communities.
- *To build a partnership* - To be part of a group of participating countries – such as the Commonwealth.
- *It is our foreign policy* - Our political agenda takes us beyond the borders of our country.
- *To improve the economy* - Investing in the growth of communities impacts the future health of the nation.

#### **4. The donor bill of rights**

To develop the assurance that philanthropy merits the respect and trust of the general public, and that all donors and prospective donors can have full confidence in the NPOs and causes they are asked to support, the people raising funds should respect the following Donor Bill of Rights (first developed by philanthropy professionals in the United States):

- To be informed of the organisation's mission, of the way the organisation intends to use donated resources and of its capacity to use donations effectively for the intended purposes;
- To be informed of the identity of those serving on the organisation's governing body, and to expect that body to exercise prudent judgement in its responsibilities;
- To have access to the organisation's most recent financial statements;
- To be assured that their gift will be used for the purposes for which it was given;

- To receive appropriate acknowledgement and recognition;
- To be assured that information about their donations is handled with respect and confidentiality to the extent provided by the law;
- To expect that all relationships with individuals representing organisations of interest to the donor will be professional in nature;
- To be informed whether those seeking funds are volunteers, employees of the organisation or hired fundraisers;
- To have the opportunity for their names to be deleted from mailing lists that an organisation may intend to share;
- To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

## **5. Guidelines for wise giving:**

With so many NPOs in South Africa, choosing which to support can be confusing. A donor should start their search by asking themselves a few basic questions: What issues concern you? What are you passionate about? What would you like to see changed in the community or world around you? Finding an NPO that is doing good work in areas that are important to the donor is a first step. Then you are more likely to stay informed on issues that concern you and commit to long-term giving. This commitment helps NPOs develop long-term strategies to deal with the issues they are working with. Here are further guidelines to giving wisely:

- *Be an informed donor.* Make an effort to learn as much as you can about the causes you are considering supporting. If an NPO approaches you don't hesitate to ask questions. NPOs know that donors want information about the types of programmes they run, how the funds are allocated etc. They should be able to provide you with the answers you are seeking.
- *Budget for giving.* Work your giving goals into your financial planning. Earmarking money for causes important to you enables you to give regularly.
- *Keep your donation receipts.* NPOs should issue a receipt for each donation. Make sure you keep them for tax purposes. Most NPOs in South Africa are able to offer a tax rebate through the expanded Section 18(a) of the Income Tax Act. You will need to declare your donations with your annual tax returns.
- *Ask about matching gifts.* Many donors today encourage NPOs to spread their funding sources. By challenging an NPO to match a donation equally or by some agreed ratio, by raising support from other directions enables donor funds to be multiplied in their effectiveness.

- *Donate anonymously if you like.* All NPOs should honour anonymous donations. Not all donors want or need publicity for their gifts, and NPOs should respect donor requests in this regard.
- *There are more than one way to give:* NPOs benefit from all types of giving. Bequests or endowments, gifts in kind, volunteer time and skill are sources of support other than money donations acceptable to NPOs.
- *You have the right to say “no”:* If a donor feels unsure or uncomfortable about the way in which an NPO requests their support, or if you have serious questions about their legitimacy or their ability to fulfil their promises, don’t hesitate to say “no”. Take the time to find the answers to the questions that concern you, so that you can rest easy with the final decisions you make.
- *Don’t give money to any group you have not heard of, or you are not sure of:* There are an estimated 90 000 NPOs looking for support in South Africa. It is likely that you will often be approached by an organisation you are not familiar with. Before releasing any money to an unknown NPO ask for information in writing, including their constitution; the names of their governing body members; details of any registration they are claiming; their bankers and bank account number. Encourage every NPO in contact with you to obtain a registration under the Nonprofit Organisations Act, 1997 (Act No.71 of 1997)
- *Find an NPO that is right for you:* Many small organisations do not have the funds to be proactive in seeking out donors. Take the initiative in finding an NPO or NPOs that work in the field that is of interest to you. By doing some research you are likely to find the organisations that are perfectly aligned with your giving objectives.

## **6. Guidelines for good grantmaking:**

The activity of granting funds in support of NPOs has been linked to the donation activities of foreign donors, trusts, foundations and businesses in South Africa. Since the beginning of the 1980s South Africa has received increasing attention from both these off-shore and in-country donors, as the country shook off the chains of the apartheid era and moved towards true democracy. During the same period corporate donors have moved from making charitable gifts, through social responsibility to social investment or community involvement. They are currently entering a new relationship with South African communities styled as “corporate citizenship”. All the major donors have shown a deep desire to encourage a partnership between government and civil society that will result in an enabling environment and productive development for all the country’s citizens.

The following guideline has been developed to promote good practice in the making of grants by major donors:

### **a. Build a vision and a programme**

Grantmaking should be informed by a broad vision and a planned funding programme, that includes:

- *A clear statement:* The specific interests of the party providing the money, the criteria for funding, and the desired results should be clearly stated.
- *Reappraisal:* Although the vision and programme should be re-appraised in the light of changing social and economic conditions, over-frequent and ad hoc changes should be avoided.
- *Stakeholder involvement:* Ideally, the views of grant beneficiaries and other stakeholders would be sought in formulating the vision and developing the programme.
- *Funding criteria:* Funding criteria may include the following - **General criteria**, relating to issues of sustainability, management credibility, legitimacy, accountability, community participation, financial control and reporting; and **Specific criteria**, relating to the desired results of a particular programme or funding portfolio.

#### **b. Encourage accountability and openness**

Openness should be promoted among all stakeholders in the development process. Grantmakers should act in a way that reinforces their responsibility to partners and stakeholders.

- *Partners and stakeholders:* These could include the following:
  - The end beneficiaries
  - The grantees
  - Other NPOs doing similar work
  - The communities in which grantees operate
  - Policy makers
  - Academics and activists in a particular field
  - Other development and fund-raising agencies
  - Appropriate government departments
  - The general public
  - The shareholders of the company
  - The trustees and staff of the grantmaking organisation
  - The original provider of the money
- *Disclosure:* Full disclosure of grant details, which includes the names of grantees and the size of the grant, is in the best interests of development. Grantmakers should support the disclosure of such information.

#### **c. Balance development needs with own interests**

- *National priorities:* The criteria for making grants, intended results and progress indicators should be in line with national priorities in development and related fields.
- *Own interests:* The grantmaking programme should be designed to ensure that the grantmakers own legitimate interests are carefully balanced with the interests and aspirations of the recipients of their grants. The essence of good grantmaking is the ability to utilise funds to meet the interests of both the grantmaker and the grantee.

#### **d. Practice fairness in processing grant applications**

- *Up-front information:* Grantmakers should provide clear and up-front information about the following procedures: how to make an application; when the application should be submitted; the time frames for a “yes” or a “no”; how agreement will be reached on the results; reporting requirements; and when the money will be available.
- *Equal access:* The information provided to grantees should facilitate access by all potential grantees, particularly marginalised and disadvantaged groups such as rural communities and organisations, non-English speakers, groups with little infrastructure, and people unfamiliar with corporate protocol.
- *Fast communication:* The time period between lodging an application and a decision should be as short as possible. Refusals, in particular, should be made promptly.

#### **e. Establish a framework for making decisions**

- *Budget:* Budgets for grantmaking programmes and focus areas should be decided in advance. All grants should be made in line with the money available.
- *Provide reasons:* The reasons for declining applications should be disclosed to the applicant.
- *Informed decisions:* Decisions should be based on a thorough understanding of the developmental issues and relevant development theory. If necessary, appropriate expertise should be sought by the grantmaker.
- *Conflict of interests:* Grantmakers should take careful steps to avoid conflicts of interest in relation to people and organisations closely associated with the board and the staff of the grantmaking organisation.

#### **f. Negotiate a funding agreement**

- *Defining the relationship:* A funding agreement should define the relationship between the grantmaker and beneficiary and outline precisely the results expected.
- *Negotiating results:* Grantmakers should negotiate the development results with the grantee in the interests of building equitable partnerships for development.

- *The end beneficiaries:* The agreement must be mindful of what the end beneficiaries require and how they think things should be done.
- *Grant arrangements:* Grant arrangements should clearly state the amount, purpose and duration of the grant, procedures for payment, any monitoring reporting and evaluation requirements which may apply, and the circumstances in which funding might be terminated.
- *Timely payments:* Grantmakers should ensure that the agreed schedule is adhered to.

#### **g. Monitor progress**

Grantmakers should employ effective monitoring procedures to ensure proper control and to ensure that grants are utilised in accordance with the grant agreement. Effective monitoring includes -

- paying careful attention to reporting requirements;
- understanding external audits;
- personal visits to the project;
- reading and responding to project reports and requests;
- exercising flexibility when required; and
- understanding the sector in which the grantee operates.

#### **h. Consider evaluation**

- *Evaluating programme results:* Although all programmes need to evaluate their own progress and achievements, an externally facilitated evaluation is sometimes necessary. An effective evaluation will be invaluable in drawing lessons from the process and for planning ahead.
- *Good theory and organisation development support:* Organisation development support to a grantee may be necessary if the evaluation recommends fundamental changes. A sound theoretical base and an understanding of development and technical knowledge should inform evaluation funding and recommendations.
- *Evaluating grantmaking:* Internal evaluation strategies for evaluating the grantmaking programme should be an integral part of grantmaking. A structured evaluative approach will provide a basis for assessing programme results and will lay a foundation for improving funding policy decisions.

#### **i. Be contactable**

Grantmakers should be contactable and available for consultation. They should do all they can to return telephone calls, answer written queries, make themselves available for discussion with projects, and deal with problems.

## **j. Plan for sustainability**

- *Sustainability beyond the grant period:* Grantmakers should encourage and support grantees in developing of the necessary capacity and strategies to sustain the organisation beyond the period for which the grant is made.
- *Overcoming dependency:* Grantmaking policies and processes should be designed to empower people and communities. This can be achieved by avoiding fragmented, handout-driven approaches in favour of carefully structured funding policies which aim to facilitate long-term sustainability.
- *Duration and discontinuation:* Careful consideration should be given to extending grants beyond one year. Adequate notice of the discontinuation of a grant should be given. Grantmakers have a responsibility to encourage sustainability and should do whatever is possible to facilitate sound planning by grantees.
- *Core Costs:* Funders should not neglect funding the core costs when they fund programme costs linked to desired results.

## **k. Develop partnerships**

- *Integrity and identity of grantees:* Grantmakers should seek to operate in such a way that the identity and integrity of the beneficiary organisations are fully respected. Relationships with grantees should be mutually respectful and collaborative partnerships in which each partner makes a clearly defined and complementary contribution towards the achievements of a common development goal.
- *Community Participation:* Grantmakers should encourage grantees to involve local communities in development programmes in their areas.
- *Supportive relationships:* Grantmakers should seek to establish supportive relationships with grantees that extend beyond providing money. These include taking some responsibility for developing capacity for development delivery, and sharing time, skills and other resources.

## **l. A commitment to learning**

Programmes should be regularly reassessed in the light of changing social and economic conditions. Systems and procedures should be constantly refined to improve effectiveness. Grantmakers should seek to improve the quality of their grantmaking policy and processes by constantly interacting with other grantmakers, ensuring that their staff are adequately trained, and keeping abreast of national and international trends in grantmaking.

## **7. Funding through Sponsorship**

In recent years manufacturers, retail chain stores and financial institutions have become involved in raising funds for popular causes, such as children and the environment. At the same time they have been gaining publicity and new markets for themselves. Cause-related marketing, or better known in South Africa as “sponsorship”, provides interesting opportunities for large and small NPOs and businesses to work together, for mutual gain. This has been described as a, “Win, win, win” opportunity. The business seeks to increase the sales of their products or services, or build its image among potential customers. The NPO raises awareness and more funds from a new market source. While the public enjoys the benefits of joining in the campaign. Businesses see their linkage with good causes as marketing opportunities, and pay for the campaign out of their marketing budgets. In this way NPOs are able to tap into a source of corporate funding other than their donations budget.

Cause-related marketing or sponsorship is defined as: *A mutually beneficial relationship between a corporation and a nonprofit organisation, in which the former pursues marketing and promotional objectives and the latter pursues fundraising and public relations objectives.* This is most frequently seen in the sports world, where corporates put large amounts of money into sponsoring sport such as soccer in return for extensive coverage on television. The value of their TV exposure usually far exceeds the cost of the sponsor’s money, and that is what makes sponsorship so attractive to businesses.

These funding partnerships cover a variety of activities:

- *Advertising, Public Relations and Marketing campaigns:* Businesses are given permission to use an NPO’s logo in print and electronic media advertising.
- *Percentage of Sales:* A popular and simple way is to donate a percentage of the profit on the sales of a product to an NPO. Or a small percentage of a financial transaction, through a credit card or a cheque is donated to an NPO.
- *Promotion:* Companies include the NPO’s name and logo on discount coupons for their products, and donates money for each coupon redeemed.
- *Sponsorship:* Corporates gain exposure by underwriting the cost of fundraising events.
- *Affinity Partnerships:* Companies market credit cards, insurance policies, and other products and services directly to supporters of an NPO, and give a percentage or a set fee to the organisation for this privilege.

Cause-related marketing, or sponsorship, is a commercial agreement, not just a fundraising event. The NPO needs to target a business partner very carefully, with a logical association (or “fit”) between the NPO and the corporate’s product or service. By the same token the business will look for an NPO or a cause which will compliment its image and marketing objectives. Sponsors will need to look for adding value to their marketing programmes through NPO partnerships, that:

- Increase sales of their products or services
- Gain public recognition and publicity

- Build contacts with potential customers and local community leaders and decision makers
- Build a good reputation in the community

Successful sponsorship partnerships between corporates and NPOs will be characterised by the following:

- *The partnerships have been thoughtfully selected*, and there is a logical association between the NPO and the corporate or product;
- *A satisfactory working relationship has developed*, with the emphasis on open communications and sound, written contractual agreements;
- *Sufficient resources* (people, time and materials) have been committed to the programme, and it has been given priority attention;
- *Some market research into the audiences* (potential customers, the community, the followers of the NPO) has been undertaken before any partnership has been agreed on;
- *Geographical focus* (national, regional or local) between the NPO and the corporate have been matched;
- *The programme's duration and goals*, and the corporate's market and the NPO's constituency have been clearly identified.

Simply stated, the primary corporate objective of cause-related marketing or sponsorship is to sell more product. The NPO is entering an equal footing business partnership, with marketing benefits to the sponsor. For the NPO the primary objective is to raise more money to fund its mission. These almost opposing objectives can exist side-by-side without causing a confrontation. The corporate agendas include the following marketing objectives:

- *Generating sales* by stimulating interest among: current customers and potential new customers; among the manufacturers, distributors, retailers and advertisers;
- *Impacting the company* or brand image and product positioning;
- *Benefiting the cause* or the community, by being a good corporate citizen;
- *Entertaining* or generating goodwill among key clients and potential customers – especially among large companies and government agencies or representatives;
- *Motivating* franchise holders, their sales people and employees.

Verbal sponsorship arrangements are not good enough.. A legally binding agreement has to be put in writing representing the commitments and expectations of both parties. The agreement says what each party must or must not do, it should remove all confusion and

misunderstanding from the arrangements. It should be developed to protect both the NPO and the corporate. The kind of problems that contracts help to avoid are:

- The sponsor did not receive the promised publicity
- The sponsor's logo wasn't big enough and in the wrong place
- The sponsor expected their colours to be used on the poster
- The sponsor expected the NPO to pay for the refreshments at the launch function
- The sponsor was not happy with the press coverage, or their name was not mentioned
- The sponsor did not receive the amount of attention or participants through the sponsorship programme

Contracts for sponsorship programmes or events should include:

- Title of the event or the programme
- Dates, times, locations and duration of the event or programme
- Full details of all the space that will be given to the sponsor and to the NPO on printed materials – size of logo, position of logo, placement of the sponsor's name within the design of each item
- Full details of all print items, including posters, flyers, leaflets and programmes being produced for the event or programme – sizes, colours, quantities, delivery dates, and distribution plans.
- A media schedule including details of all paid-for advertising carrying sponsor's name and information about the NPO; the way in which the sponsor and products or services will be mentioned.
- The sponsor's financial contribution to the programme or event, with agreed dates for payment
- Details of any additional expenditures to be charged to the sponsor, such as advertising, administration, printing, catering, entertainment, travel etc.
- Agreed hospitality and transport arrangements for guests, entertainers, speakers etc.
- Procedure in event of a dispute
- Statement of intent to help the sponsor to achieve their objectives with committing any guarantees
- A restrictive clause to protect the NPO against the results of any unforeseen circumstances, resulting in a cancellation or a postponement
- Any relevant agreement concerning the management and administration of the programme or event; working with outside contractors such as advertising agencies; the planning of meetings; the keeping of records; the issuing of progress reports

## REFERENCES:

- Southern African Institute of Fundraising - Codes of Professional Ethics
- South African NGO Coalition - Codes of Good Practice
- Association of Fundraising Professionals - Codes of Ethical Standards and Standards of Professional Practice
- The Commonwealth Foundation – Guidelines for Good Policy and Practice
- The Southern African Grantmakers’ Association – Guidelines for Good Grantmaking
- Pema Lakha & Associates – Guidelines for the Management of NGOs and CBOs
- Eskom – A Management Guide for Development Organisations in South Africa

## BOOKS TO READ

Smith, Bucklin & Associates, “*The Complete Guide to Nonprofit Management*” – John Wiley & Sons, 605 Third Avenue, New York, NY 10158-0012 ISBN 0-471-30955-9

Arnold J Olenick and Philip R. Olenick, “*A Nonprofit Organisation Operating Manual*” – The Foundation Center, United States of America, ISBN 0-87954-293-4

David L Cuthbert, “*Your Guide to Mobilising Resources – A Fundraising Manual for Southern African Non-profit Organisations*”, Charities Aid Foundation/Nonprofit Partnership, P O Box 31819, Braamfontein, South Africa 2017, ISBN.....

Henry A. Rosso and Associates – “*Achieving Excellence in Fundraising*”, Jossey-Bass Inc., San Francisco, ISBN 1-55542-387-6

Tracy Daniel Connors – “*The Nonprofit Handbook*”, John Wiley & Sons, 605 Third Avenue, New York, NY 10158-0012 ISBN 0-471-17967-1

Republic of South Africa President’s Council

Local Government Management – Nazeem Ismail . Saheed Bayat. Ivan Meyer

## IMPLEMENTATION

The Nonprofit organisation or the fundraiser/s or the grantmaker, and their affiliates will subscribe to their codes of good practice. Office bearers and persons serving in a decision-making capacity in the organisation shall sign, adhere to and obey the codes, recognising that:

### **A Nonprofit organisation and affiliates:**

- The organisation, its governance, management and affiliates will subscribe to these codes of good practice;
- In signing these codes, the organisation commits itself to regular internal reviews to ensure adherence to these codes;
- The organisation, its governance, management and affiliates agree that if they are found to be in transgression of these codes, they will deal with each situation appropriately in accordance with the organisation's constitution and requirements of their registration.

### **Signatures of Office Bearers**

<u>Name</u>	<u>Signature</u>
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**The fundraiser/s:**

- will subscribe to these codes of good practice;
- will commit himself or herself to regular reviews to ensure that he or she is adhering to these codes;
- will agree that if he or she transgresses, he or she will be dealt with appropriately according to the organisation’s internal policies and practices, or the relevant contractual requirements.

**Signatures of Office Bearers (in the case of fundraising organisations)**

<u>Name</u>	<u>Signature</u>
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**The grantmaker and affiliates:**

- will subscribe to these codes of practice;
- will submit the institution to regular internal reviews to ensure adherence to these codes;
- will agree that if the institution is found to be in transgression of these codes, they will deal with each situation appropriately in accordance with the institution’s internal policies and practices.

**Signatures of Office Bearers**

<u>Name</u>	<u>Signature</u>
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