

The Ethics of Grantwriting: Something Consultants and Nonprofits Need to Know

By Denise K. Spencer, President and CEO

Community Foundation of the Lowcountry has discovered that too often consultants, especially those whose primary area of expertise is not grantwriting, but who sometimes offer that as a “side dish” to their “main course,” have a lack of understanding about basic fundraising ethics. Therefore, I offer here what I hope to be helpful to both nonprofits considering hiring a consultant, and to consultants hoping to work for a nonprofit.

Consider the question posed some time ago by a nonprofit executive: **Can I hire a grantwriter on a percentage or commission basis? If no grant is received, then I don't have to pay the grantwriter, but if a grant is received, then I do?**

In a word, the answer is “no.” The vast majority of funders and professional organizations consider this practice to be unethical. As a result, this is not a good practice for either grantwriters or nonprofits. And a “commission” can be defined as a monetary amount, or even future work—particularly sticky if a consultant agrees to write a grant requesting support for work that the consultant expects the nonprofit to hire him/her to do.

In the Code of Ethical Principles and Standards of Professional Practice, the Association of Fundraising Professionals indicates; “Members shall not accept compensation that is based on a percentage of charitable contributions; nor shall they accept finder’s fees.” These sentiments are echoed in many other places. “Members shall...receive compensation based on usual and customary compensation practices in the development field. Accept no compensation based on a percentage of fundraising goals,” is part of a Statement of Ethics published by the Northwest Development Officers Association.

Commissions in question here can be monetary, or can be in the form of a requirement that the grantwriter’s services are used for other things. For example, if a consultant offers to write a grant proposal for funding consulting services on a contingency basis, and then requires the nonprofit to use their services for the consulting, this would fall into the same category.

In a piece on the web site of the Puget Sound Grantwriters Association, Ken Ristine of the Cheney Foundation writes:

“A funder’s main concern about fundraiser compensation lies in the answer to this question: what would charitable fund raising look like if it were a standard practice to pay fundraisers on commission? Public confidence and support of organizations would be undermined.”

Where grantwriters are concerned, the ethical issues include the fact that the grantwriter paid on commission (whether monetarily or in the form of additional work), may be tempted to put themselves ahead of the nonprofit's needs or mission. Costs for the projects are often inflated to take advantage of the grantmaker's largesse. The grantwriter makes it their business to know the funding maximums of grantmakers, and one can be assured that project costs will almost always approach these margins. Additionally, if a small nonprofit cannot afford to pay a grantwriter on an hourly basis for their expertise, then the nonprofit is not ready to receive grants and the responsibility that accompanies them. The nonprofit has no skin in the game; this makes one wonder about the real value of the proposal to the nonprofit. And of course, this practice sours the relationship of the nonprofit to the funder, because the funding community in general does not appreciate the practice and will not provide grants to nonprofits that operate in this way. Funders do not generally support nonprofits that operate in ways that are perceived as unethical—not just for the grant proposal in question, but also for all grants.

There is a copy of an article available online (in the form of a downloadable .pdf) which was originally published in CharityChannel's Grants and Foundations Review and in the Journal of the American Association of Grants Professionals which was written by Goodwin Deacon, Ph.D., called *Percentage Fees: The Troll Under the Bridge*, which can provide additional information for those interested.

According to Dr. Deacon:

"Percentage fees, commissions and contingency fees ... open the door to a host of abuses. They encourage predatory, self-dealing behavior in a field that is, by law, supposed to be dedicated to serving the public. They create a situation in which a grantwriter works for nothing if the proposal is not funded, and an organization may pay an excessive fee if it does receive the grant. These practices encourage deception of funders. It is hard to see what their advantages are, except for grantwriters who are willing to work primarily as volunteers and organizations that hope to get something for nothing."

Those grantwriters who get their work this way often do so because they are appealing to organizations with little money and therefore few choices. The nonprofit might not choose to hire this grantwriter based on their expertise compared to others who charge an hourly fee, but will take a chance because they can't afford to do it any other way, and don't have to pay if the grant is not funded.

Much more information is available on this topic. Unfortunately, a few bad actors in the nonprofit sector paint us all with the same brush, and likewise, a few bad actors in the grantwriting/consulting arena do the same for their field. This is one of the matters that requires our diligence to make sure the nonprofit sector is operating above reproach in so much as possible, and an understanding that our reputation is our most valuable asset.