

Tertiary Institutions

Solicitation and Acceptance of Donations and Sponsorships

Introduction

Donation or sponsorship to a tertiary institution is defined as a contribution in money or in kind either by corporate bodies or private individuals, in support of its overall objectives. Examples of such contributions are gifts of buildings or parts thereof, donations/endowments for scholarships, bursaries and loan funds, financial assistance to research projects and sponsorships to individual teaching staff to attend conferences.

Probity Issues

Donations/sponsorships may be offered in a wide range of situations, and perceptions of corruption, favoritism or friendly deals can easily arise if the donors/sponsors are approached directly by individual staff without formal authorization and when there are few or no accountability mechanisms in place.

Key Principles

When considering the appropriateness of entering into a sponsorship relationship with potential donors/sponsors, tertiary institutions should bear in mind the following overriding guiding principles :-

- (a) Donations/sponsorships should predominantly be for the benefit of students of the tertiary institutions i.e. donations and sponsorships should contribute, either directly or indirectly, to the quality of student learning.
- (b) There must be no conditions attached to a donation/sponsorship which could affect the institution's ability to carry out its functions fully and impartially.
- (c) The acceptance of a contribution from a donor/sponsor must not adversely affect the reputation of the institution.

Based on the above premises, tertiary institutions may focus on *five operational principles* in drawing up any donation and sponsorship policy :

(a) Impartiality

Tertiary institutions should not enter into a donation or sponsorship arrangement that could limit their ability to carry out their full range of functions impartially. It is therefore not advisable for them to solicit donations or sponsorships from individuals/companies which have business dealings with them (e.g. suppliers).

(b) Integrity

Donations and sponsorships should come from reputable sources. Also, no staff should ask for or receive any personal benefits connected with the donation/sponsorship.

(c) Accountability

Appropriate accountability mechanisms should be in place to ensure that the full extent and nature of sponsorships, and the exchange of benefits between the sponsored organisations and the donors/sponsors, are well documented and available for public scrutiny, whenever necessary.

(d) Best Deal

Some sponsorship creates opportunities for the sponsor to make use of the institution's reputation and goodwill in addition to providing significant marketing opportunities to the sponsor (e.g. the affinity card programme detailed under "Commercial Sponsorships" on P.4). It is therefore important that the best offer of donation/sponsorship should be selected where applicable, subject to appropriate terms and conditions.

(e) Centralized Control

Solicitation and acceptance of donation and sponsorship efforts within a tertiary institution should be administered by a central co-ordinating unit for control purposes.

Control System

In order that the donation and sponsorship policy is adhered to, procedural guidelines must be laid down to establish centralized control, and to ensure the operating principles of impartiality, integrity, accountability and best deal are built into the solicitation and acceptance process.

Central Co-ordinating Unit

A central unit, accountable to the head of the institution and the Council, should be designated to co-ordinate the administrative work arising from the solicitation and acceptance of donations and sponsorships. It should ensure consistent policies being adopted by different departments, and should be responsible for all solicitations, seeking relevant authorization from the Council or any other delegated authority, as appropriate. It should function independently, with no direct association with the other functions of the institution (e.g. student admission, purchasing and tendering functions), so that donors and sponsors would not perceive their contributions to be linked in any way to other official dealings they may have with the tertiary institutions.

It is appreciated that for practical reasons, potential donors/sponsors may have to be approached by individual staff/departments at the initial stage. However, as soon as a proposal is firming up, solicitation should be taken up formally by the central unit. Thereafter, as the potential donor/sponsor knows whom he should approach, this will reduce chances of employees soliciting donations/sponsorships for personal advantages. The unit with its formalized procedures will ensure consistency of practices and enhance effective monitoring on the receipt and disbursements of funds.

Solicitation

Non-commercial Sponsorships

Most of the donations/sponsorships do not infer any direct commercial advantage to the donors/sponsors (e.g. sponsorship towards the setting up of an Institute of Information Technology). In such cases, potential donors/sponsors may be identified and directly approached for donation/sponsorship. The following general considerations should apply :

- (a) It is not advisable to solicit donation/sponsorship from companies which have business dealings with the tertiary institution.

- (b) The donor/sponsor should be reputable. What would make a donor/sponsor inappropriate for the sponsored organisation's purposes should be based on community standards.
- (c) Joint sponsorships may be considered where they enable several sponsors of individually modest size to sponsor jointly a major initiative.
- (d) All contacts with potential donors/sponsors should be formally recorded.

Commercial Sponsorships

Some sponsorships provide valuable marketing opportunities for businesses. A typical example is the affinity card programme which is very common throughout the tertiary institutions. Under the sponsorship agreement, a sponsoring bank is required to contribute an agreed percentage of the membership fees and the cardholders' spending to the tertiary institution.

Such sponsorship opportunities could represent significant financial benefits to both parties and institutions should test the market to get the best return possible. It is also important that all interested businesses should have an equal opportunity to be considered to take part in such sponsorship agreements. If there is likely to be a significant potential interest in a particular sponsorship, as in the case of the award of an affinity card programme, the process should be competitive.

For these cases, the institution should consider publicizing the sponsorship opportunity and call for expressions of interest. Interested sponsors should be asked to submit sponsorship proposals. This would enable a wider field of potential donors/sponsors available for selection of the best offer.

Sponsorship proposals should be assessed against pre-determined criteria, which should be documented before calling for expressions of interest, and should be circulated to all organizations which submit an expression of interest. They should not be changed midstream, unless the circumstances change and all potential sponsors are given an equal opportunity to revise their proposals in the light of the changes.

Acceptance Considerations

The circumstances leading to the acceptance of donations/ sponsorships must be fully documented. They should be aboveboard and not open to misconstruction. In considering acceptance of a donation or sponsorship, the following general conditions should apply :-

- (a) Donations and sponsorships should come from reputable sources.
- (b) Acceptance of a donation/sponsorship would not in any way give or be perceived to give the donor/sponsor an unfair commercial advantage over others in the same trade, industry or profession.
- (c) Without prior agreement of the institution, the donor/sponsor must not solicit donations or contributions from sources other than its own to meet the financial commitment towards the project.
- (d) Any publicity items to be produced by the sponsor in a joint promotion should be agreed and approved beforehand and carefully monitored.

In addition, for non-commercial sponsorships, the following conditions should also apply :-

- (a) The sponsor should not be allowed to generate any direct financial gain as a result of sponsoring the activity or project.
- (b) Sponsorship should not be excessive having regard to the nature and purpose of the project or activity concerned. Excessive amounts may unnecessarily place the institution in an obligatory position.
- (c) For sponsored conferences, seminars etc., the sponsor should not name individual staff as recipients. Recipients should be selected by the institution in accordance with its own nomination and selection procedures. The selected recipients should be delinked for a specified period of time from any decision process which may involve the commercial interest of the sponsor.

- (d) For overseas site visits relating to the selection of equipment before or during tendering exercises, they should be funded by the institution and should not be sponsored by any of the potential vendors. The cost of overseas visits for staff training or familiarization of the operation of the equipment after award of the purchase contract should be included in the terms of contract.
- (e) For overseas user meetings (for the purpose of experience sharing amongst users) sponsored by the supplier, the sponsorship should be offered to the institution instead of individual staff and the management should see to it that the final recipient should be delinked for a specified period of time from any decision making process which may involve the commercial interest of the sponsor.

Approval Mechanism

A formal approval mechanism should be laid down. While the Council is the ultimate authority for acceptance of donations/sponsorships, it may delegate its authority to the President/Vice-president for approval of designated amounts and nature. Generally speaking, a sponsorship involving a large amount or a policy decision (e.g. naming of buildings, construction of a new building) requires the Council's approval. For other sponsorships, the President/Vice President can approve on the basis of recommendations prepared by the central co-ordinating unit with reference to the views of the relevant department/faculty heads or the committees (e.g. the Finance Committee, the Senate Committee on University Scholarships). All procedures should be clearly documented to show that the case has been thoroughly and fairly considered. The President/Vice President should report to the Council at regular intervals details of the donations/sponsorships accepted.

Written Agreement

While donations and sponsorships are often offered as a goodwill gesture towards a campaign of the sponsored organisation and as a contribution to the well-being of the community, it is necessary to have some written understanding as to the contribution of the donor/sponsor and the limitations he is required to observe. This can be in the form of notes of meetings, followed by a letter of confirmation. For long term donations/sponsorships, such as the setting up of an endowment fund for the annual award of scholarships, the arrangements should be based on a written agreement between the sponsor and the institution.

A clear agreement is a good way of preventing future problems because it formally records the exact nature of the benefits to the donor/sponsor and the recipient institution before the start of the donation/sponsorship relationship. It also serves as an important accountability mechanism because it ensures that the full extent and nature of the donation/sponsorship arrangements, including any exchange of benefits, may be visible to the public. The written agreement should clearly set out the following :

- the preamble that the donation/sponsorship will not carry any advantage in the donor's/sponsor's dealings with the institution;
- the benefits, including financial benefits, available to the recipient institution and to the donor/sponsor;
- the form or forms of donation/sponsorship acknowledgment which will be available;
- the range of ways that the sponsor can use the sponsorship relationship, and the institution's right to review specific uses, such as advertisements or magazine articles, before they are released to the public;
- the terms of the donation/sponsorship and any conditions affecting renewal;
- financial accountability requirements (e.g. an annual financial report to the donor/sponsor, giving an account of the use to which the donation/sponsorship has been put); and
- any special conditions which may apply.

**Receipt of
Donations/
Sponsorships**

All donations/sponsorships should be sent direct to the Finance Office by cheques made payable to the institutions. Donations/sponsorships in kind should be sent to an officer designated by the central co-ordinating unit. Letters of thanks, accompanied by official receipts issued by the Finance Office, as appropriate, should be issued by the central co-ordinating unit. To enhance transparency, donations/sponsorships should be acknowledged in the institution's annual report. Funds drawn from donations/sponsorships should be properly accounted for.

**Staff
Instructions**

Tertiary institutions should clearly set out their donation/sponsorship policy and procedures in writing for reference and compliance by staff. A checklist of the essential aspects to be considered in the course of solicitation and acceptance of donations and sponsorships-is attached as per Appendix.

Further Advice

The guidelines above are general in nature and should be tailored to meet the specific needs of individual institutions.

Institutions are welcome to contact the ICAC Corruption Prevention Department (Tel. No. 2826 3218) for further advice.

Summary Checklist for Solicitation and Acceptance of Donations and Sponsorships

Procedural guidelines should be laid down to establish centralized control and to ensure the operating principles of impartiality, integrity, accountability and best deal are built into the solicitation and acceptance process. These include :-

- A central unit should be designated to co-ordinate the administrative work arising from the solicitation and acceptance of donations and sponsorships.
- Donations and sponsorships should come from reputable sources.
- Solicitations from companies which have official dealings with the institution should be avoided.
- Opportunities for commercial sponsorships should be publicized and competitive proposals invited for subsequent assessment against pre-determined criteria.
- Acceptance of a donation/sponsorship would not in any way give or be perceived to give the donor/sponsor an unfair commercial advantage over others in the same trade, industry/profession.
- A formal approval mechanism should be laid down for accepting donations/sponsorships.
- Some written understanding as to the contribution of the donor/sponsor and the limitations he is required to observe should as far as possible be made.
- Donations/sponsorships should be sent direct to the Finance Office by cheques made payable to the institutions. Donations/sponsorships in kind should be sent to a designated officer.
- Adequate documentation covering the solicitation, processing, and approval of a donation/sponsorship should be made to enhance accountability and transparency.
- Staff instructions should be published for reference and compliance by staff.