THE GIVING REPORT 2010

A SURVEY ON THE PHILANTHROPY PRACTICES OF HIGH NET WORTH INDIVIDUALS IN SOUTH AFRICA

B·O·E
PRIVATE CLIENTS

CONTENTS

FOREWORD

If you are reading this, you are probably one of the many people involved in or interested in philanthropy in South Africa today. It is with great pleasure that we present to you The Giving Report 2010.

You might be wondering why a wealth manager like BoE Private Clients has brought out a survey on philanthropy. As a business, we strive to create prosperity through people and partnerships, and for us, philanthropy is an integral part of this. So much so, in fact, that a number of years ago we set up a dedicated philanthropy services division, our Philanthropy Office, and recently elevated philanthropy to one of our key offerings.

We facilitate philanthropy by providing the specialised services needed to enable donors to fulfil their own philanthropic aims. In the course of this work, we are continually amazed by the generosity and passion of South Africans. Whilst we have always been aware of an active philanthropic community in South Africa, the nature of giving by the more affluent has not been well documented. It was apparent that further information was needed in order for philanthropy to grow and develop in our country.

As a business centred around high net worth (HNW) individuals, we chose to survey giving by this group during the calendar year 2010. We were curious to know, for example, how many people were giving; to what extent; and to whom. The survey process was completed at the end of October 2011.

The results have been interesting, and have largely confirmed our experience. The findings show that 93.5% of South African HNW individuals are involved in some form of giving. They also showed, however, that giving amongst HNW individuals is largely informal and not often carried out through structures like trusts, and that very few make provision for bequests in their Wills.

Community and social development is by far the sector most supported whilst advocacy groups receive little funding from HNW individuals, despite the important work done by these groups in the past.

We are sure that the findings will prove useful to donors. With this information not being previously available, the findings will be a chance for them to find out how their fellow donors are approaching their philanthropic pursuits. The findings may also lead them to evaluate some of their giving practices, such as why, for example, there is an aversion to funding endowments or capital costs when these often can lead to beneficiaries becoming more self-sustainable in the longer term.

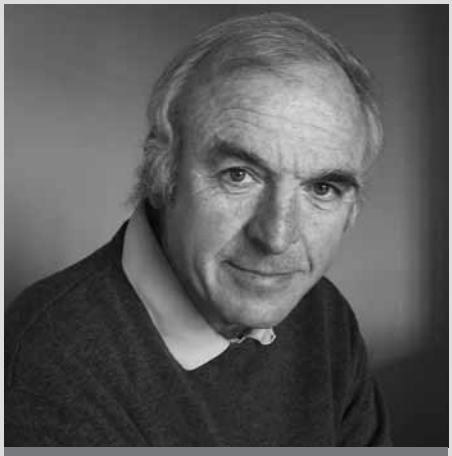
Non-profit organisations (NPOs) will be interested to see how donors choose the organisations they fund, what factors they take into account and what donors do or rather, do not expect in return.

We express our sincere thanks to our panel of experts who ably assisted in this task and to all of those individuals that contributed to this research by openly sharing information about their philanthropic practices and plans. We are also grateful to the thought leaders whose opinion pieces provide further insight and perspective.

This is the first survey which we aim to repeat on a regular basis. We will continue to survey themes of relevance in philanthropy in order to track trends and provide current information to local and international donors and NPOs and to further giving in, and for the benefit of, South Africa. More detailed survey results can be found on our dedicated website: www.thegivingreport.co.za

The issues uncovered and discussed in this report will no doubt stimulate debate. Information and discourse are crucial to the growth and development of philanthropy in South Africa, and we trust that this survey will make a valuable contribution to this.

Paul Finlayson
Managing Director, BoE Private Clients



Clem Sunter studied at Winchester and New College, Oxford. He joined Anglo American in 1966, eventually heading up the Chairman's Fund from 1996 to 2008. In 2004 he was awarded an honorary doctorate from the University of Cape Town for his work in the field of scenario planning. Clem married Margaret Rowland in 1969 and they have three children.

PHILANTHROPY UNPLUGGED
by Clem Sunter

Many people associate the term 'philanthropy' with rich families like the Rockefellers and Bill and Melinda Gates, or our own Oppenheimers and Ruperts. Big donations, splendid fund-raising events or campaigns like the Giving Pledge (which gets billionaires to donate a proportion of their fortune during their lifetime) are seen as the essence of philanthropy.

Of course, there is nothing wrong with this type of giving, and it should be encouraged and applauded at all times. However, the ancient Greek meaning of philanthropy has a wider interpretation that includes all activities associated with the spiritual love of your fellow human beings. Philanthropy is also the literal translation of the Xhosa word 'ubuntu', which means 'love humanity'. Ubuntu and philanthropy have a lot in common since the motivation for both arises from a natural desire to help your fellow citizens, especially those who are less fortunate than you.

It is therefore unfortunate that philanthropy has come to refer mainly to large donations from wealthy patrons, when in truth everybody can find ways of being philanthropic. No matter how little one has to give, the rewards for both giver and receiver can be enormous. I've always liked the theme of the movie Pay It Forward, which promotes the idea that if somebody does you a good turn, you should do three good turns to others in exchange. If each person in the chain holds to the bargain, the exponential effect of 3, 9, 27, 81 … implies an enormous impact. Ubuntu goes nuclear!

The time-honoured practice of 'tithing' recommends giving away 10 percent of your income, and those who receive support from this source will no doubt testify to the value of such a lifeline. But for those who seek a deeper and richer experience, a 10 percent gift of time and talents, in lieu or in addition, can make sense. Opening the doors of opportunity through pro bono work can make just as much of a difference in other people's lives as providing cash.

I myself am very happy to give my presentation on scenario planning for free at breakfasts to raise money for various causes. I also like facilitating sessions for NGOs looking for a strategic conversation about their future. My fee structure for the day is very flexible! It may not be much compared with what other people do, but it's 'my bit' in terms of paying it forward and paying it back.

So my message is simple. Just as listening to Eric Clapton Unplugged is a more uplifting and energising experience than hearing him all but drowned-out by exotic arrangements and other musicians, philanthropy unplugged can do a whole lot more for the giver and receiver than the popularly understood version. Philanthropy unplugged only requires a commitment to give up some amount of time or money to a worthwhile cause. It starts with you. No-one is too poor to be a philanthropist.

INTRODUCTION

BoE Private Clients decided to undertake the first comprehensive national survey on the philanthropy practices of high net worth individuals in South Africa. The purpose of this survey is to provide information to support the development of philanthropy in South Africa.

A group of experts participated as panel members and provided advice and guidance throughout the process. Individuals who made up the panel were:

- Amanda Bloch, philanthropist
- Anna Vayanos, Head: Philanthropy Office, BoE Private Clients
- Barry Smith, Citizen Smith Consulting
- Gail Campbell, CEO Zenex Foundation
- Lynne Fiser, Charitable Trust Consultant: BoE Private Clients
- Shelagh Gastrow, Executive Director, Inyathelo – The South African Institute for Advancement
- Teboho Mahuma, Consultant

The research sample comprised 400 HNW individuals selected at random. HNW individuals were defined as individuals with either:

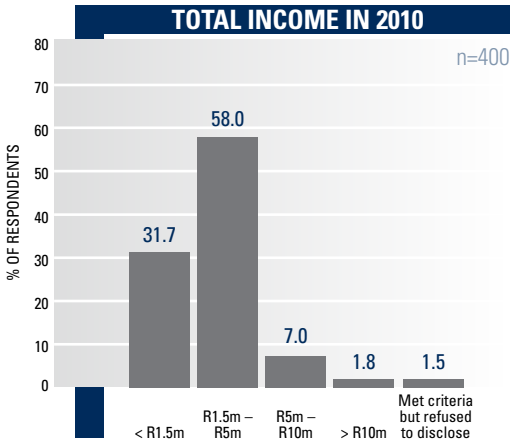
- an annual income exceeding R1.5 million; or
- investable assets (excluding primary residence) of over R5 million.

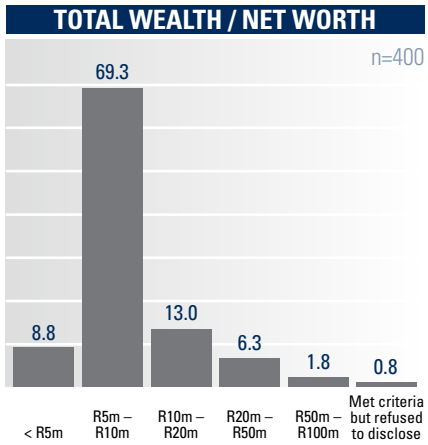
No criteria other than qualification of the individual as HNW were imposed.

The interviews were conducted during July and August 2011. Interviews were most often conducted face-to-face, with a few being conducted telephonically. Trialogue was commissioned to undertake the research and TMS Research provided the field management and data capturing.

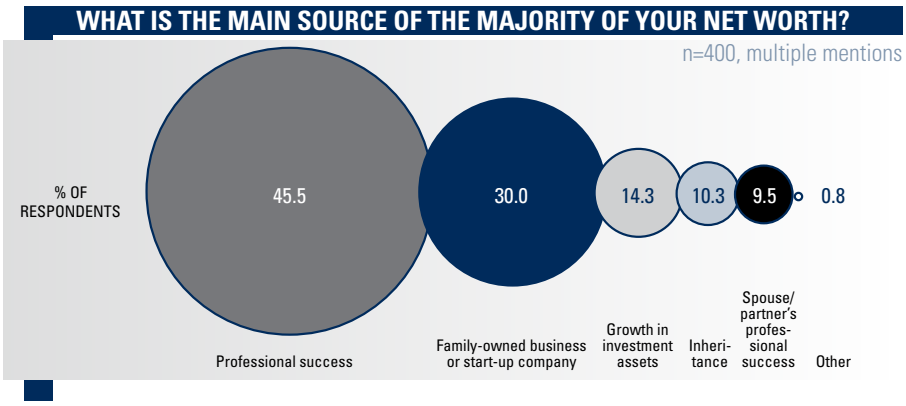
PROFILE OF SURVEY SAMPLE

The majority of respondents earned between R1.5 and R5 million in 2010 and most had a total net worth of between R5 and R10 million. Individuals could meet the HNW criteria by attaining the revenue or net worth threshold, which explains why as many as 31.7% of respondents earned less than R1.5 million.



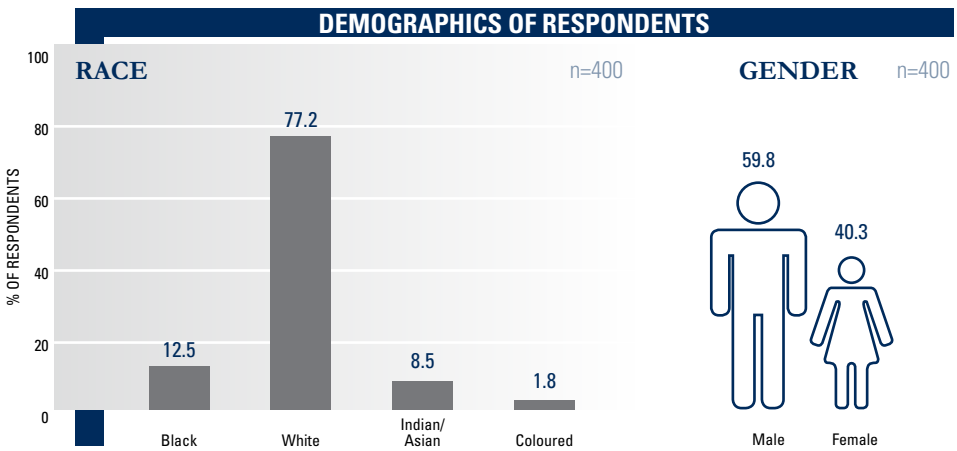


Professional success accounted for the majority of net worth, followed by family-owned businesses or start-up companies.



Approximately 60% of the respondents were male and 77% of respondents were white. Whilst there were no racial quotas imposed, every effort was made to ensure that the sample included representation by all race groups.

Approximately 60% of the respondents were between 40 and 60 years of age. Just over 20% of respondents were younger than 40, and just less than 20% were older than 60.



GIVING BEHAVIOUR

The vast majority of respondents (93.5%) gave money, goods or time to social causes in 2010. Those in the 30 – 40 age bracket were slightly less likely to give than older individuals. There was little difference in giving when it came to gender and income.

Non-givers

Only 26 respondents (6.5% of the sample) did not give money, goods or time in 2010. In examining the reasons for non-giving, around one in four of the non-givers are disillusioned about philanthropy, while a similar number have simply not given it any thought.

Just under half of the 'non-givers' have given previously, typically more than a year ago. There were also around half that are planning on giving in the future. Factors that would influence their decision to start giving included:

- changes in family status, disposable income, the political environment or accumulated wealth; and
- tax incentives.

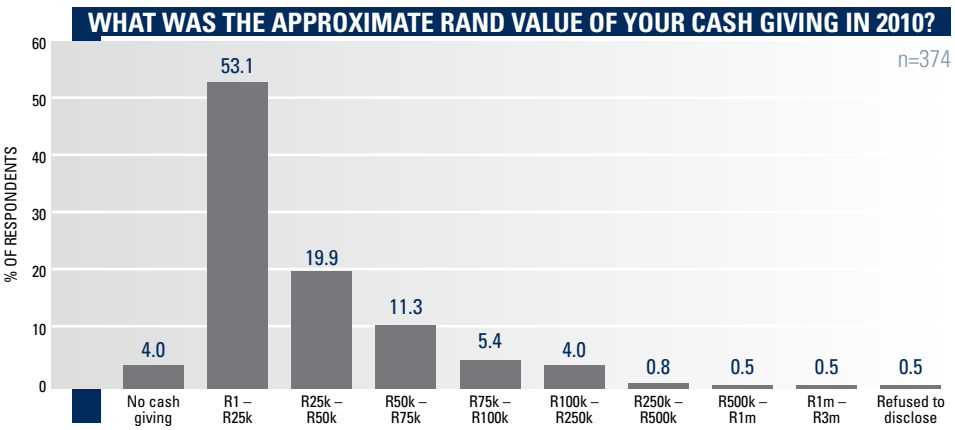
About half felt that nothing would change their opinions of giving in future.

AMOUNT GIVEN

Giving was measured in terms of cash donations, non-cash donations (typically in the form of goods, products or services) or time.

Cash donations

Cash donations were typically in the range of R1 – R25 000 in 2010. The amount given tapers off quickly, with only 6% having given in excess of R100 000 in 2010.



93.5% of HNW South Africans donated money, goods or time to social causes in 2010. Most of them gave between R1 and R25 000.

To enable meaningful comparison, the sample was re-categorised into three groups:

- **Category one:** those giving cash amounts of up to R25 000 per annum (making up 57% of givers);
- **Category two:** those giving cash amounts of between R25 000 and R50 000 (20% of givers); and
- **Category three:** those giving cash amounts of between R50 000 and R5 million (22% of givers).

As may be anticipated, those in Category three tend to earn more, although there were still 20% in Category three that were lower income earners. Similarly, a number of high income earners were found to be contributing less than R25 000 per annum.

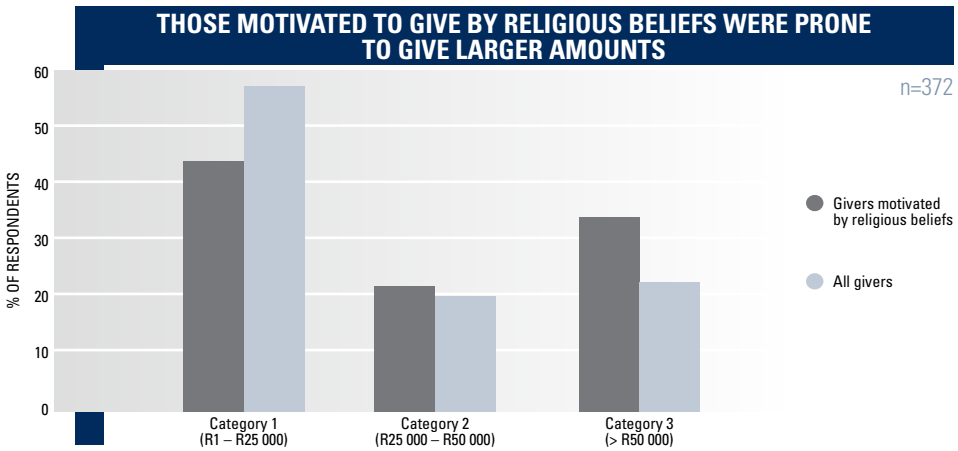
International comparisons

In South Africa, those whose source of wealth is investment success tended to give more. In the United States, entrepreneurs (households where 50% or more of the net worth comes from a family-owned business or a start-up company) give the most to charity.[1]

[1] Bank of America Merrill Lynch, The 2010 Study of High Net Worth Philanthropy. Issues Driving Charitable Activities among Affluent Households, November, 2010.

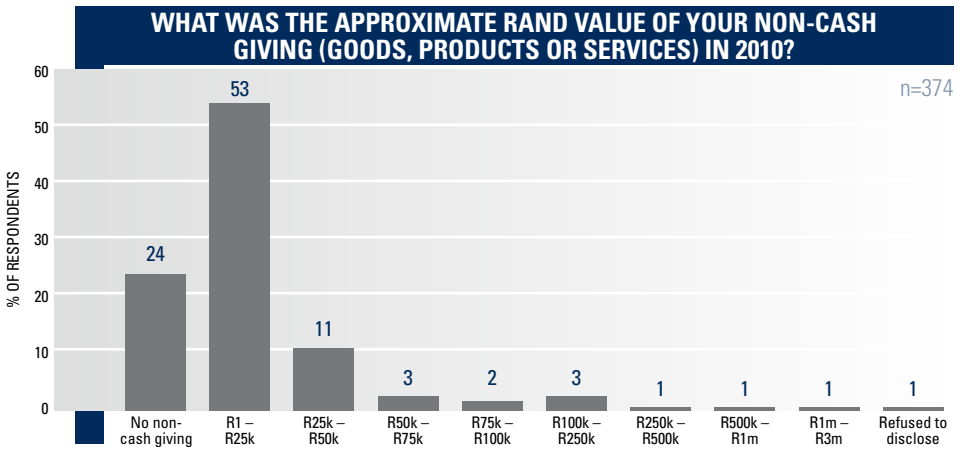
GIVING BEHAVIOUR (CONTINUED)

Nineteen percent of respondents were motivated to give by religious beliefs. As shown below, those motivated by religious beliefs tend to also give more.



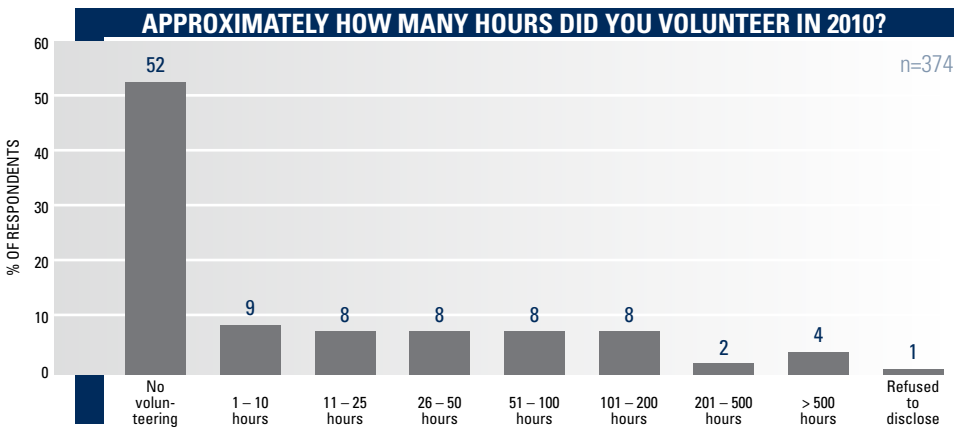
Non-cash donations

Donations of goods, products or services were also largely valued within the range of R1 – R25 000. Close to one quarter of respondents did not give any non-cash donations.



VOLUNTEERING

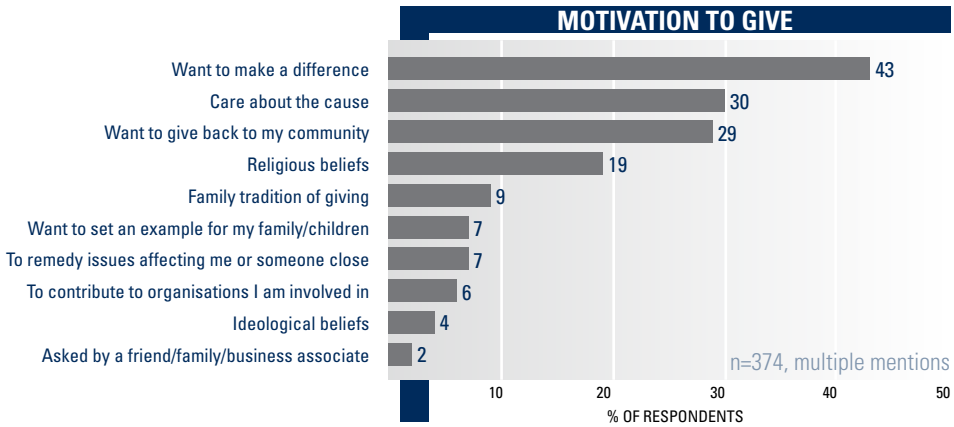
Just under half of the givers volunteered their time. They typically spent anything from 1 – 200 hours doing so. Four percent of respondents volunteered more than 500 hours during 2010, which equates to about three months of full-time contribution.



APPROACH TO GIVING

Motivated by a desire to make a difference

The desire to 'make a difference', to 'give back' and 'caring about a cause' are the key drivers for giving. Giving in South Africa is typically undertaken for selfless reasons. Interestingly, religious beliefs play a strong role for almost one-fifth of respondents.



International comparisons

Our South African findings are in line with the United States, where the largest motivator for giving was 'being moved at how the gift can make a difference'.[2] The family unit plays an important role in driving philanthropy in Asia. In South Africa, a family tradition of giving was cited by 9% of respondents and 7% indicated that they would like to set an example for their family/children.

[2] Bank of America Merrill Lynch, The 2010 Study of High Net Worth Philanthropy. Issues Driving Charitable Activities among Affluent Households, November, 2010.

Giving strategies and budgets

It is interesting to note that the majority of givers (over 60%) typically do not strategise or budget for their giving. Only 26% of the respondents have both a strategy and budget for giving.

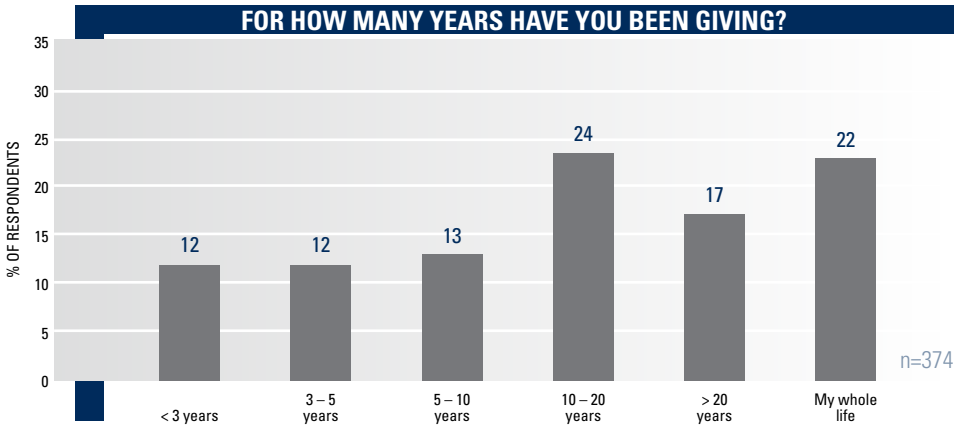
Over 60% of HNW givers do not have a giving strategy or budget.

Those giving smaller amounts are less likely to plan their giving than those giving larger amounts. Of those who gave more than R250 000, all had a strategy for giving in place (although this amounted to only eight individuals or 2% of respondents). The pattern is similar when considering the existence of a budget for giving.

GIVING BEHAVIOUR (CONTINUED)

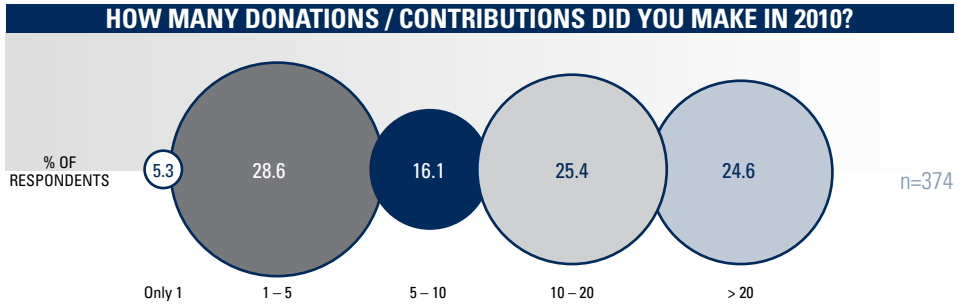
Long histories of giving

Those who give have typically been doing so for more than ten years, with at least a fifth of respondents indicating that they have been giving their whole lives. Most people who give therefore seem to entrench the practice of giving as part of their way of life. Those motivated to give by religious beliefs tended to have given for slightly longer.



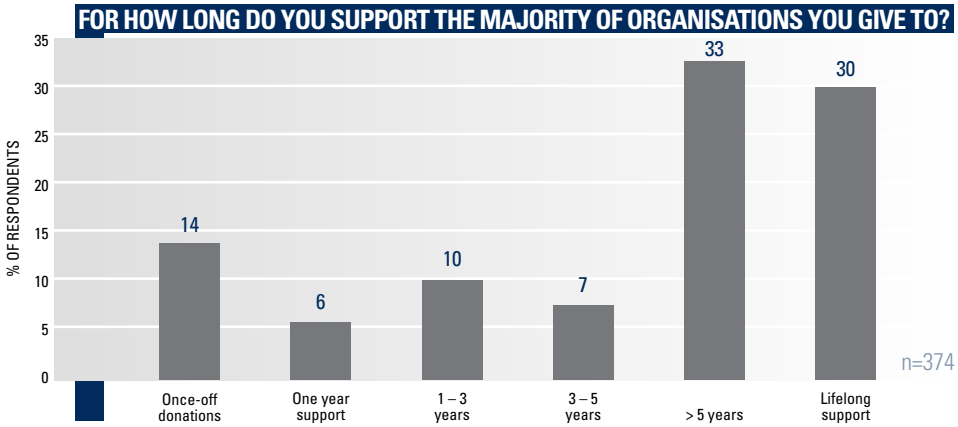
Numerous donations

Half of those who gave in 2010 made more than ten donations in that year. Those motivated by religious beliefs tended to give more frequently. This could be due to, for example, tithing practices of church-going individuals.



Multi-year support

Typically, once a specific beneficiary has been chosen, support is ongoing for over five years.



SELECTION OF BENEFICIARIES

Socially-focused giving

The most prevalent sector for giving was social and community development. For the purposes of the survey, social and community development served as a 'catch-all' category for welfare-orientated initiatives including for example, hospices, orphanages and support for the aged. Almost 50% of the respondents supported this sector and approximately 26% of the total contributions in 2010 went towards the sector.

Religious causes are supported by 38% of givers, and received 14% of contributions made in 2010. Over 30% of givers chose to support education, with the sector receiving 11% of total contributions. Causes mentioned and captured under the 'other' category included support for non-family individuals.

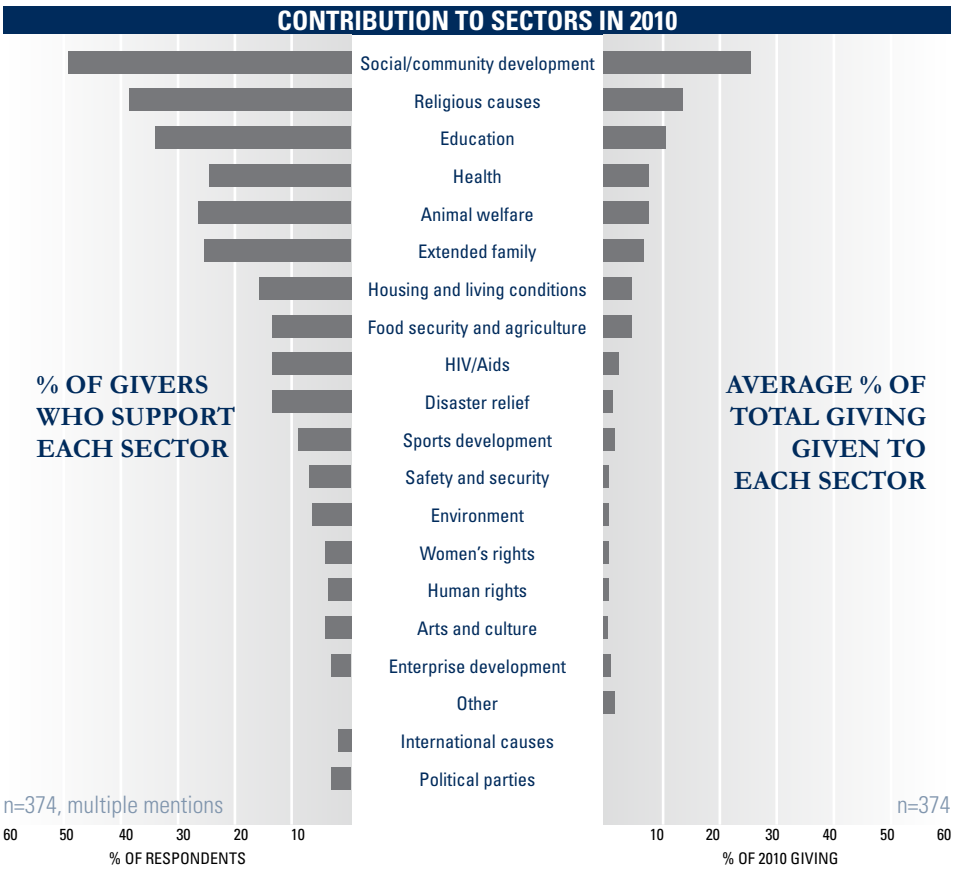
Eighty five percent of those that gave to extended families gave less than 50% of their total giving to extended families. Only 0.5% of the total sample (two individuals) gave exclusively to extended family.

Corporate comparisons

South African philanthropists differ from South African corporates, where education consistently receives the largest share of funding (32.4% in 2009/10). Social and community development received 12.5% of corporate social investment in 2009/10.[3]

[3] Trialogue, CSI Handbook, 14th edition, 2011.

'Social and community development' causes receive the most support.



THE CASE FOR COLLABORATION
by Kgotso Schoeman

Working in isolation and trying to 'be all things to all people' can result in missed opportunities and an inefficient distribution of resources. Collaboration provides a means of improving developmental outcomes. Whilst the concept of collaboration in the development sector is not new, how it takes place has a considerable impact on the success it achieves.

Broadly speaking, collaboration takes two forms. The first can best be described as a charitable response to an immediate problem, and the second as a partnership seeking profound, ongoing social change. While there is certainly room for the first – especially in times of crisis – it is usually a purely financial transaction, which prevents the donor from developing a sense of ownership of the project, and therefore tends to absolve them of responsibility for any shortcomings the response might display.

Drawing on the skills and resources of partners

As a way of influencing a dysfunctional system in a sustainable fashion, the second scenario – partnership – is clearly more desirable, for a number of reasons. This form of collaboration encourages the selection of partners with complementary interests and specialisations, united by a shared vision. In this way partners are able to contribute from within their own areas of expertise. This approach leads to a better leveraging of partners' contributions, and promotes longer-term interest and participation.

Forging strategic relationships

It is all too common to see donors dividing their budgets between multiple projects. While the beneficiaries receive short-term benefits from this practice, a more focused collaborative approach enables the forging of strategic relationships. Philanthropists are then able to increase the impact of their donations through the pooling of financial and human resources. This is especially effective in the case of government partners, who tend to be more willing to offer resources when they are contributing to a joint effort. The resultant shared responsibility between partners further bolsters the chances of success. Other benefits include the ability to leverage information and knowledge in order to create new linkages and build capacity, in turn facilitating innovative solutions or further joint ventures.

Understanding partner interests

From the outset, philanthropists should aim to understand the chosen beneficiary cause and take time to learn about the interests of the other donors, funders and organisations in the sector. By understanding all the influencing factors, complementary partnerships that facilitate a more positive and enduring impact can be established. In some cases, there may even be projects in overlapping sectors that can contribute to the chosen cause.

Fostering trust

When entering into collaborative partnerships, it is important to establish a clear division of labour from the outset, to avoid any misunderstanding further down the line. Partners do not need to contribute equal amounts of money – experience and capacity are equally important, and their value should be acknowledged. Being clear about values, goals and methods, whilst also acknowledging elements of self-interest, is vital to a healthy partnership.

As in a good marriage, a longer-term commitment to the partnership is necessary to provide an opportunity for growth and success. Being open to innovation is also important, as is a high degree of trust. Partners need to be able to rely on each other to deliver what they promised and to be accountable when they do not. Successes and failure must be shared – an agreement to this effect will have a considerable positive impact on the dynamic of interactions.

Making the hard decisions

On the other hand, philanthropists also need to be able to make tough decisions and terminate partnerships that are not working. A partner not meeting their agreed obligations or delivering on their objectives can put an entire project at risk, and ending such collaboration can do more good than pursuing it relentlessly.

Successes in collaboration: the case of the Beyers Naude School Development Programme (Kagiso Trust)

The Beyers Naude School Development Programme (BNSDP) operates according to many of the principles outlined above. Its stated aim is to transform dysfunctional rural schools, and the project works on a funding model based on the principle of collaboration between the Department of Education and other private sector partners. In the past three years, this approach has successfully unlocked more than R100 million for education across the country. The BNSDP has a number of strategic partners who work together to address the schools' physical infrastructure, management, accountability and community mobilisation. The project partners with service providers who supply more specific expertise, particularly in curriculum implementation and schools management. By sharing a vision while staying focused on individual areas of expertise, the partners in the BNSDP are achieving great success in the areas that most challenge South African schools today.

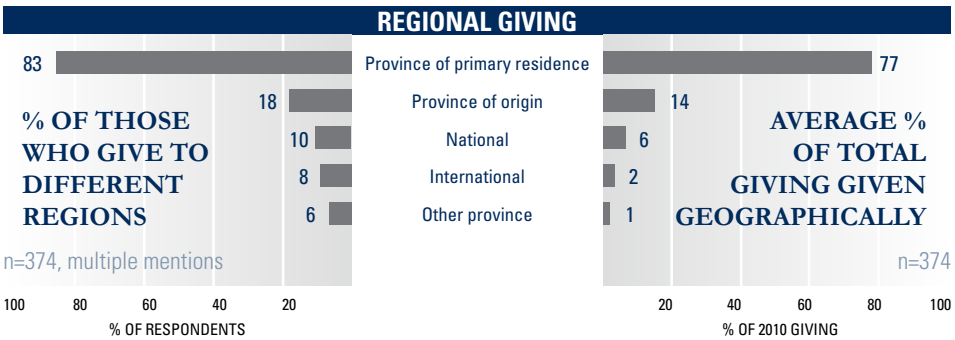
Kgotso Schoeman studied at Johannesburg University, Soweto Campus. He joined Kagiso Trust in 1994, as a programme manager. Now the CEO, he is responsible for managing the Trust's finances, and partnerships. He has had considerable experience in project management, managing community participation and development processes, local economic programme development and SMME support and development – skills he uses daily in his current position.

Collaboration is key

Philanthropy should not be about asking "What can I get out of this?". It should be about asking "What contribution can I make to society?". Experience shows that a dysfunctional system can be most successfully influenced through collaboration. Partners brought together by a common cause can achieve much more than even the most ambitious individual working in isolation. Teaching people to work together is therefore key to a brighter future for South Africa.

Local giving

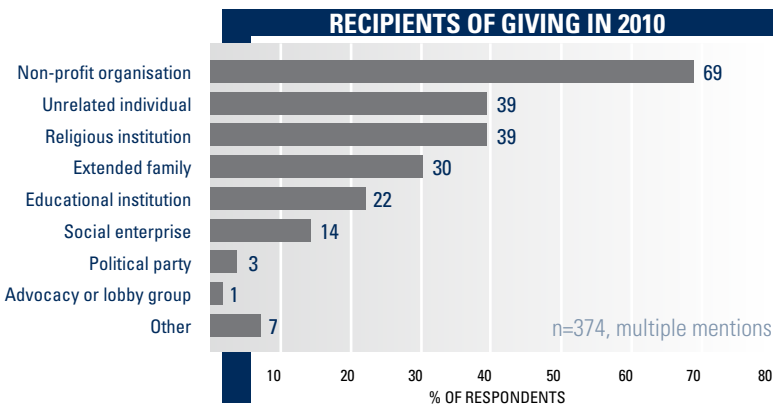
The majority of giving occurs in the province of residence. Although 8% of respondents gave to international causes, these causes received only 2% of South African HNW 2010 contributions (implying relatively smaller amounts were given).

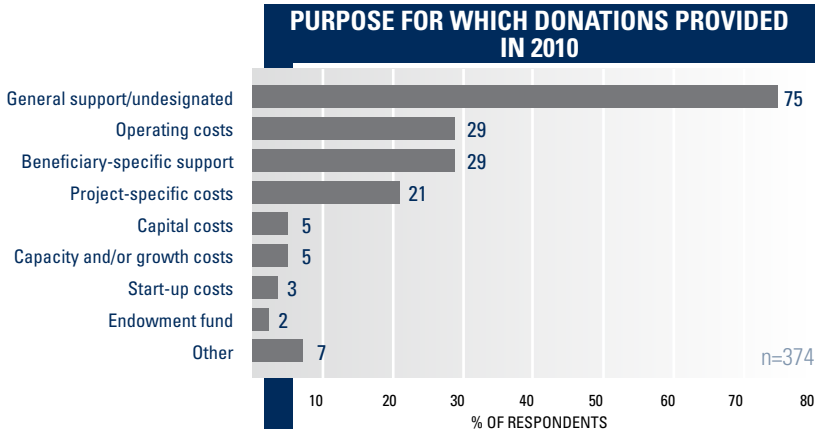


Type of recipients

Non-profit organisations (NPOs) are the primary recipients of HNW individual funding (69% of givers supported NPOs in 2010), followed by unrelated individuals (39%) and religious institutions. Political parties and advocacy or lobby groups received the least support.

To obtain a clearer perspective on choice of recipient, respondents were asked which types of recipient they would specifically not give to. Political parties were cited by 60% of respondents, and advocacy groups are specifically avoided by 21% of respondents. Reasons cited for not funding the various recipient types were a general lack of trust, concern around corruption, perceptions that the funds would be misused or wasted, and perceived lack of need for funding by the specific group.





Unrestricted funding

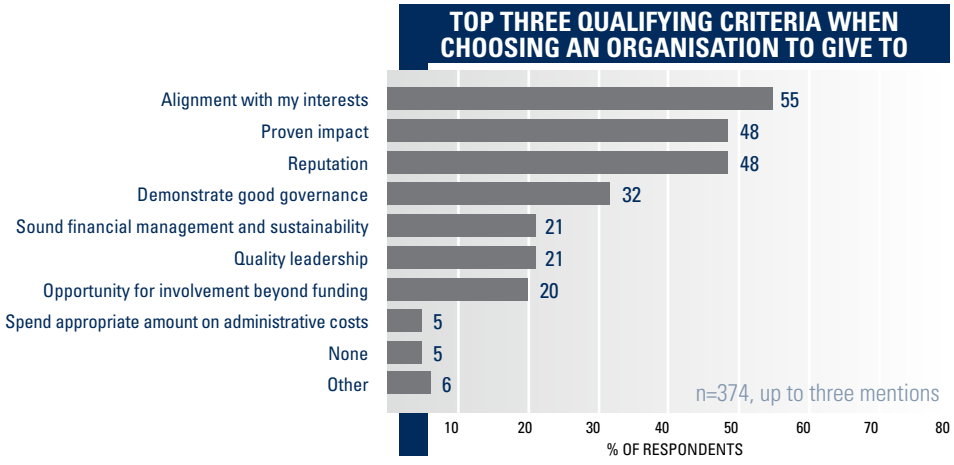
Those who gave were asked the purpose for which the funds were provided. Three-quarters claimed that there was no specific purpose, but rather the funds were provided for 'general support'. Givers were also asked if there were any types of support that they would specifically not give, and again there was limited concern with the funding of different types of support.

Identifying organisations

Direct approach by beneficiary organisations is the most common way of identifying whom to support.

This is closely followed by three categories relating to personal connections and networks:

- personal involvement with an organisation;
- through religious organisations; and
- through networks of friends and peers.



Qualifying criteria

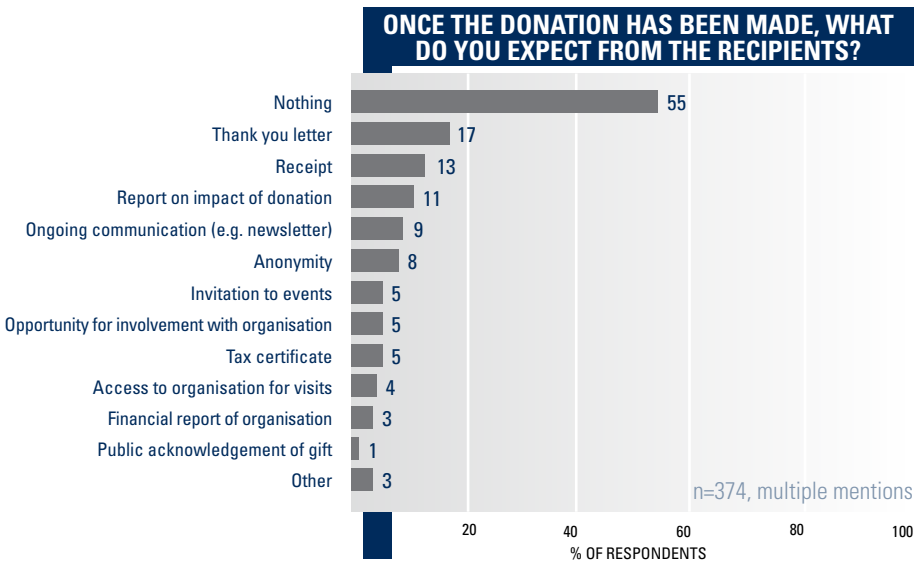
The most important qualifying criterion in the decision to support an organisation is an alignment between personal interest and the nature of work undertaken by the organisation. Proven impact and reputation follow closely as important criteria. Interestingly, the opportunity for involvement in the organisation that extends beyond the funding relationship is important to a fifth of the givers.

POST-DONATION BEHAVIOUR

Those giving were asked what they expected in return for their support.

Limited expectations

Just over half of the sample do not expect anything in return for their donation. Others would like a thank you letter, receipt or report on the impact of the donation.

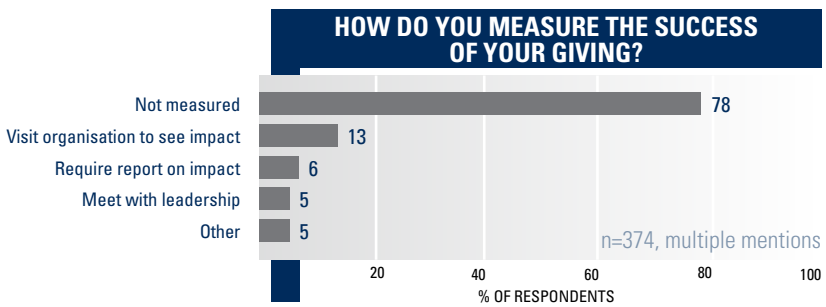


Measuring success

Almost 80% of givers simply do not measure the 'success' of their giving. Where there is some sort of post-donation follow-up, it comprises a site visit, a report or meeting with the project leadership.

Almost 80% of givers do not measure the success of their giving.

These results contrast the finding that 'proven impact' is a qualifying criterion for 48% of donors. So whilst many donors expect to see an impact before selecting an organisation to fund, very few are measuring this.



STRUCTURES FOR GIVING

Only 5% of HNW donors have set up a trust for the purposes of giving.

Limited use of formal giving structures

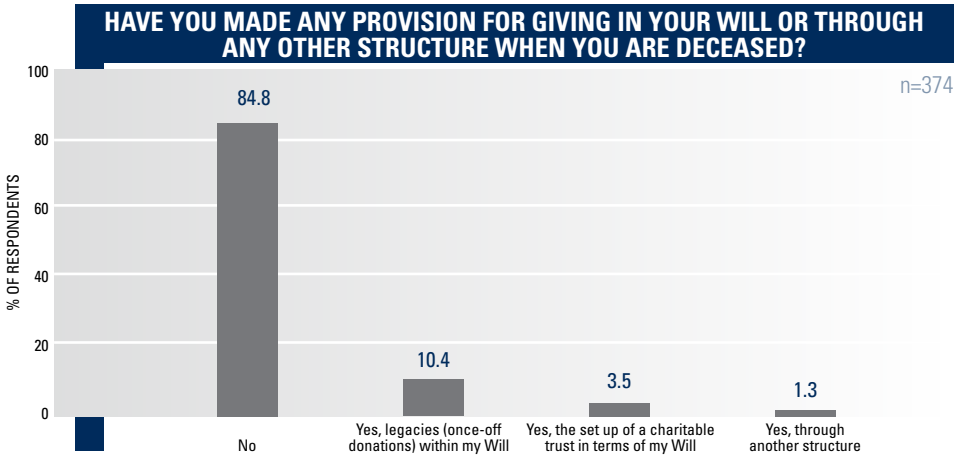
A mere 5% of givers (or 19 respondents) use a trust or foundation for the purposes of giving.

Trusts are mostly set up by the individual givers themselves although more than a third of respondents utilise trusts set up by parents or grandparents, which shows a pattern of continuous family giving and involvement.

One-third of these trusts will be distributed entirely during the lifetime of the giver, while the other two-thirds will give in perpetuity.

Provision for giving after death

Over 80% of givers have not made provision for donations after their death. Whereas almost 14% of givers plan to give through their Will, 21.4% of those motivated by religious beliefs plan to do so.



GIVING EXPERIENCE

Respondents were asked to reflect on their experiences of giving. The overwhelming opinion was that the giving experience was fulfilling and positive.

While generally, respondents did not face challenges, the misuse and abuse of funds appeared to be the most frequent challenge experienced.

Finally, respondents were asked an open-ended question on the advice they would offer to new philanthropists. The general response related to the benefits of giving selflessly. Some caution was offered on ensuring funds are properly spent. A few suggested involving professional advisors and doing proper research before giving.

STRUCTURING YOUR GIVING
by Anna Vayanos

Today, anyone can be a philanthropist. You do not need to be an Ultra High Net Worth individual or to set up a foundation for the purpose. However, there are many instances where properly structuring your philanthropy can go a long way to maximising your endeavours.

As philanthropy grows in this country, for those choosing not to formalise their philanthropy, there are so many options and opportunities to get involved.

Giving directly to an organisation or individual is the obvious one, but these days you can give through loyalty cards while shopping at the supermarket, invest in social enterprise funds where the return is not only financial, buy shares in social projects, give online or even buy unit trusts where a portion of the fee is used to support a particular cause.

As society places more and more pressure on the businesses they support to operate with an increased social conscience, we are bound to see more innovative and interesting ways through which we can do our bit. Just by carrying on our day-to-day commercial activities, we will no doubt be exposed to more and more opportunities to make a difference – even if it means just choosing a particular product over another.

There are many instances though, where the setting up of a foundation makes very good sense, but there remains a common misconception that one needs millions to do so. Whilst you do need to endow the foundation with a level of funds that makes it financially viable, the amount required is not as large as many think. Often all that is needed is enough funding to create an income stream for distribution that you feel would be sufficient to fulfil or help fulfil your philanthropic objectives, once annual accounting and any other costs are covered.

Once you have determined that the setting up of a foundation would indeed make financial sense, the next decision would be whether it should be established during your lifetime or in terms of your Will. This comes down to a very personal decision as to whether you would like to experience the impact of your giving or whether you would rather leave your philanthropic pursuits until after your death. The latter could be your preferred route for a number of reasons, including the need for financial certainty during your lifetime, the desire to leave a legacy or otherwise.

Whether you set up a foundation during your lifetime or in terms of your Will, both options provide you with an opportunity to consciously evaluate and decide on what is important to you and what you would like to achieve through your philanthropy and to provide for this through the founding documents.

Through the selection and appointment of trustees, you also have the opportunity to put those people in place who will help to achieve your philanthropic objectives whilst you may no longer be around to ensure this. You also have the opportunity to specify whether the foundation should be 'spent down' over a certain period of time or whether it should continue indefinitely. Either way, flexibility is key as you would want the decisions on distributions to be made in light of any changing needs or circumstances. If education is no longer in such crisis in twenty years' time, should the trustees be able to focus on something else? Also, if the foundation only has five years left within which to operate, could the rushed spending of possibly significant funds still left in the foundation be done responsibly?

If structured properly, the setting up of a foundation – whether during your lifetime or in terms of your Will – can provide both you and the foundation with certain tax advantages. (Those involved in direct giving can also avail themselves of these advantages, however, these can often be maximised if structured through a foundation.)

Another advantage of setting up a foundation is the ability to keep support at a constant level. In terms of the usual model of funding a foundation, the capital would be invested and the income earned, or a proportion of it, distributed at regular intervals. If in any year, the income is not sufficient to meet the amounts required for distribution, the trustees, if given the flexibility to do so, can dip into the capital – in this way managing to maintain levels of support to beneficiaries in the difficult times when this is often crucial. If giving directly in your personal capacity, the ability to keep your giving constant in financially challenging years is unlikely to be possible.

Whilst not for everyone, making formal provision for your philanthropy through a foundation should, if anything, ensure that you apply your mind more consciously to your giving. We need to move away from the view that this route is an option reserved for the wealthy. Even if it is through a group of friends or family pooling their resources, a foundation is a great way to commit to longer-term giving.

Anna Vayanos heads up the Philanthropy Office at BoE Private Clients. She is an admitted attorney and also a solicitor for England and Wales specialising in charity law. After practising in both London and Cape Town, Anna left law in order to take up a role through which she seeks to facilitate the growth of philanthropy in South Africa, something she is very passionate about.

Shelagh Gastrow is the Executive Director of Inyathelo: The South African Institute for Advancement. Inyathelo is a key organisation promoting the growth of a philanthropic movement in South Africa. Prior to founding Inyathelo in 2002, Shelagh was Director of Fundraising at the University of Cape Town. During the early 1990s she worked for the Institute for a Democratic Alternative for South Africa as the co-ordinator of its Africa programme. Shelagh has authored five editions of *Who's Who in South African Politics:* (1985 – 1995).

GOOD DONOR PRACTICE
by Shelagh Gastrow

In South Africa, philanthropy underpins much of our civil society and many of our most treasured institutions. Individual donors are a vital part of what these organisations contribute to the country.

Philanthropy is not the same as charitable giving, which tends to deal only with symptoms such as poverty or homelessness. In addition, charitable donations are often comparatively random, with the donor having little or no connection with the beneficiary.

In contrast, philanthropy usually explores and addresses the core problems that give rise to these symptoms, and does so through shared involvement in a cause that evokes passion and pride in achievement in both the donor and his or her partner organisation.

How does an individual select a partner organisation?

As with business investments, a philanthropic investment in a non-profit organisation usually involves considerable research – especially as South Africa has around 100 000 non-profit organisations (NPOs) to choose from.

Common ground with the donor usually forms the first selection criterion, after which geographical area, target beneficiaries and even specific projects can be used to narrow the field further.

Once a group of organisations which match the philanthropist's values and interests has been identified, a 'due diligence' examination, to ensure that a donation will be used properly, is vital. Key questions will include:

- Is the organisation legally constituted and tax exempt?
- Can it supply audited financial statements and an annual report?
- Is the organisation's leader well respected?
- Does the organisation have a properly functioning governing board, and who serves on that board?
- What is the organisation's history and have there been any reported questions around its integrity?
- Who are the organisation's other donors and are they suitable investment partners?

Building relationships

For successful philanthropy, a robust, enduring relationship between the donor and the partner organisation is essential. Trusting and respectful relations increase transparency and ensure that issues can be dealt with in a constructive manner. Both partners need to be accessible to each other: organisations should be responsive to queries from donors, while it is important for donors to acknowledge and reward achievements.

Long-term or short-term support?

In an effort to avoid a culture of dependency, philanthropists are sometimes inclined to make only once-off donations. This strategy provides little satisfaction to the donor, however, as the

chance of seeing real change or benefit from one donation is small, and the partner organisation, restricted to dispensing only short-term benefit, is also disappointed.

Longer-term financial support arrangements are more creative, allowing for investment in systemic change that impacts on the real problem and providing a more satisfying experience for both the philanthropist and the organisation. Better strategies exist for dealing with dependency issues, which are best treated separately, in conjunction with the organisation.

Identifying what funds can be used for

Philanthropists are sometimes unwilling to donate funds without knowing which specific project they will be spent on. How funds should be spent can and should be negotiated with the organisation, but it needs to be kept in mind that core costs such as salaries and rental are often more critical to organisations' survival than project-focused money.

While specific projects are easier to conceptualise and their outcomes provide a more ready source of satisfaction, projects cannot run without the core of the organisation being intact, and un-earmarked funds allow the organisation to allocate money where it is most needed.

Exit and succession strategies

Withdrawal of support by a long-term donor presents huge challenges to a recipient organisation, and it is good ethical practice to have an exit strategy in place to mitigate the effects.

Beyond providing a respectful period of notice (usually one year or two), these strategies can include:

- Sponsorship of fundraising costs;
- Creating opportunities to introduce the organisation to other philanthropists or funders;
- Building the organisation's capacity to raise funds through training or the employment of a fundraiser; and
- Investing in an endowment to underwrite the organisation's future running costs.

A combination of some or all of these strategies can help ensure that the organisation remains viable after the donor's departure.

Conclusion

Good donor practice means building a rewarding and fulfilling relationship for both the philanthropist and his or her partner organisation. This partnership should be based on mutual accountability, respect and professional relations. While the philanthropist is often assumed to hold the more powerful position, it is important to remember that without the organisation, the philanthropist's objectives cannot be met. In effect, the organisation offers the philanthropist an opportunity to change the world!

Adam Habib is Deputy Vice-Chancellor: Research, Innovation and Advancement at the University of Johannesburg. This article draws on some of the findings from the book *Giving and Solidarity*, co-authored with David Everatt, Brij Maharaj and Annsilla Nyar, *Resource Flows for Poverty Alleviation in South Africa* [Adam Habib and Brij Maharaj eds, HSRC Press, 2007]

PERSPECTIVES ON PHILANTHROPY IN SOUTH AFRICA
by Adam Habib

Philanthropy, in one form or another, has been evident in South Africa for many years. Soon after the 1976 Soweto uprising, corporate pioneers Anton Rupert and Harry Oppenheimer established the Urban Foundation as a private sector initiative to address poverty and encourage the development of an African middle class. In more recent times, people like Donald Gordon and Allan Gray have established significant philanthropic initiatives and formed partnerships which have built schools and hospitals, provided bursaries for materially disadvantaged students and seed capital for black entrepreneurs, and so on.

The new black elite has also been under pressure to give, and while some of them claim their lack of complicity in apartheid absolves them from any such obligation, many have responded. Some initiatives, like the Ploughback Trust, harness the collective resources of successful black entrepreneurs and professionals, while post-1994 individual economic success stories like Cyril Ramaphosa, Tokyo Sexwale and Patrice Motsepe have all established foundations through which they channel considerable resources to worthy causes.

The findings from this BoE Private Clients survey show that giving by high net worth individuals (HNW individuals) remains widespread. Findings show that 93.5 percent of those interviewed have given in one form or another. Many of those were found to give smaller amounts, typically on a charitable basis. However, the survey also showed that the tradition of strategic philanthropy established by the early South African philanthropists has been carried forward vigorously in recent years.

But giving in South Africa has never been the preserve only of the rich. A survey carried out in 2003 indicated that ordinary South Africans were giving collectively about R930 million per month towards poverty alleviation and development. At the time, this represented 2.2% of the national wage bill, and was the second largest contribution per annum to poverty alleviation and development in South Africa after state investment.

Giving by the poor, however, is distinctive in two ways. First, as a result of their lack of resources, poor people tend to give time more than money (volunteerism). Second, unlike the more individually directed giving by the rich, giving by the poor is more collectively organised, being facilitated through stokvels, burial societies, collective buying clubs and the like.

Strictly speaking this giving by the poor is not philanthropy, in the sense of the voluntary giving of surplus resources to the poor. Rather, it is the poor themselves sharing inadequate resources within marginalised communities in order to survive their circumstances. Nor is this form of giving strictly speaking voluntary, since it is informed by patterns of obligation defined by the extended family, which serves as the basic social unit in many poorer communities.

Two final reflections are warranted. First, there are some who believe that social grants create dependency, inhibit innovation and entrepreneurship and should therefore be abandoned. This would be disastrous. Social grants are absolutely crucial for the survival of the poor and marginalised, especially in rural areas. So there is little doubt that charitable giving, as revealed by The Giving Report 2010, makes a valuable contribution. However, this form of giving is likely to address immediate symptoms of poverty rather than longer-term systemic change.

Secondly, philanthropy on its own cannot secure development and the alleviation of poverty. Indeed, it is worth noting that poverty, inequality and underdevelopment have worsened world-wide, even as civil society and philanthropy have greatly expanded. It is increasingly recognised, however, that philanthropy can have a positive systemic effect when it is partnership-based and integrated with accountable, people-oriented political and economic systems. The survey results showed some evidence of such partnerships, as well as of considerable contributions of time. This form of philanthropy holds the promise that those who have succeeded in generating their own wealth, will go on to assist others in making a sustained and positive societal impact.

CONCLUSIONS

The survey highlighted the high propensity that HNW individuals in South Africa have to give. It also showed that much of this giving is characterised by small, frequent donations, undertaken without a strategy or dedicated structure, without any involvement between donor and recipient organisation or requirement for evidence of results. Based on the many questions asked, it would appear that this is the case for at least two-thirds of givers.

Also emerging from the survey is evidence of substantial giving of cash or time, and that those giving larger amounts tend to take a more strategic approach to their giving.

A spectrum of giving clearly exists, ranging from incidental charity at one end to professional strategic giving at the other. Both will always have a place.

The commitment of givers is apparent, with many having given for their entire lives and many continuing to support their chosen beneficiaries for significant periods of time.

The survey has provided a snapshot of giving amongst HNW individuals as it currently stands and will serve as a baseline against which the findings of future surveys can be analysed, enabling us to track and monitor the growth and development of philanthropy and giving trends.

It is apparent that the experience of giving is overwhelmingly positive and we hope that the research findings and guidance in this report will facilitate even greater numbers of givers.

NOTES

CONTACT DETAILS

Anna Vayanos
Head : Philanthropy Office
BoE Private Clients
Tel +27 (0)21 416 6375
Fax +27 (0)21 416 8375
Email AnnaV@boe.co.za

Lynne Fiser
Trust Consultant
BoE Private Clients
Tel +27 (0)11 294 8251
Fax +27 (0)11 295 8251
Email LynneF@boe.co.za

Nicola McMurtry
Portfolio Manager – Investments
BoE Private Clients
Tel +27 (0)31 536 5336
Fax +27 (0)31 364 0554
Email NicolaS@boe.co.za

www.boeprivateclients.co.za

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