ANTI-CORRUPTION HELPDESK

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GOOD PRACTICES IN GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY FOR FOUNDATIONS

QUERY

Please provide information on good practices related to governance, transparency and accountability mechanisms for foundations.

CONTENT

Author(s)
Kaunain Rahman tihelpdesk@transparency.org

Reviewer(s)
Nieves Zúñiga nzuniga@transparency.org

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SUMMARY

Philanthropic foundations remain one of the main sources of support for global civil society organisations, and they operate as a potentially global force (Anheier and Daly 2004). While foundations differ in their size and scope worldwide, they are plagued by some common challenges which may be addressed by following good practices in the fields of governance, transparency and accountability.

A few notable challenges faced by foundations in the twenty-first century include: disruptive technology, collaboration issues, understanding the grantees' needs, and having effective grant-making accountability. The resulting good practices to mitigate these challenges should not be evaluated in watertight compartments as they are all interlinked.

An effective governance mechanism fuels robust transparency and accountability and vice versa. There are several good practices that may be followed, but a few sit at the top of the pyramid, including: adaptive learning, diverse skill sets, open and accessible databases, code of ethics and compliances, and building an enabling culture for transparency and accountability.

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1. INTRODUCTION: GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY IN FOUNDATIONS

Philanthropic foundations remain one of the main sources of support for global civil society organisations, and have also been the most visible institutions assisting the development of international NGOs, transnational social movements, advocacy coalitions and social forums (Anheier and Daly 2004). Foundations are a potentially global force. They are not as powerful as nation-states and transnational corporations, but as independent global actors they are capable of moving social and political agendas and meeting unmet needs (Anheier and Daly 2004).

For example, in 2002, the Bill and Melinda Gates Foundation, which funds projects combatting malaria, tuberculosis and HIV/AIDS, disbursed nearly US$1.2 billion in grants, more than the total operating budget of the World Health Organization (US$250 million in member-state contributions). A few foundations in the field of environmental protection, like the John D and Catherine T MacArthur Foundation in the US or the German Bundes Stiftung Umwelt, have more resources than the United Nations Environment Protection Program. Moreover, without the support of foundations, the World Economic Forum, the World Social Forum and similar platforms for global debate might not have been possible (Anheier and Daly 2004).

When it comes to foundations, the concepts of governance, transparency and accountability are intertwined (Frumkin 2004). With no formal structure to hold foundations accountable, many worry that institutional philanthropy will never have the impetus to improve its performance and become more effective. Yet strangely, until foundations become more confident about the impact of their work, it is hard to see the field opening to scrutiny and rigorous analysis (Frumkin 2004).

Frumkin (2004) also argues that since accountability often involves a contentious dialogue between the world of philanthropy and its many stakeholders, transparency can be pursued by donors as a long and uninterrupted monologue, involving the outward pushing of information and details about philanthropy towards the world, without making real commitment to listen or respond (Frumkin 2004). Thus, transparency is far less threatening to donors than accountability and, as a consequence, it has emerged as an attractive alternative, which has led to a substantial increase in the transparency of foundations in recent decades. Nevertheless, the process of being transparent requires effective governance, and by providing readily available information, foundations set the stage to be accountable (Frumkin 2004).

Public sector accountability and transparency emerged as crucial concepts in the effort to reduce opportunities for corruption and strengthen internal and external monitoring mechanisms. The same logic may be extended to foundations (Carothers and Brechenmacher 2014).

While there are a variety of good practices that a foundation may adopt for governance, transparency and accountability, including but not limited to a code of ethics, conflict of interest policy, record retention and document destruction policy, anti-corruption compliance, and whistleblower protection, it is often difficult to segregate them in different brackets. For example, a code of ethics may strengthen all three concepts of governance, transparency and accountability. Thus, it is advised that the following good practices in the upcoming sections, although segregated, must not be viewed as watertight compartments.

2. POTENTIAL CHALLENGES THAT FOUNDATIONS MAY ENCOUNTER

In terms of governance, foundations are among the most independent institutions of modern society, they are not subject to market forces or consumer preferences, nor do they have a membership or an electorate to oversee decisions and performance. As a result, critics have stressed the democratic deficit inherent in foundations and likened them to quasi-aristocratic institutions in formally egalitarian societies. Different nations choose to address this issue in various manners.

Social democratic countries have traditionally sought to limit the realm of foundations as have countries influenced by the French Jacobin ideals of preventing private interests from interfering in the relationship between the citizen and the state (Smith and

Borgmann, 2001). Liberal countries such as the US and the UK have allocated more space to philanthropy and encouraged the establishment of foundations. Others, like Japan, Korea and many countries in the South have traditionally assumed a more controlling approach, although the sometimes adversarial relationship between foundations and governments is becoming more collaborative everywhere (Anheier and Daly 2004).

Foundations also differ in their size and scope worldwide, all the while being subject to the laws of each geographic location in which they operate and exist. The definition and understanding of what encompasses a foundation also differs globally. The understanding of a foundation in the US is that it is essentially a creation of the tax law, which basically considers it a type of organisation that is donor-controlled (usually endowed), and thus characterised by the dominance of a single source of income, provided by the founding donor, as opposed to public charities with a more diversified income structure (Toepler 2016). Europe has “public benefit foundations[1]” that are not as limited as their American counterparts. Typically, foundations carry out their work either by operating their own programmes, such as cultural institutions, or by awarding grants to associations, charities, educational institutions and individuals. In most European countries, public benefit foundations typically operate their own programmes (McGill 2016).

The increasing scale of global philanthropy is, in many ways, a response to the prevalence of issues, problems and events that require foundations to think about how they can make an impact beyond their own domestic contexts. However, the international role of philanthropy does not follow a single pattern or approach (Anheier and Daly 2004). Despite these myriad types of foundations, these organisations face a host of challenges that transcend the nature and type of foundations as well as their geographic boundaries. These are listed as follows:

Corruption challenges

Foundations and charities may be as susceptible to corruption in the form of bribery, embezzlement and so on. For example, the FBI is currently investigating whether the Clinton Foundation engaged in any pay-to-play politics when Hillary Clinton was the secretary of state in the first term of the Obama administration (The Times of India 2018).

Handling large sums of donations behind relatively opaque structures of governance, creates an environment where corruption may creep in. Thus, foundations ought to have a robust anti-corruption policy and code of ethics to maintain a transparent and accountable milieu.

Critiques of serving private interests

Philanthropy is supposed to be private funding for the public good, nevertheless, experts in the field opine that it is increasingly becoming a playground for private interests (Buchanan 2016). With the emergence of “philanthrocapitalists[2]”, the time of public trust enjoyed by foundations may be over with major donors and foundations being progressively scrutinised (Buchanan 2016). Concerns about foundations’ role in policy debates are not new, but they appear to be on the upswing and coming from both ends of the political spectrum (Buchanan 2016).

Grant Oliphant, president of the Heinz Endowments, noted that strategic shifts in his organisation involving top-down approaches may have worked in a different era, but not any more. Foundations must dispel notions of turning oligarchic and confront mounting criticisms of stagnation (Buchanan 2016). Thus, such

[1] Public benefit foundations are characterised primarily by the purposes for which they distribute their financial resources. To qualify as a “public benefit foundation” (which is a legal status with tax implications in many European countries), an organisation must expend its funds for educational, cultural, religious, social or other public benefit purposes. In some countries, the most common way foundations expend their funds is by awarding grants to associations, charities, educational institutions and individuals. In other countries, foundations are more likely to contribute to the public benefit by operating their own programmes, such as cultural and educational organisations (McGill 2016)

[2] “Philanthrocapitalism” is a term that was coined in an article in the Economist magazine and was developed most comprehensively in a book entitled “Philanthrocapitalism: How the Rich Can Save the World”, co-written by Matthew Bishop and Michael Green. The concept is that philanthropic organisations are increasingly harnessing the power of the market to make philanthropy more efficient and achieve better results. There is actually a far larger heritage behind the idea than many proponents seem to realise. Notably, Rockefeller and Carnegie, some of the leading philanthropists of the early twentieth century, were explicit in applying some of the business strategies of their own profit-making organisations to their philanthropic activities (McGoey 2013).

top-down approaches serve as a challenge to effective governance practices within foundations.

Change in the treatment of endowments to affect social change

For the past century, foundations have tended to default to the same endowment-management approach, one that sees the endowment and grant-making sides as separate, with endowments invested to maximise returns to support the foundation's existence in perpetuity. Also, there is much more of an increase in rhetoric and discussion than there is real change in foundations' approach to dealing with their endowments (Buchanan 2016).

Although the practice remains rare among large foundations, in a bid to be more devoted to the idea of doing public good, there have been some significant examples in recent years of major foundations pledging to divest from entire industries (for example, the decision of the Rockefeller Brothers Fund to divest from fossil fuels and the California Endowment to divest from for-profit prisons in the United States) (Buchanan 2016).

The F.B. Heron Foundation, which seeks to use "every dollar" at its disposal for impact, took the unusual step of issuing a news release urging its peer foundations "to jettison outdated operating models that leave resources untapped in the face of systemic social ills". Clara Miller, Heron's president, argues in her essay "Building a Foundation for the 21st Century" that "money and mission were never meant to be apart" (Buchanan 2016). Addressing endowments to affect social change ties with increasing levels of accountability of a foundation towards the benefiting public in general and the grantees in particular.

Complexities of strategy and measurement

"Social return on investment" was the go-to theoretical idea when it came to the strategy for foundations' operations, however, it has been determined that it may not be the right practical measurement approach for the success of a foundation as it cannot be calculated with precision. Thus, experts in the field are beginning to embrace the reality of foundation performance assessment (Buchanan 2016).

Strategy for operations and measurement of success are not easy in philanthropy. The right approach to assessment is not simple or monolithic. It flows from the goals and strategies of the foundation and varies based on context. What is the foundation holding itself accountable for? Changes in outcomes on the ground? Finding and "scaling" new solutions to tough problems? Strengthening non-profit organisations working in certain areas? Simply getting money out the door? All of the above? The answer tells us which measures make the most sense (Buchanan 2016).

Moreover, all too often, foundations don not support non-profits in their efforts to collect the data that both parties need to improve and drive accountability initiatives. Foundation performance assessment is not just about the outcomes a foundation seeks, it also has to be about the way the foundation is governed (Buchanan 2016).

Understanding the grantees' needs and holding them accountable

In the spirit of "benefiting the public", an effectively managed foundation ought to understand the organisations they support. According to a 2013 report by the Centre for Effective Philanthropy, only half of non-profit leaders believe their foundation funders are aware of the challenges in their organisations, and even less than one-third of them believe that foundations take advantage of their myriad resources to help them address these challenges (Buteau, Brock and Chaffin 2013).

Moreover, foundation grants intended specifically as financial reserves, as opposed to grants that support programmes or even general operations are not common but can potentially be an effective element of a funder's philanthropic toolkit. This is because, financial reserves, particularly the liquid portion of a non-profit's unrestricted net assets, are a key component of organisational flexibility and sustainability (Polanco and Summers 2016). Also, supporting organisations means supporting their administrative expenses, and not dismissing anything related to investment in strengthening an organisation as "waste" or "overheads" (Buteau, Brock and Chaffin 2013).

Non-profits are looking for more foundation help in i) meeting the demand for their programmes and services, ii) using technology to improve their effectiveness, and iii) developing their leadership skills (Buteau, Brock and Chaffin 2013).

By supporting non-profits, understanding their needs and having an open channel of communication allows for transparency and accountability to flourish on both sides (Buteau, Brock and Chaffin 2013).

As mentioned earlier, by establishing certain standards for grant making to NGOs, as well as well performance measurement of NGOs, foundations hold the key to making the organisations they support accountable, by demanding transparency (Fiennes and Masheder 2016).

Governance issues

The corporate-style leadership,[3] increasingly in vogue in philanthropy, may be ill-suited for tackling complex social issues (Daniels 2017). Gayle Peterson, who interviewed more than one thousand "social investors", including foundation leaders, public-sector managers, and business executives from around the world for her book Good, Evil, Wicked: The Art, Science and Business of Giving, posits that solving what she calls "wicked" problems and seemingly intractable predicaments, like intergenerational poverty and hunger, requires leaders to be willing to own up to mistakes and seek advice from others. Rather than a top-down approach, she calls for a new style of manager: the deliberate leader (Daniels 2017).

Citing the example of the ClimateWorks Foundation, created in 2008, largely with support from the Hewlett and Packard foundation, Peterson noted that they had to recalibrate their approach within four years after "things went south" (Daniels 2017). The problem, she argues, was that ClimateWorks leaned on a solution to climate change that was heavily engineered from a central office. The leaders of the foundation had a difficult time keeping up with an increasingly vast and complex network of climate non-profits and donors. Goals that it had set were not met, and failures were not adequately communicated throughout the organisation and to its partners. She opines that strategy and measurement of success for foundations must be set keeping amid contextual realities and must function hand in hand to avoid such management blunders (Daniels 2017).

Thus, the style of governance ultimately determines the longevity of a foundation. Internal governance mechanisms ought to evolve to suit the needs of foundations (Daniels 2017).

Effectiveness

Philanthropic effectiveness may be understood in two ways: programme effectiveness and mission effectiveness. While the former[4] focuses attention on the programmatic work of recipient organisations, the latter is related to the quality of strategy and level of execution achieved by a foundation. The foundation field today is very much focused on the first definition of effectiveness. Many foundations have invested heavily in evaluation to report on what has happened to their funds once they have been spent, casting the spotlight of evaluation outward. This provides foundations not just with a buffer against criticism (both internal and external) but also with a set of well-established protocols, procedures and tools that can be used to carry out assessments (Frumkin 2004).

The challenge of effectiveness is also how to measure it. To date, the foundation world has done a very poor job of solving the measurement effectiveness quagmire. Retreating into ever more technocratic language and procedures, foundations have made little progress in either clarifying the key dimensions of effectiveness or in communicating to the public how their grants have contributed to the public good in any significant way. All of which has opened the field up to complaints that foundations are not satisfactorily accountable (Frumkin 2004).

Establishing grant-making accountability

Often issues of effectiveness and accountability intersect and interact with one another. In the absence

[3] Corporate leaders often ascend in their careers by developing a command-and-control style of leadership with a laser focus on clear, specific goals. That approach may spell trouble for society, says Gayle Peterson in her book on philanthropic leadership as more donors, foundations and charities adopt a business mindset that may be ill-suited to solving messy social problems (Daniels 2017).

[4] The problem with using programme effectiveness as a tool to bring reason and fairness to philanthropy lies in the primitive and imprecise nature of almost all forms of performance measurement in the non-profit sector (Frumkin 2004)

of sound and meaningful ways of assessing goal achievement and effectiveness, many foundations turn to measures of the quality of their grant-making process and emphasise their transparency, clarity of purpose and fairness.

When it comes to grant making, foundations and recipients are joined in an act of giving and getting. Even though this voluntary transfer of resources seems simple, it can and does create a number of complex challenges for both sides, particularly when the amounts of money changing hands are significant and when the public needs to be addressed are substantial. At the centre of the accountability puzzle is the concern that the fundamental power asymmetry between donor and recipient makes it very hard to create accountability systems appropriate for a field that now delivers billions of dollars a year (Frumkin 2004).

Without any real way to hold foundations accountable, many worry that institutional philanthropy will never have the impetus to improve its performance and become more effective. Yet, until foundations become more confident about the impact of their work, it is hard to see the field opening up to scrutiny and rigorous analysis. Thus, accountability and effectiveness are also locked in a strange relationship of mutual dependence in which progress on one dimension will likely lead to progress on the other dimension, (Frumkin 2004).

The logic behind accountability of foundation-based philanthropy are as follows:

- Unlike other forms of private consumption, philanthropy is accompanied by a substantial public subsidy.
- It has an effect on policies and communities; the very fact that philanthropy is public in its intentions and seeks to enact a private vision of the common good raises accountability issues precisely because the act of giving projects private values and commitments into the public sphere.
- As mentioned earlier, unavoidable power asymmetries result when one person or institution gives money to another person or institution. Although many foundations work hard to break down some of the boundaries of class and power that philanthropy raises, these cleavages are real and cause many to worry about the intentions and methods of donors.

In many ways, accountability is a concept that is just as conflicted as effectiveness, making its implementation all the more challenging. The conception of accountability, which is often rooted in democratic theory, does not always translate in the vast universe of foundations. While some foundations may convene experts and listen to the opinions of others before making major commitments, by and large, philanthropic decision-making is still a private affair. The meetings of foundation boards are not open the public; board members do not stand for public election; and these organisations operate largely as they see fit, or how their founders and families judge most efficacious (Frumkin 2004). All of these factors act as substantial challenges in making foundations accountable.

New disruptive technologies

Philanthropy has gone through a transformation as the internet has not only reduced the cost of making philanthropic gifts to both donors and non-profit organisations but also made it easier for donors to do their own research on potential beneficiaries (Stannard-Stockton 2009). Evolving information networks have affected philanthropic practices in various ways, including but not limited to: setting goals and formulating strategy; building social capital; measuring progress; measuring outcomes and impact; and accounting for the work (Bernholz, Skloot and Varela 2010).

The pace of change in technology is accelerating, and we appear to be on the cusp of large-scale adoption of a number of technologies that could have fundamental and transformative effects on society, such as artificial intelligence, blockchain technology, augmented/virtual reality and bio-enhancement of various kinds. Blockchain technology, in particular, may have the potential for use in anti-corruption, but it is far from being an easily applicable and transferable anti-corruption instrument (Kossow and Dykes 2018). While there are studies to support the "good" that these innovations bring about in the field of philanthropy, the reciprocal challenges of a largely technological world must be addressed.

Similarly, when it comes to data-oriented grant making, there are a few challenges, as noted by David Robison, managing director at Upturn (Robinson 2017):

- In the philanthropic sector, a human subject review is not always required, and programme officers, researchers and implementers do not yet have a shared standard by which to evaluate the ethical implications of using public or existing data, which is often exempt from human subjects' review.
- Automated decisions can absorb and sanitise bias from input data, and responsibly funding or evaluating statistical models in data-intensive projects increasingly demands advanced mathematical literacy which many foundations lack.

Both data and the capacity to analyse it are being concentrated in the private sector, which could marginalise academic and civil society actors.

3. GOOD PRACTICES IN GOVERNANCE

Good governance characterises strong, healthy foundations and it also helps avoid future corruption, leadership, regulatory, institutional and reputational problems (Pathway Law 2017). Governance is the backbone for achieving transparency and accountability, and good practices related to it are as follows:

Due diligence

In the world of philanthropy, due diligence refers to a grant maker's procedures to determine the health of a grant seeker and verify a non-profit's eligibility to accept grants (GuideStar 2017). Due diligence, however, is not just about legal and financial compliance. More importantly, due diligence helps a grant maker determine whether the non-profit fits with the grant maker's mission; sheds light on the grant seeker's standing in the community and the broader field; and shows how well the organisation is run by its board and staff (GuideStar 2017).

GuideStar, in a publication from 2017, offers a few principles to keep in mind as a foundation constructs its due-diligence process:

- Keeping it simple: a grant maker should consider what information it already possesses about the grant seeker before asking for it. Moreover, the grant maker should see what information it can gather from outside sources. There are three fundamental areas that require attention when doing due diligence: a grant seeker's legal status, its impact and its financial health. Each of those areas is covered by different products from outside sources.
- Resisting a one-size-fits-all approach: instead of applying the same due-diligence process to non-profits of all types and sizes, a grant maker should adjust its approach based on the organisation and grant under consideration. It makes little sense to demand as much from a small organisation asking for a small grant as that from a large non-profit asking for a substantial amount.
- Being rigorous and realistic: all non-profits have their respective strengths and weaknesses. Expecting a start-up to act with the same efficiency and quickness as an established organisation that is used to dealing with the grant seeking process would be unwise.
- Not doing any harm: trying to fulfil a grant maker's due diligence requirements can be a costly and difficult process for non-profits. Imposing these demands on non-profits without assessing how many of them are necessary or even desirable will only impede the missions of the very organisations a grant maker is trying to help.
- Obtaining grantee feedback: one very important aspect of the grant-making process, and perhaps the best way for foundations to know what they can do better, is grantee feedback. Perhaps the most widely used grantee feedback programme is the one offered by the Centre for Effective Philanthropy. The CEP's Grantee Perception Report (GPR) is a survey that grantees fill out to provide funders with comprehensive feedback.

Compliance with national, regional and international law

Depending on the geographic realties, a foundation may be subject to a plethora of regulatory compliances arising from national, regional or international law. Effective governance must ensure compliance with all of these regulations (Pathway Law 2017). For example, the Internal Revenue Service (IRS) in the

United States asks for certain governance policies. For example (National Council of Non-profits 2018b):

- written whistleblower protection policy (Part VI, Section B, line 13)
- written document retention/destruction policy (Part VI, Section B, line 14)
- written gift acceptance policy to govern the receipt of "non-cash" gifts, such as gifts-in-kind, and unusual gifts (land, vehicles, artwork, and so on)
- Joint ventures: if the organisation has participated in a joint venture, the IRS Form 990 asks whether the non-profit took steps to avoid prohibited private benefit (Part VI, Section B, line 16)

Code of ethics

Codes of conduct and codes of ethics are the most common type of self-regulatory initiative. These codes typically present a set of standards defined and agreed by foundations for use as a guide in their behaviour and practices, which may be general rules or more detailed regulations for specific aspects of foundation operations (Hartay and Rosenzweigová 2017).

Numerous benefits can arise from adherence to a code of conduct since being viewed as compliant can send a positive signal to the populace that an organisation is committed to transparency and accountability (Hartay and Rosenzweigová 2017). The challenge, however, is to determine whether organisations fully or only partially comply with a code when no effective compliance mechanism is in place. Moreover, it may be time consuming to set up a code and ensure its continuous relevance Hartay and Rosenzweigová 2017).

It is imperative that, for effective governance, foundations give careful attention to their policies for dealing with ethical issues, including such problems as conflicts of interest or self-interested financial activity. Reputation is the single most valuable asset for any non-profit, and protecting the foundation's reputation depends on a culture that values high ethical standards. The best oversight comes from within the foundation itself rather than from regulatory bodies (Griswold and Jarvis 2015).
Effective foundations also follow best practices to promote sound oversight in the key financial and risk areas of the organisation. These include (but are not limited to) policies that address conflicts of interest, document retention, employment and compensation, whistleblowers, restricted giving and investment practices (Pathway Law 2017).

A foundation, operating as a non-profit, should also have strong internal integrity management systems in place and policies to prevent and effectively address corruption risks that also apply to partners and service providers (Kukutschka 2017).

Conflict of interest policies

Conflict of interest occurs when an individual – board member, officer or staff member – determines that his or her obligation to further the charitable purposes of the organisation is at odds with his or her own financial or personal interest (Pathway Law 2017).

When conflicts arise, the foundation's method of resolving the issue is crucial. Most foundations have a process or policy of disclosure or recusal or both. A sample conflict of interest policy for foundations may be found here.

The requirement for disclosure and recusal is a principal ethical policy that can save a foundation from embarrassment and from potentially serious damage to its reputation. In the United States, the IRS notes, that a foundation should require its board, officers and staff members to complete and sign an annual disclosure form regarding conflicts of interest (Griswold and Jarvis 2015).

Engaging trustees and building a culture

Selecting qualified board members who will actively and effectively serve on the board is a fundamental best practice of governance. Trustees should be engaged, effective team players who are willing to work hard. A culture of productive leadership encompasses having the right people on the board, achieving clarity around roles and responsibilities, and educating and engaging board members (Griswold and Jarvis 2015).
Firstly, the foundation must align the culture it seeks to create with its own ethical standpoint. Second is picking people who own and live the characteristics that the foundation would like to embody. Finally, embodying a leadership and operation style that caters to this chosen culture (Hawthorne 2015).

Simultaneously, strengthening this culture requires leading with intent through thoughtful planning, determined dedication, and collective commitment from chief executives, board chairs and board members. A commitment to "generative governance" by the trustees by using each individual's wisdom, experience and skills to open discussions leading to a more dynamic and effective board, engaged in the exploration of optional courses and new ideas, is the increasing belief among experts in the foundation field (Griswold and Jarvis 2015).

Most governance experts also agree that diversity of membership is a great source of board strength. In some positions, such as service on the audit or investment committee, members should have specialised knowledge, but effective boards are usually populated with members representing diverse backgrounds, experiences and points of view (Griswold and Jarvis 2015).

A comprehensive guide on how boards may conduct governance may be found here.

Whistleblower protection policy

A written whistleblower protection policy is crucial, and the board must ensure that no employees are punished or discriminated against because they reported improper conduct (BoardSource 2016). A sound whistleblower policy is a huge impetus to anti-corruption within the organisation that further goes on to boost accountability and transparency (BoardSource 2016; Council on Foundations 2018).

A sample whistleblower policy can be found here.

Record retention policy

It is important for every organisation to have an established record retention policy (RRP) that provides for the retention and destruction of documents and other records maintained by the organisation (Bock 2011). This is because it provides information to support decision-making by management and is generally required by legal retention requirements, hence supporting good governance (Bloom 2014).

A document retention and destruction policy identifies the record retention responsibilities of staff, volunteers, board members and outsiders for maintaining and documenting the storage and destruction of the organisation's documents and records (National Council of Non-profits 2018a; Council on Foundations 2018).

While there is no umbrella guideline for document retention that covers all non-profits and foundations, as it depends on the regulatory climate of the region, it is possible to identify a handful of documents that foundations should save permanently as well as others that should be saved for a certain length of time by most non-profits (National Council of Non-profits 2018a).

A few examples of records to be kept permanently are as follows (National Council of Non-profits 2018a):

- articles of incorporation
- audit reports, from independent audits
- corporate resolutions
- checks
- financial statements (year-end)
- insurance policies
- minutes of board meetings and annual meetings of members
- real estate deeds, mortgages, bills of sale
- tax returns

As of May 2018, with the entry into application of the General Data Protection Regulation, there is one set of data protection rules for all companies operating in the EU, wherever they are based. It also brings in stricter requirements regarding how long personal data may be retained. Organisations will need to be more considered and disciplined in their retention of individuals' personal data (McElhill 2018).

Human resources (HR) policies

Sound HR policies are a way to ensure compliance with ethics and anti-corruption. Remuneration and benefits should be aligned with the public mandate of the organisation while set at levels that can attract and retain the employment of qualified staff. Policies should fully comply with relevant national and international labour regulations as well as pay particular attention to specific corruption related risks as follows (Kukutschka 2017):

- merit-based recruitment and promotion practices and processes
- transparent salary and benefit structures, including per diem policies
- transparent performance appraisal systems
- transparent disciplinary measures and procedures
- regulations/prohibitions of employment of relatives, family members and so on

Updating corporate documents

Every organisation should review its articles of organisation and bylaws every five years to ensure these documents represent current law, best practices for foundations and the organisation's current mission and governance.

4. GOOD PRACTICES IN TRANSPARENCY

In addition to strengthening its own credibility and building public trust, transparency can reduce duplication of effort among foundations that care about the same issues, facilitate greater collaboration and collective problem solving, and cultivate a community of shared learning and good practices among foundations. Transparency is a best practice to be achieved for effective governance (GuideStar 2017).

Glasspockets, an organisation seeking to bring transparency to the world of philanthropy, identifies six benefits from transparency (GuideStar 2017):

- strengthens a foundation's credibility
- increases public trust
- improves relationships with grantees and regions served
- reduces duplication of effort among foundations that care about the same issues
- facilitates greater collaboration and collective problem solving
- cultivates a community of shared learning and good practices among foundations

Good practices to achieve transparency are as follows:

Presumption in favour of transparency

As a starting point, foundations should begin their exploration of transparency from the perspective that more transparency, rather than less, is presumptively a good thing. That does not mean that increased transparency is always a good thing, but the presumption should be that it is; for foundations to pursue the alternative, they must argue against increased transparency for reasons of grant-making strategy (Cohen 2014).

Making the board discuss transparency vis-à-vis grant making

If the challenge is to think deeply about the strategic implications of increased foundation transparency, the onus is on the board of trustees to do that thinking. Too many boards, one might guess, like to talk about the act of giving grants, but not as much about the community and societal settings in which those grants or broader issues of foundation policy that might need increased transparency or openness (Cohen 2014).

Reciprocal transparency

Some foundations have propensity to look for or even demand transparency on the part of grantees and more than they themselves might countenance. For example, in the wake of proposed legislation a decade ago in California that called on large foundations to reveal the racial and ethnic makeup of their board, staff members and their grantees, foundations basically rebelled at the thought – even though many routinely asked for that kind of information on their grantees and promoted that kind of racial/ethnic disclosure on the part of other sectors of society, particularly public agencies and commercial banks (Cohen 2014).

Setting broader intentions for transparency: effectiveness and trust

While philanthropy may be relatively small in the context of overall governmental spending, domestically and internationally, the resources involved are significant for the communities and stakeholders directly affected. For example, both the Bill & Melinda Gates Foundation and the William and Flora Hewlett Foundation have signed on to the International Aid Transparency Initiative. Importantly, the individual foundations are not always individual actors; they are part of an interactive, and even occasionally collaborative, dynamic where their effectiveness is improved when, because they have better information, they have more opportunities for coordination with other aid providers, and because stakeholders get to know what is happening with and to them, they get to hold foundations and others to better account (Cohen 2014).

While transparency is hardly the only driver of public trust, it is all but axiomatic that increased transparency, letting stakeholders in on the operations of foundations, what occurs in foundations and how they make decisions, yields increases in trust. Unlike the business sector, which might resist transparency because revelations could give inside information to competitors, foundations are not or at least should not be in a position of fearing the revelation of trade secrets when the trade they are in is human and societal betterment (Cohen 2014).

Seeking feedback beyond just grantees

Frequently, discussions of philanthropic transparency and accountability devolve to admonitions about asking grantees for feedback. Transparency really means going much beyond grantees, which are in a way less likely to be critics of a foundation, given that they receive support from the foundation. The transparency challenge is to reach society and to recognise foundations' role in the public sphere. Even when it comes down to attitudes, asking non-grantees is just as important as asking grantees about attitudes towards grant makers (Cohen 2014).

Meaningful disclosure

The public wants access to open, meaningful, comprehensible information and not just dumps of files that obfuscate with statistics, measures and big data. Anyone who has been on some of the online information databases meant to increase transparency in government knows how lots of information may be difficult for experts to wade through, not to mention regular citizens who want to know how their government works. Thus, meaningful disclosure is a key in achieving true transparency for foundations (Cohen 2014).

The foundation that communicates the remit, goals and results of its work in a comprehensive and digestible manner, holds transparency at the core of all activities (EFC 2013).

Reporting

Standardised, regular and adequate reporting, in compliance with relevant governance, financial accounting and reporting requirements (based on national laws and global good practice) represent an important aspect of a non-profit's transparency, with the view to making basic data available to the public or oversight bodies on their operations (Kukutschka 2017).

Moving ahead from conventional reporting, by submitting grants electronically to the eReporting program, a foundation ensures that the most up-to-date and accurate information about its grants is being made available to the sector (GuideStar 2017).

Making a grants database publicly available

This allows grant seekers insight into a foundation's funding decisions. Most grant makers already have a system to track grants they have made, so making such information available should not be too big a leap. One useful model for an interactive grants database is on the Hewlett Foundation's website. The database allows users to filter by region, programme, year, amount and type of grant (GuideStar 2017).

5. GOOD PRACTICES IN ACCOUNTABILITY

Foundations act in a responsible and collaborative manner by accounting for their actions to stakeholders, and by being active in sharing their knowledge and experiences (EFC 2013).

Ebrahim (2010) posits four facets of accountability that may be applied to the realm of foundations:

- Transparency, which involves collecting information and making it available and accessible for public scrutiny.
- Answerability or justification, which requires providing clear reasoning for actions and decisions, including those not adopted, so that they may reasonably be questioned.

- Compliance, through the monitoring and evaluation of procedures and outcomes, combined with transparency in reporting those findings.
- Enforcement or sanctions for shortfalls in compliance, justification or transparency.

Good practices related to accountability are closely tied to the good practices for transparency because, as noted earlier, transparency is a crucial part of obtaining accountability.

Good practices for accountability are as follows:

Compliance with formal accountability

Being compliant with formal and legal accountability standards is imperative. These standards differ from context to context. For example, formal accountability in the UK (and some other European jurisdictions) is greater than in the USA (in the UK through more detailed filing requirements from the Charity Commission). Nevertheless, foundations must strive to report annually their organisational details and file their financial statements in a timely and open manner while listing all appropriate elements (Dufton 2014).

Ebrahim (2010) opines that disclosure statements and reports are among the most widely used tools of accountability and are frequently required by laws in many countries. Such legal disclosures enable some degree of accountability to donors, clients and members who wish to access these reports, and also serve as means for non-profit boards to fulfil their fiduciary responsibilities.

Self-regulation

Developed systems of self-regulation require: agreed standards, auditing of compliance, a complaints process and redress/sanctions. In practice, such developed systems are often created and maintained if they are initiated in a statutory framework (Dufton 2014).
Self-regulation would also entail monitoring and evaluating its actions, involving stakeholders and beneficiaries in the process, as a key part of the foundation's grant-making or project cycle, and using this to shape future strategies and priorities (EFC 2013).

Evaluation and performance assessment

Foundations need to rethink their evaluation and measurement processes. Donors increasingly demand information about long-term outcomes and impacts, while many non-profit leaders have expressed concern about the difficulty, reliability, and expense of such measurements, particularly in accounting for causal factors well beyond their control (Ebrahim 2010). Moreover, the question of what should be evaluated should vary according to different stakeholders and the mission statement (Ebrahim 2010).

Responsive communication and participation

The nature and timeliness of internal and external communications will affect how the board perceives the staff and the operations, how the staff perceives the board and its leadership and governance, and how that staff feels about each other (GuideStar 2017). In addition, communications will affect how others perceive the foundation, including past, current and prospective donors, grantees, beneficiaries, allies, supporters, critics, regulators (for example, IRS and attorneys general), rating agencies, vendors and reporters. The document from GuideStar (2017) highlights: "Accountability, by definition, requires feedback". And without sufficient and responsive feedback, risks heighten (GuideStar 2017).

Participation, on the other hand, is quite distinct from disclosure reports and evaluations because it is a process rather than a tool, and it is thus part of on-going routines in an organisation (Ebrahim 2010).

At one level, participation refers to information about a planned intervention being made available to the public, and can include public meetings or hearings, surveys or a formal dialogue on project options. In this form, participation involves consultation with community leaders and members, but decision-making power remains with the project planners. A second level of participation includes public involvement in actual project-related activities, and it may be in the form of community contribution towards labour and funds for project implementation, and possibly in the maintenance of services or facilities (Ebrahim 2010).

Adaptive learning

As an accountability mechanism, adaptive learning, in which foundations create regular opportunities for critical reflection and analysis to make progress towards achieving their missions, focuses internally on organisational operation rather than externally on accountability to other stakeholders. It also offers a way for organisation leaders to address a common myopia, the focus on immediate short-term demands at the expense of longer-term and more sustained results (Ebrahim 2010).

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