



Policy on Non-Development Activity

Statement of Purpose: The purpose of this policy is to guide Love Mercy Foundation (LMF) and our partners to make a clear separation between development and humanitarian and non- development objectives and activities. This policy is intended to address the separation of development activities from non-development activities in: programming, expenditure reporting, fundraising, advocacy campaigns, communications and partners. This policy addresses our ACFID compliance obligations when communicating with or soliciting donations from private donors and the public, including fundraising for restricted and unrestricted purposes from aid agencies, sponsors, and supporters, and fundraising from the public. This policy was created to ensure LMF complies with its obligations under sections B.1.5 of the Australian Council for International Development (ACFID) Code of Conduct (the Code).

The following policy applies to:

- Love Mercy Foundation Ltd staff (both in Australia and Uganda).
- Love Mercy Foundation Ltd board members (both in Australia and Uganda).
- Love Mercy Foundation Ltd volunteers and interns (both in Australia and Uganda).
- Partner organisations.

Approval Date: August 2023

Next Review Date: August 2026

1 Policy Overview

- 1.1 The purpose of this policy is to outline the approach of Love Mercy Foundation (**LMF** or **Love Mercy**) approach to the design, funding, monitoring and evaluation of the programs it supports. The policy also outlines reporting and accountability requirements with a view to ensuring the highest possible reporting and governance standards.
- 1.2 The Policy covers program design, funding eligibility criteria and Love Mercy's funding application and approval processes. It also outlines reporting and accountability requirements with a view to ensuring the highest possible reporting and governance standards. The Policy also covers Love Mercy's commitment to learning and continual improvement. Love Mercy considers it critical that all of its processes and procedures are transparent and accountable to all donors, funders and other stakeholders in order to assure them that all funding is being applied for maximum impact in line with best practice development principles.
- 1.3 Love Mercy recognises that:
- (a) well-designed, effective and well-managed programs are critical to Love Mercy in achieving its objectives and mission and in seeing its vision realised;
 - (b) clear guidelines on funding criteria, appraisal and process are essential in ensuring transparency for all stakeholders and facilitating maximum impact in line with best practice development principles;
 - (c) well-designed, effective and well-managed programs are indicators of Love Mercy's own effectiveness, professionalism and commitment; and
 - (d) monitoring and evaluation are essential performance management practices for assessing and improving program effectiveness and impact.

2 Objectives of Love Mercy

- 2.1 Love Mercy aims to:
- (a) Provide relief from immediate poverty;
 - (b) Assist in the advancement of sustainable development through education and employment; and
 - (c) Assist in the advancement of medical support through the establishment of clinics.
- 2.2 Love Mercy is a company limited by guarantee under the *Corporations Act 2001* (Cth). The company registration number is ACN: 142 069 645 and Love Mercy produces annual audited accounts and financial statements. The company is registered with the Australian Charities and Not-for-profits Commission (**ACNC**) and has charity tax concessions. The objects of the company are set out in Item 3 of Love Mercy's constitution (available online on the ACNC website).
- 2.3 Love Mercy acts as trustee for the following funds
- (a) **Love Mercy Foundation Overseas Aid Fund** – which provides funding for overseas development projects - ABN 71 142 069 645. This fund is registered with the Australian Charities and Not-for-profits Commission (**ACNC**). Love Mercy has “approved organisation” status from the Department of Foreign Affairs and Trade (**DFAT**) and consequently, under the Overseas Aid Gift Deduction Scheme (**OAGDS**), issues tax deductible

receipts for donations made to this Fund to support approved overseas aid activities.

- 2.4 In addition, Love Mercy as a company in its own right (ABN: 71 142 069 645) provides funding for projects and receives non-tax deductible donations and other income (such as event ticket sales, auctions and sponsorship) for that purpose.
- 2.5 As Australian income tax deductibility is critical for successfully raising funds from Australian donors. Love Mercy regards compliance with OAGDS requirements as of the utmost importance. Accordingly:
- 2.6 Love Mercy operates on a not-for profit basis and money must not be distributed to members of the board or trustees of Love Mercy except as:
 - (a) re-imburement for out-of pocket expenses incurred on behalf of Love Mercy, or
 - (b) as proper remuneration for any administrative services provided.
- 2.7 Gifts and deductible contributions made to Love Mercy are kept separate from any other funds in separate bank accounts with clear accounting procedures are in place.
- 2.8 Love Mercy has an active deeper, engaged and qualitative role with the programs it supports beyond the provision of financial support (including as to oversight and assurance).

3 Funding cycle

- 3.1 Love Mercy funds programs on a fixed term basis. Approved Love Mercy funding is for such period as approved by the Board from time-to-time (up to a maximum of 3 years) or as otherwise specified in the signed collaboration agreement or funding contract with Partner Organisations, and there is no guarantee of future funding.

4 Funding focus

- 4.1 Love Mercy gives priority to funding discrete aid projects with a specific start and end date.
- 4.2 Love Mercy seeks and provides funding for aid programs in the developing world and in Australia. Love Mercy's focus on aid is not only in life changing seed programs for women, but in every day aid such as financial literacy, farming, health and human rights for adults and children.
- 4.3 Love Mercy aid program is for provision of aid in four core areas with a view to providing relief and boosting economic independence and freedom for remote and rural communities in Uganda:
 - (a) **Seed loans:** seed loans to women living in remote and rural areas in Uganda;
 - (b) **Health services:** health services for adults and children living in remote and rural areas in Uganda, including via the Kristina Health Clinic;
 - (c) **Clean drinking water:** clean drinking water programs for adults and children living in remote and rural areas in Uganda, including via new and repair of existing water wells.
 - (d) **Community Education and Health:** community education delivered to ensure effective community development, including by empowering the local schools and wider communitiies with access to community health,

nutrition, livelihood, fitness and sports training via carnivals and/or round-robin tournaments.

5 Eligibility for funding

- 5.1 For a funding application to be considered by Love Mercy it must:
- (a) fall under one of the four (4) core funding areas listed in item 4.3 above
 - (b) align with Love Mercy's vision and purpose as described in this policy and its constitution
 - (c) comply in all material respects with the requirements of this policy.

6 Eligible aid programs

- 6.1 Eligible programs include those which provide:
- (a) Education of staff to build capacity of delivery to program beneficiaries, for example training of medical staff, community health workers, engineers, service providers, etc
 - (b) Advocacy that raises awareness and educates on issues such as rights and protection, peace building and environmental issues;
 - (c) Capital projects that build sustainability in health and water facilities such as clinics, centres and ancillary infrastructure
 - (d) Educational resources and learning aids
 - (e) Equipment and machinery which supports delivery of aid initiatives
 - (f) Seed programs only where there is a direct Love Mercy-funded associated aid component.

7 Ineligible programming

- 7.1 Programs which do not meet Love Mercy's funding eligibility criteria include those which are for the purpose of:
- (a) Individual scholarships or tuition fees;
 - (b) Wages of program owners;
 - (c) Placement or tuition fees to third party institutions and/or providers;
 - (d) Political activity or evangelism;
 - (e) Welfare payments such as medical or emergency assistance for staff, volunteers or beneficiaries unless part of an approved emergency appeal;
 - (f) More than 60% of a program's (organisation) indirect costs, including overheads, administrative costs, operational costs and indirect wages;
 - (g) Feeding programs not grounded in a Love Mercy funded aid project; or
 - (h) Programs or activities which are not related solely to a Love Mercy funded food, water or health project.

8 Project design processes and procedures

- 8.1 For Love Mercy, project design involves the identification of communal problems and their causes and consequences and the planning of education interventions to address these issues. The design process integrates two main components:

- (a) Identifying and understanding a community's needs
 - (b) Designing and documenting community-based aid solutions to meet these needs
- 8.2 Generally, the process of project design is undertaken by Love Mercy's in-country partners. To be eligible for Love Mercy funding, project proposals must be forwarded to Love Mercy for appraisal. The processes of project design and appraisal are to be carried out according to a set of agreed principles.
- 8.3 Love Mercy expects the following principles to guide project design.
- (a) Projects are to be designed in partnership with their target community
 - (b) Eligible projects are to be designed as an education response to identified and documented community needs
 - (c) Identification and assessment of community needs involves research and analysis to accurately identify and understand the needs and their causes and consequences
 - (d) Project designs should evolve from wide community engagement and participation, which facilitates joint identification and assessment of community needs, especially for those groups in the community most in need
 - (e) The community engagement process should enable communities to gain insight into any differences between their perceived and real needs and to reach a common understanding
 - (f) Projects must be designed to strengthen local community capacity through their implementation stage, which is essential to ensure project sustainability
 - (g) In addition to target communities, research and analysis should include engagement with other relevant stakeholders such as civic authorities, civic organisations, community leaders and other relevant NGOs

9 Project flexibility

- 9.1 Love Mercy recognises the importance of flexibility when, for a variety of reasons, an implemented project may not be working according to plan. Love Mercy acknowledges the importance of advising relevant donors of any necessary adjustments to a project's design and the reasons for these.

10 Applying for funding

- 10.1 Love Mercy accepts funding applications from eligible development projects throughout the world during its annual funding application period.
- 10.2 Priority is given to education programs which are community focussed, time-bound interventions resulting in local management and autonomy.

11 Funding assessment criteria

- 11.1 Applications for program funding will be assessed under the following essential criteria:
- (a) Relevance and alignment with Love Mercy's vision
 - (b) Internal logic of the project design (i.e. evaluation of how proposed project activities will enable achievement of project goal)

- (c) Feasibility of partner capacity to deliver (evaluation of existing partner resources and skills) within the scope of the project
- (d) Consistency of project proposal with identified target community's needs
- (e) Assessment of project sustainability strategies
- (f) Consideration of related cross cutting issues
- (g) Assessment of proposed monitoring and evaluation arrangements
- (h) Evaluation of Love Mercy's capacity to attract funding for the project
- (i) Application standard and adherence to best practice development principles
- (j) Accountability of previous reports and audits (for previously funded programs)

12 Funding timelines

- 12.1 Applications made to Love Mercy will be considered at the discretion of the Love Mercy Board.
- 12.2 All funding applications are reviewed by Love Mercy management and referred to the Love Mercy Board.
- 12.3 Should there be a request for further information and/or clarification, governing authorities and program leaders will be contacted. Governing authorities and program leaders should respond to such requests as soon as reasonably practicable.
- 12.4 All funding decisions are subject to the approval of the Love Mercy Board in its absolute discretion. Applicants are notified as soon as possible after a decision is made.

13 Transfer of funds

- 13.1 Providing fully compliant reports and/or acquittals have been received, transfer of funds takes place at such intervals as approved by the Love Mercy Board from time to time.
- 13.2 When funds transfers are due, Love Mercy will receive instruction in electronic communication from Love Mercy management requesting the transfer. The instruction outlines the purpose of funding and confirms the account to which funds will be transferred.
- 13.3 Love Mercy will advise the relevant Program Leader of the transfer and the Program Leader is required to email acknowledgement of the amount of funding received.

14 Funding variations

- 14.1 Should there be a requirement to redirect funds to a different activity/program, a request must be lodged with Love Mercy.
- 14.2 A verification process will be conducted by Love Mercy and a decision will be made at the discretion of Love Mercy's Board and/or CEO in accordance with Love Mercy's delegations of authority.
- 14.3 A program must have received written approval for variation from Love Mercy prior to funds being expended.

15 Funding complaints

- 15.1 Appeals or complaints relating to funding decisions or transfers may be made to the Chair of the Love Mercy Board of Directors and can be lodged via email.
- 15.2 All appeals or complaints lodged will be acknowledged promptly. A response to the appeal will be provided within a reasonable timeframe (being a period of not more than 30 days).
- 15.3 If the matter has to be referred to the full Board for consideration, the applicant will be advised of the date of the next Board meeting and a final response will be issued promptly following that meeting.

16 Emergency funding/special appeals

- 16.1 Love Mercy's funding commitment is to annual funding of community-based education programs in Uganda. Whilst not encouraged, Love Mercy recognises that from time to time funded programs may wish to seek emergency funding or launch special funding appeals. If programs wish to facilitate this activity through Love Mercy, a formal written request must be submitted detailing the purpose of the request, why it is necessary, the amount being sought and the required timeframes.
- 16.2 These requests will be submitted to the Love Mercy Board for consideration. A decision on the request will be provided as soon as practicable recognising that funding of this type is not within objects of Love Mercy's Constitution.

17 Love Mercy policy compliance

- 17.1 It is a requirement that Love Mercy funded programs comply with Love Mercy policies which may be updated from time to time.
- 17.2 It is the Program Leader's responsibility to ensure that program/project policies align with Love Mercy policies and that staff are trained accordingly.
- 17.3 Program Leaders must familiarise themselves and ensure compliance with all Love Mercy policies prior to submitting a funding application.
- 17.4 Program Leaders must report on compliance and training relating to policies throughout the program/project cycle.

18 Program monitoring, evaluation and reporting

18.1 Assessing Project Performance – Monitoring & Evaluation

- (a) Love Mercy recognizes two main objectives in assessing project performance:
 - (i) Accountability: monitoring and evaluation build greater transparency and accountability in the use of project resources
 - (ii) Learning: future project planning and development are improved when guided by lessons learned from project experience

18.2 Monitoring and Evaluation – Understanding the Difference

- (a) While the terms monitoring and evaluation are often interchanged or grouped together, they are fundamentally quite distinct management tools, though closely related and mutually supportive. A key difference is that they are carried out at different stages of the project cycle.
- (b) Love Mercy acknowledges that the following principles should guide all monitoring and evaluation (M&E):

- (i) M&E should be planned at project design level
- (ii) M&E processes should be conducted in cooperation with project partners using participatory methods
- (iii) M&E enables assessments to be made as to whether projects are achieving set targets
- (iv) M&E processes should seek to strengthen partner systems and staff capacities
- (v) M&E should provide opportunities for project partners to learn and develop good practice and improve future project design
- (vi) Information generated through M&E should provide both Love Mercy and project staff with a clearer basis for decision-making
- (vii) M&E should be designed to meet the information requirements of primary stakeholders including accountability to donors

18.3 Monitoring

- (a) Monitoring involves systematic tracking of project progress throughout the project cycle to ensure that the project is on track. The functions of monitoring are to:
 - (i) ensure that programs are being effectively implemented and disbursed funds are accounted for
 - (ii) provide opportunities for two-way exchange of learning and verification of program progress against agreed objectives
 - (iii) provide opportunities to assess the organisational health and capacity of partners
 - (iv) provide opportunities to assess future project needs and follow-up on known issues such as project risk, stakeholder concerns and cross-cutting policy issues

18.4 Love Mercy Project Monitoring Reports

- (a) All Love Mercy funded projects are required to submit Monitoring Reports at such intervals as required by the Board or CEO of Love Mercy from time to time (unless specified otherwise in Love Mercy's funding agreement).
- (b) Reports must be submitted in such manner as Love Mercy reasonably requires to enable Love Mercy to monitor the projects it funds and to ensure that they are accountable for funding received.
- (c) There is a requirement that any approved budget be updated with actual income and expenditure and submitted with the quarterly reports.
- (d) There is an expectation that program leaders will provide Love Mercy with material (e.g photos, internet links, printed materials) that will assist in the dissemination of information on the programs to the wider community via various mediums including Love Mercy's website, communications, social media and printed materials. Provision of these materials should comply with Love Mercy's policies, including as to privacy. Images must be sent in such format as Love Mercy reasonably requires.

18.5 Evaluation

- (a) Evaluation is time specific and is undertaken to establish whether a project has reached its objectives and delivered what was expected according to its original plan. Hence, evaluation is usually undertaken at the end of a

project or at a specific point in time to assess a project's achievements. The objectives of evaluation are to assess:

- (i) Relevance: has the project engaged proactively with real problems in the local community
- (ii) Efficiency: are available resources being used wisely and is the project developing strategies for continuous improvement
- (iii) Effectiveness: are desired outputs being achieved
- (iv) Impact: is the project having a positive, long-term impact on improving the quality of the lives of the community
- (v) Sustainability: is the project sustainable
- (vi) New Knowledge: what new knowledge has emerged about effective development practice

18.6 Love Mercy Project Evaluation Reports

- (a) Each project acquittal (to be conducted on an annual basis or at such intervals as reasonably required by Love Mercy and approved by its Board) covers the completed for programs which have received funding from Love Mercy.
- (b) It is intended to evaluate the project's management and performance and establish whether a program has reached its objectives and its impact has been measured. It also requires consideration of how the program delivery may be improved into the future.
- (c) This report should be prepared in such manner as Love Mercy reasonably requires to evaluate the project.
- (d) A copy of any approved budget must also be submitted with income and expenditure actuals for the relevant period. Annual financial statements for the period together with a management letter in such form as Love Mercy may reasonably require must be submitted to Love Mercy as soon as they become available.

18.7 Field Monitoring & Evaluation

- (a) All Love Mercy funded projects are subject to field monitoring and evaluation visits by Love Mercy staff and/or representatives.
- (b) Field monitoring may focus specifically on an issue particular to the project, a set of standard compliance issues or may be an in-depth evaluation of the project.

19 Aid and development activities

- 19.1 References to activities of 'aid and development' in this policy are taken to have the same meaning as those in the Code being, any activities undertaken to reduce poverty and address global justice issues which may include community projects, emergency management, community education, advocacy, volunteer sending, provision of technical and professional services and resources, environmental protection and restoration and promotion and protection of human rights
- 19.2 LMF is committed to complying with all its obligations as a deductible gift recipient and a member of the ACFID, particularly in relation to the use of funds and resources designated for the purpose of aid and development.

- 19.3 LMF commits to use funds and resources designated for the purpose of aid and development only for the purposes for which they were donated.
- 19.4 Funds and resources donated for the purpose of aid and development will not be used for any other non-aid and development activity including to promote a particular religious adherence or to support a political party, or to promote a candidate or organisation affiliated to a particular party.
- 19.5 Aid and development projects operated by LMF will be conducted on a non-discriminatory basis and will not be limited to individuals of a particular race, religion, gender, age, ethnicity, sexuality, or political preference. It is our intention to ensure that our commitment to human rights and anti-discrimination are evident in all aspects of our work.

20 Promotion of a particular religion or faith

- 20.1 For the purposes of this policy, the definition of promoting a particular religious adherence is the same as that given in the Code and is taken to mean any activity undertaken with the intention of converting individuals or groups from one faith and/or denominational affiliation to another. This includes Christian evangelism and discipleship.
- 20.2 The values of LMF are derived through the readings of scripture and the desire to empower those in poverty as expressed in the Bible.
- 20.3 As outlined in paragraph 2.5 above, the empowerment of those in poverty will not be limited to those who profess a faith and will be explicitly non-discriminatory regarding religion.
- 20.4 Projects are often coordinated in partnership with local churches. This is due to pre-existing authority and power structures in rural villages and not always based on religious preference to work through churches. As churches are often the sole sites for communal gatherings in rural villages, LMF utilizes these existing structures as venues from which to operate its projects. Participation in LMF aid and development projects however is not exclusive to church attendees.

21 Political involvement

- 21.1 LMF is not aligned with and does not seek to endorse any political party, nor is it the intention of LMF to do so in the future.
- 21.2 LMF is and will remain an impartial organisation that does not support or oppose any particular government, political party or political candidate or organisation affiliated to a particular party. It will not engage in any political activity, including but not limited to campaigning or lobbying.
- 21.3 LMF will strive to empower citizens of Uganda through advocacy programs to become aware of their human rights, including their right to vote within a democratic election. By doing so, LMF seeks to reinforce the existing democratic system that operates within Uganda.
- 21.4 It is the aim of LMF to respect the local and national levels of government in Uganda and it seeks to cooperate with government agencies and to work within their existing legal structures.
- 21.5 Further, LMF aims to fund projects that operate in a complimentary manner to any government programs and does not seek to overpower or replace any existing government support.

22 Clear separation of activities

Without limiting the procedures set out above:

- 22.1 LMF strives to maintain high standards of transparency and integrity in all its interactions with relevant stakeholders. LMF therefore commits to always maintaining a clear separation between aid and development and non-aid and development activities using the following guidelines:
- 22.2 All communications, reports and solicitations for funding or otherwise are to be reviewed by the CEO prior to distribution to ensure Code compliance and separation of reporting and fundraising for development and humanitarian and non-development activities.
- 22.3 Fundraising materials will be reviewed prior to publication to ensure that solicitations make a clear distinction between aid and development and non-development activities. All solicitations for funding involving both aid and development and non-aid and development activities will provide donors with an option to give to aid and development activities only. Any funds raised for non-development activity will be tracked, managed, reported, and accounted for separately to those raised for development and humanitarian components.
- 22.4 LMF will appraise all project proposals to determine whether they include non-aid and development components. Any issues will then be followed up to ensure policy requirements are satisfied before the project is approved. Issues which need to be closely monitored over the life of a project will be identified and monitored to ensure compliance with this policy.
- 22.5 All project updates contained in LMF Annual Reports will be clearly separated into aid and development and non-aid and development activities.
- 22.6 In-country project monitoring will include monitoring of the separation of non-development activities from development and humanitarian activities as part of project monitoring, learning and evaluation processes.
- 22.7 LMF's partners will be subject to capacity assessment processes requiring the signatory to identify whether the partner is engaged in non-development activities, and if so, how it is able to manage and account for them separately to aid and development activity.
- 22.8 Financial Statements will clearly differentiate between the income and expenditure of LMF's aid and development and non-aid and development activities.

23 Extension of policy to partner organisations

- 23.1 LMF will ensure that all its partner organisations understand the importance of, and comply with, the requirement of clear separation between aid and development activities and those which promote a particular religious adherence and/or promote a particular political position, party or candidate as outlined in this policy through the following guidelines:
- 23.2 All initial communications with potential partners will include a clear statement on LMF's position in relation to the separation of all aid and development and non-aid and development activities and its ACFID code compliance responsibilities.
- 23.3 Any Memorandum of Understanding (MoU) or Partnership Agreement created between LMF, and a partner organisation will include comprehensive definitions of aid and development activities and non-aid and development activities, being those referred to in this policy.

- 23.4 The MoU or Partnership Agreement will also include a statement of commitment on behalf of the partner organisation, stating that it understands and agrees to be bound by the obligation not to use funds designated for aid and development activities for any other non-aid and development activity.
- 23.5 A copy of this policy will be annexed to all MoU or Partnership Agreements.
- 23.6 LMF will ensure ongoing compliance by partner organisations through regular reporting systems and annual monitoring and evaluation of its partners' activities.
- 23.7 If a partner organisation fails to maintain the separation between its aid and development activities and its non-aid and development activities, LMF will suspend any additional funding provided until such time as the partner organisation can show that a clear separation has again been established.

24 Policy review

This policy will be reviewed at 3-year intervals but may be amended at any time the Board sees fit.