

Principles of Accountability for International Philanthropy

**Developed by a Joint Working Group of the
European Foundation Centre and Council on Foundations
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SECTION I: Introduction to Principles of Accountability for International Philanthropy

International philanthropy is growing dramatically in response to an increasingly globalized, interdependent and interconnected world. It is a world of exciting and rewarding opportunities for organized philanthropy. More and more foundations (see definitions box), both old and new, are recognizing that they can contribute to a more peaceful, sustainable and just world in a variety of ways -- by making long-term investments in civil society abroad, by supporting research and testing innovative responses to global problems, by leveraging resources and knowledge through international partnerships, and by exercising their convening power. International philanthropy can produce high value for even modest levels of support and it often strengthens the work of foundations at home.

While international philanthropy has much in common with its domestic counterpart, it is also different in significant and challenging ways. Language differences, communications across vast distances, unfamiliar cultural values and perspectives, multiple legal systems, and disparate accounting practices are a few of the factors that distinguish international from domestic philanthropy and contribute to its complexity. Moreover, international philanthropy takes place against a complicated backdrop of international politics, North-South power dynamics, government barriers, cultural and religious traditions, uncertainty and risk.

In view of these challenges, how can foundations ensure that their international philanthropy is carried out in an accountable and responsible manner? To address this question, the Council on Foundations (COF) and the European Foundation Centre (EFC) created a Joint Working Group of foundation and corporate members in early 2005 to develop a set of principles of accountability *specifically for international philanthropy*. During the past year the Working Group has engaged in a process of reflection with Northern and Southern foundations, grantees and partners. Voluntary and aspirational, the principles are intended as a helpful guide to members of the COF and EFC in thinking about and conducting their international philanthropy in a manner that fulfills their mission and advances the public good.

The Working Group's premise is that accountability for international philanthropy begins with a responsibility to adhere to a philanthropic mission through internal and external processes that engage with and respond responsibly to various stakeholders (see definitions box). Accountability is achieved by soliciting and weighing the perspectives of stakeholders, balancing often competing and conflicting obligations (recognizing that not all stakeholders are of equal importance), and ultimately demonstrating how the foundation's activities contribute to the achievement of its mission and the advancement

of the public good. While the Working Group recognizes that accountability in international philanthropy includes important elements of legal compliance and good financial oversight, this document goes beyond these “givens” to explore the concept of accountability in a broader context that encompasses ethical behavior, effectiveness and relationships with grantees, partners and beneficiaries.

Definitions:

Foundations: Throughout this document, the term refers to organizations that contribute to the public benefit by supporting philanthropic activities through grants or other non-financial means of support. There are many types of foundations: family, corporate, independent, community and operating.

Stakeholders: In the context of philanthropy, the concept of stakeholders refers to the various actors that can affect or be affected by a foundation’s policies and actions. They may include donors, boards, government regulators, other foundation or corporate partners, and employees and shareholders (in the case of corporate philanthropy) plus a wide variety of potential grantees, partners and beneficiaries including non-governmental organizations, community-based organizations, advocacy groups, governments, religious organizations, think tanks, academic institutions, multi-lateral agencies, umbrella associations, and the media.

SECTION II: Principles of Accountability for International Philanthropy

Following are seven principles that should guide the international philanthropic work of foundations and corporations:

1. INTEGRITY

Stay faithful to your philanthropic mission and values in your international work. Be honest and transparent about your goals, strategy and operations. Comply with applicable legal and fiduciary requirements in your own country as well as in the countries where you have relationships with grantees and partners. Avoid conflicts of interest and consider the broader ethical implications of your international philanthropy in order to avoid negative unintended consequences.

2. UNDERSTANDING

Take the time to research and understand the political, economic, social, cultural and technological context in which your international philanthropy will take place. Tap into expertise that already exists, often at the local level, and develop a philanthropic strategy that is realistic and appropriate.

3. RESPECT

Avoid cultural arrogance by respecting cultural differences and human diversity as well as local knowledge, experience and accomplishments. Be modest about what you know, what you can accomplish and what you have yet to learn. When visiting international grantees and partners, always remember that you are a guest in someone else's house.

4. RESPONSIVENESS

Listen carefully to your international grantees and partners in order to understand and respond to their needs and realities. Align your vision with theirs and resist the temptation to impose your own models or solutions. Build a relationship of trust with your international grantees, partners and the communities where you work.

5. FAIRNESS

Be reasonable and flexible in what you require from your grantees and partners, ensuring that your demands are proportionate to the magnitude and nature of your support. Be mindful of their often limited capacity to deal with multiple funders, and do not make demands of them that you would not make of yourself.

6. COOPERATION AND COLLABORATION

Recognize that the magnitude of international challenges calls for a high level of cooperation and collaboration among foundations, NGOs, businesses, governments and multilateral organizations. Seek opportunities to work collaboratively with others in order to maximize resources, synergies, creativity, learning and impact.

7. EFFECTIVENESS

Assess whether your international philanthropy is effective by engaging in a process of mutual learning with your international grantees, partners and others. Demonstrate how your international philanthropy contributes to the achievement of your organization's mission and the advancement of the public good. Consider whether your philanthropy will be sustainable and whether you are staying long enough to be effective.

SECTION III: Good Practices for Accountability in International Philanthropy

Following are some suggested practice options for foundations that are intended to illustrate the principles highlighted in Section II. Because foundations vary greatly in terms of their resources, mission and approach, the practices will not be relevant in every case. It is not a checklist nor is the list meant to be exhaustive of good practices that are consistent with the principles.

A. Ensuring Good Governance

- Do what your mission and values say you are doing.
- Comply with all applicable laws governing your international activities.
- Be mindful of laws and regulations that may apply to your international philanthropy *in the countries where your grantees or partners are located*.
- Consider going beyond legal requirements to take additional steps to ensure that your international philanthropic resources are used for their intended purpose.
- Be aware of relevant international legal standards and treaties that are recognized by your own country as well as countries where your grantees and partners are located.
- Strive to be transparent in your decision-making and operations in carrying out your international philanthropy; make policies and decisions public and consider sharing even critical program or project assessments.
- Provide a confidential response mechanism for the various stakeholders involved in your international philanthropy to report problems and seek recourse; independent anonymous surveys of grantees and partners, for instance, can turn up useful information that would not otherwise come to light.

B. Safeguarding Philanthropic Resources

- Take reasonable steps to know your international grantee or partner well enough to determine that it is a legitimate organization with sufficient financial controls and capacity to implement the philanthropic activity you are supporting it to do.
- Follow accepted professional accounting standards in your international philanthropy while recognizing that the same standards may not apply in the country where your grantee or partner is located.
- Encourage your international grantees or partners to abide by accepted accounting standards in their own country or internationally recognized standards.
- Have a written agreement with your international grantee or partner that spells out clearly how your philanthropic resources will be used, but be flexible enough to make adjustments when unforeseen circumstances arise.
- Require a simple accounting from the grantee or partner explaining how your philanthropic resources were used, and seek to correct any misuse of resources as quickly as possible. Ask for clarification when something isn't clear.
- Consider making large grants to new international grantees or partners in installments, based on receipt of satisfactory progress reports.
- Consider working with a professionally-run re-granting organization (in your own country or the region where you are working) that specializes in making international grants or use an accounting firm to make your international grants if you are uncertain about your own staff capacity and knowledge to ensure good stewardship of your philanthropic resources.

C. Communicating Effectively

- Communicate openly about your vision, mission and resources to potential international grantees and partners.
- Be clear about your grant application process, funding guidelines, partnership criteria, deadlines and other procedures for your international philanthropy.
- Consider publicizing information about your mission, guidelines and procedures in the local languages where your international philanthropy may be geographically focused.
- When communicating with potential grantees and partners, be realistic about the type and level of support you can provide.
- Be honest about any regulatory or practical constraints to your international philanthropy and explain them to potential grantees and partners up front.
- Avoid jargon that may not be easily translatable or understood in other cultures.
- Respond to all proposals you receive; if they don't fit your guidelines, say so.
- Refer worthy proposals you receive but are unable to support to other potential funders who might be interested in them.
- Keep in touch with your international grantees and partners regularly in order to minimize surprises.

D. Understanding the Context

- Understand well the context of your international philanthropy and the environment in which your NGO grantees and partners operate.
- Take the time to research carefully the local context in which your international philanthropy will take place.
- Seek out the views of experts and trusted peer organizations that are familiar with the regions and sectors in which you intend to work.
- Consider engaging a consultant who has direct experience in the communities where you intend to focus your international philanthropy. Locally-based NGOs, universities and government ministries are often good sources of consultants.
- Visit the area of your international philanthropic interest, if possible, and talk to a diverse cross-section of the community, not just a few individuals.
- When visiting international grantees and partners, be respectful of local culture and knowledge; always remember that you are a guest in someone else's house.
- Map out what is already being done in your area of interest, who is doing it, what the obstacles are and where the gaps exist; the process of writing a short paper can help define your strategy and sharpen your international philanthropic focus.

E. Aligning Your Vision

- Align your philanthropic vision with the needs and vision of your international grantees and partners.

- Start with your core mission and values and extend these to the international arena.
- Do not impose your own agenda but rather tailor your international philanthropy to respond to local needs and realities.
- Involve potential international grantees, partners and the constituencies they serve in the process of developing your philanthropic strategy in their country.
- Avoid frequent shifts in program focus and priorities for your international philanthropy.
- Be flexible and allow for the unexpected -- changing circumstances may require a change in plans, particularly in the context of international philanthropy.
- Be cautious about replicating models – bear in mind that what works in one setting may not necessarily work in another, even within the same country.
- Take a holistic approach to your international philanthropy – understand how the activity you are supporting fits within a larger picture.
- Seek to do no harm; ensure that your international philanthropy does not, for instance, inadvertently exacerbate existing inequities, fuel conflict or damage the environment.
- Be cautious about supporting activities that undermine governments.

F. Building Trust

- Listen carefully to what your international grantees and partners say, recognizing that cultural differences may inhibit a frank exchange of views in the early stages before trust is established.
- Take a long-term view of development and make a long-term commitment if you can, but have an exit strategy in mind to avoid potential dependency on donor support.
- Consider going beyond project support in your international philanthropy to building long-term organizational capacity and financial sustainability.
- Think about ways of providing non-financial resources through mentoring, convening, linking, technical assistance and other forms of support – they can often make as much or more of a difference than funding alone.
- Do not be afraid to take some risks -- funding only what is “safe” will minimize opportunities to test high-potential new approaches and models for social change.
- Minimize administrative and other demands on your international grantees and partners; some reporting and financial accounting are essential, but make sure that your requirements are proportionate to the magnitude of your support.
- Provide additional technical and financial assistance to cover costly demands, such as a financial audit for a small organization or terrorist list-checking by re-granting organizations.
- Explain the reasons why you are asking your international grantees and partners to provide information, especially that which may be considered sensitive or confidential.

G. Showing Respect

- Respect the contributions, achievements and integrity of your international grantees and partners.
- Recognize your international grantees and partners as agents of change, who contribute critical local knowledge and community access to the philanthropic relationship, rather than as simply recipients of financial or other support.
- Acknowledge that the solutions to problems lie with the groups you are supporting although foundations may, of course, have useful knowledge to share with their grantees and partners.
- Respect the intellectual property of your grantees and partners by asking permission to use their ideas, stories and photographs and giving proper credit when you do.
- Be mindful of the fine line between empowering people and organizations to speak up for their own rights and bring about change versus speaking on their behalf.
- Understand how policies set at bilateral and multilateral levels can greatly affect your grantees and partners; consider being an advocate for their views, *with their permission and as legally permitted*, with your own government and multilateral institutions like the World Bank, UN and WTO.

H. Collaborating and Cooperating

- Use the Internet, professional conferences, affinity groups, publications and other means to identify organizations and individuals that are working on the same international philanthropic issues as you.
- Share information about your international philanthropy and seek appropriate partnerships and collaborations that will increase impact.
- Look for gaps and opportunities to add value to existing international initiatives; avoid duplication in your international philanthropy.
- Be aware that a funders' collaborative or consortium can reduce administrative costs, create synergies, expand networks, and facilitate both the sharing of ideas and experiences as well as learning.
- Bear in mind that working across sectors with businesses and governments can be useful in building public awareness of problems and solutions as well as scaling up successful approaches and programs.

I. Learning Together

- Build in specific benchmarks for success of your philanthropic activities from the beginning through discussions with your international grantees and partners.
- Involve international grantees and partners in conscious reflection about the effectiveness of your philanthropy by creating a participatory and mutual learning environment.

- Provide opportunities for your international grantees and partners to learn from one another.
- Acknowledge that everyone makes mistakes, including funders, and that projects fail for a variety of reasons – the key is learning the appropriate lessons and applying them in the future.
- Share lessons learned with your stakeholders and others in the international philanthropic field.
- Take time to step back from the specific international philanthropic activity you are supporting to reflect on the ethical implications and broader impact of your work.

SECTION IV: Case Studies/Examples

(Currently being developed.)

SECTION V: Selected Resources

(links to websites and documents)

AccountAbility (<http://www.accountability.org.uk/>)

An international non-profit institute which promotes social and ethical accountability by developing innovative and effective accountability tools and standards, undertaking cutting-edge [research](#) in the area, promoting [accountability competencies](#) across the professions, and securing an enabling environment in markets and public policies. Since 1999, AccountAbility has been developing, the AA1000 Standards, a series of accountability's management tools and standard intended to provide the basis for improving the sustainability performance of organisations. The principles are applicable to organisations in any sector, including the public sector and civil society, of any size and in any region.

Accountability Institute South Africa (<http://www.aisa.org.za>)

A non-governmental membership organisation which aims to promote and advocate – through its technical support and theoretical research – the concept and practice of non financial accountability for the improvement of appropriate performance management systems in all South African organisations and institutions (public, private and not-for-profit). By non financial accountability, the Accountability Institute South Africa means criteria – such as environmental impact, contribution to social and economic development, ethical conduct, respect for human rights, protection of labour rights and product/service quality – which could improve the organisation's accountability.

Asia Pacific Philanthropy Consortium (www.asianphilanthropy.org)

The Asia Pacific Philanthropy Consortium (APPC) is an informal network of like-minded organisations dedicated to promoting the flow and effectiveness of philanthropy in the region. The APPC is committed to promote and sustain accountability and governance issues in its geographic area through its broad field of activity.

Civil Society Legitimacy and Accountability: Issues and Challenges (CIVICUS)
(www.civicus.org)

An international membership alliance which aims to strengthen citizen action and civil society in areas where participatory democracy and citizens' freedom of association are threatened. Through its Legitimacy and Transparency Programme – builds on past commitments promoting ethical practice and agreed codes of conduct – CIVICUS seeks to initiate international debate and promote cross-learning and knowledge-sharing on CSO legitimacy, transparency and accountability.

Council on Foundations (www.cof.org)

An American membership organization which convenes worldwide grant-making foundations and which aims to promote responsible and effective philanthropy. The Council is committed to the development of principles of accountability and has published a set of standards: the Statement of Ethical Principles National Standards for U.S. Community Foundations, the Stewardship Principles for Corporate Grantmakers, the Stewardship Principles for Family Foundations, and the Stewardship Principles for Independent Foundations.

Charity Commission (UK) Guidelines for Charities Working Internationally
(www.charity-commission.gov.uk/supportingcharities/cwi.asp)

As the regulator and registrar for charities in England and Wales, the Charity Commission aims to provide a feasible regulation of charities in England and Wales in order to increase charities' effectiveness, public confidence and trust. The Charity Commission has published an online guidance on legal requirements and recommended good practice for charities whose work is either wholly or partly international or overseas based. Regarding the accountability's principles, the Charity Commission advises the organisations to strengthen the transparency, the understandability and the liability of the documents.

Disaster Grantmaking: A Practical Guide for Foundations and Corporations (EFC and COF)

An initiative by the European Foundation Centre and the Council of Foundations which aims to develop a set of stewardship principles and guidelines for accountable international grantmaking and operating activities relevant to their respective membership as well as the broader international donor community. The project has comprehended representatives from European and US foundations and corporate funders with international activities in order to ensure effectiveness and transparency in their actions in developing countries.

European Foundation Centre Code of Practice (www.efc.be/codex/default.htm)

As an independent international not-for-profit association of independent funders active in and with Europe, the EFC has developed its own Code of Practice which constitutes a

general recommendation to reinforce good practice, openness and transparency in the European independent funding broader community. The Code of Practice includes advices on governance, finance and annual reporting sustaining the value of transparency and accountability. EFC Members adhere to the principles of the Code of Practice.

Esquel Foundation Group Code of Ethics (<http://www.esquel.org/>)

A non-profit, private foundation which provides services to NGOs, foundations, private corporations and international development agencies whose actions are focused on Latin America and the Caribbean. The Esquel Foundation Group promotes alternative policies and programs that incorporate transparency and good governance concerns and strengthen the role of civil society. In collaboration with Corporacion Participada, the Esquel Foundation Group has formulated a set of proposals to strengthen sustainable development in Latin America through a code of ethics.

Humanitarian Accountability Partnership

(<http://www.hapinternational.org/en/page.php?IDpage=3&IDcat=10>)

An independent self-regulatory body established in 2003 which aims to define, promote, monitor, and carry out research on accountability, and to accredit members for complying with the collective standards and good practices developed. In making humanitarian action accountable to its intended beneficiaries, the Humanitarian Accountability Partnership International (HAP-I) has developed seven Principles of Accountability which intend to improve the quality and effectiveness of the members' humanitarian work.

InterAction Private Voluntary Organization (PVO) Standards

(<http://www.interaction.org/pvostandards/index.html>)

It is a membership association of U.S. private voluntary organizations (PVOs), designated to enhance the effectiveness and professional capacities of its members engaged in international humanitarian efforts. Interaction works to overcome poverty, advocate and fostering human dignity, and social economic development in developing countries. To ensure effectiveness, transparency and accountability of PVO activities, the Interacts PVO Standards Committee has developed a set of standards in the areas of governance, finance, communications with the U.S. public, management practice, human resources, program and public policy.

Mexican Center for Philanthropy (CEMEFI) (<http://www.cemefi.org>)

It is a private no profit organisation which promotes philanthropic actions, civil society participation and social responsibility in Mexico. CEMEFI is running a programme to endorse the adoption of principles of corporate responsibility and integrity within big and small companies. These values include and underpin four specific area of the value's chain: quality of life in the company, business ethics, community, and environment preservation. CEMEFI has adopted the corporate social responsibility's definition proposed in the ISO 26000.

OneWorld Trust (www.oneworldtrust.org/)

An English charity which promotes education, training and research for global organisations in the areas of accountability, peace, security, and sustainable development. Through its Global Accountability Project (GAP), One World Trust conducts research on practical ways to improve the accountability of global organisations and offers practical recommendations on how to increase the transparency and responsiveness of global organizations. It also produces an Accountability Index which assesses the world's biggest and most powerful organizations and hosts an NGO Forum, which provides space for civil society groups to share learning and resources on accountability. The Accountability Programme publishes a newsletter update, "Accountability in Action" which is available on the web site or via email.

Philippine Business for Social Progress - PBSP (<http://www.pbsp.org.ph/>)

A private and non-profit consortium of corporations operating in South East Asia, dedicated to promoting business sector commitment to social development in the region. PBSP leads the advocacy on and the practice of corporate social responsibility, (CSR) and corporate citizenship with the aim to empower the poor by promoting business sector leadership in, and commitment to, poverty alleviation programs. Through its Center for Corporate Citizenship, PBSP promotes the practice and critical review of corporate citizenship among CEOs and their counterparts in government and civil society; facilitates discussions on critical issues on education, environment and local governance, and proposes business-oriented solutions to these issues.

Principles of International Charity (U.S. Treasury Guidelines Working Group)

(http://www.cof.org/files/Documents/International_Programs/2005Publications/Principles_Final.pdf)

In recognizing the role of charities in addressing some of world's critical needs and the risk of diversion of charitable assets for terrorist purpose, the US Treasury coordinated by the Council on Foundations has developed a voluntary set of eight broad principles intended to assist charities in developing their own procedures, to strengthen their consistency with the fundamental principles underlying effective and responsible international charitable activities, and to guard against the threat of terrorist abuse.

SANGOCO Code of Ethics (South African NGO Coalition)

(<http://www.sangoco.org.za>)

The South African National NGO Coalition (SANGOCO), is a membership organisation which aims to coordinate NGOs' input into the Government policy and improve the role of civil society in South Africa's development. SANGOCO has developed a code of ethics with the purpose to improve the quality and impact of services and delivery, and to contribute to a vibrant and dynamic society. This code covers the following areas: values, governance, accountability, management and human resources, finance, and resources.

The Global Sullivan Principles of Social Responsibility
(<http://www.thesullivanfoundation.org/gsp/default.asp>)

It is a voluntary code of conduct developed by the Sullivan Foundation with the objective of being a catalyst for corporate responsibility and accountability. The principles propose a development framework which could enable companies and organisations of all sizes and in all sectors to pursue their business objectives, being aware and respectful of economic, social and political justice, human rights, racial and gender equal opportunities. The Principles are inclusive in that they embrace businesses' existing codes of conduct and work in conjunction with them.

United Way International - Global Standards for Nonprofit Accountability and Effectiveness (<http://www.uwint.org/gppweb/index.aspx>)

United Way International is a voluntary independent association which coordinates the work of non-profit organizations active at the community level with the aim to better identify needs or issues and develop common strategies to solve problems. United Way International acts as an intermediary and a repository of knowledge, expertise, and best practices for its partners helping them to be successful in their community works United Way International's partners have developed and committed themselves to a set of principles with the purpose to improve their accountability and effectiveness in serving their communities. These principles are as follows: Financial Accountability, Transparency and Reporting, Governance, Privacy and Ethics, Volunteer Engagement, Community Leadership, Impact and Evaluation, Resource Mobilization, Identity, Image, and Reputation, and Operations and Management

Worldwide Initiatives for Grantmaker Support (WINGS)
(<http://www.wingsweb.org/>)

An independent no profit association which seeks to strengthen the institutional infrastructure of philanthropy worldwide by building a strong, interconnected and collaborative global network of grantmaker associations and support organisations, which, in turn, help grantmaking institutions that support civil society to build a more equitable and just global community. In order to increase public and government trust and confidence in philanthropy, WINGS organized in 2005 a peer event to discuss accountability's and transparency's principles in grantmaking as well as the development, implementation and adherence to a broad code and standards for grantmakers.

Bibliography (under development)