



Summary of Insights European Seminar Social Compact

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Advisors

Seminar Overview

In September 2018, Rockefeller Philanthropy Advisors hosted the European seminar of the Theory of the Foundation Learning Collaborative. The afternoon gathering took place at the offices of the Wellcome Trust in London and was dedicated to Social Compact, a topic that ignited deep and valuable conversation at the US Symposium earlier this year.

The attendees engaged in a lively and deep discussion exploring the many dimensions of social compact, including foundations' accountability, legitimacy and role in society. As always, we are deeply grateful to all Theory of the Foundation participants and partners for your candid insights and willingness to share experiences. We look forward to continuing engaging you as our invaluable thought and research partners.

The following is a summary of insights shared by the participants in the course of the discussion.

Wellcome Trust's Research on Social Compact

At the beginning of the discussion, the Wellcome Trust provided an overview of its findings from a September 2018 report *Trust in Foundations: An Exploration of the Landscape*. Based on discussion groups and interviews with external and internal stakeholders, the report explores the current operating landscape in relation to trust in charities and foundations amongst the public and expert stakeholders. It also examines the various drivers of opinion, as well as mechanisms to build trust and accountability.

The most significant takeaway from the report was the importance of transparency and openness as a mechanism for building and bolstering trust. According to the report, “Transparency appeals because people simply want to know more about what these big organisations are doing, and there is energy around the unique benefits.”

Other report learnings include the need for:

- Greater clarity on the unique benefits of foundations and their structure.
- More public involvement in shaping foundation activities.
- More proactive and user-friendly public communications.

Accountability Domains and Consideration

- Understanding who your stakeholders are and to whom you are accountable allows foundations to optimize assets and drive better work.
- Foundations are accountable to society at large, not just to their grantees and using this lens can help to avoid risks in decision-making.
- The general public is demanding greater transparency; it is important for foundations to be open about what they are doing and how they are spending their money.
- Grantee perception surveys and communicating publicly on the impact of grants can help to keep foundations honest and their stakeholders front of mind.
- Although foundations technically may not be accountable to those they fund, it is important to remember they are mutually dependent for fulfilling social compact.
- Transparency with grantees about donor ambitions can help maximize the potential impact of foundation funding.

Role of Foundations and Accountability

- It is natural to compare the roles of government and independent philanthropic actors. However, unlike the government, foundations are able to:
 - Fund things that are riskier which the government/state is unable to fund;
 - Shine a light on an issue with the goal of sparking government/state action;
 - Pilot a project as proof of concept;
 - Respond rapidly to emerging social issues that deviate from a foundation's stated mission or strategy, if flexibility exists.
- It is important for foundations to remember that “If you light the fuse, you're responsible for the explosion.”
- The challenge of ceasing funding on what has come to be seen as fundamental services must not be underestimated.

Challenges to Accountability

- Donor anonymity can be problematic because transparency is needed to build trust, and if a foundation does not tell its own story, others may tell it for them.
- It is difficult to balance increasing scrutiny and demands around accountability and legitimacy when trying to establish or preserve a founder's legacy.
- Foundations are often accountable to multiple stakeholders, and fulfilling this accountability can be challenging. It can also put foundations at odds with the government of the country in which they are based or operate.
- It is important for foundations to clearly and openly articulate what they will and will not fund, and why.
- Foundations should make an effort to ensure that their objectives are aligned with their stated mission in order to secure public trust.

Domains of Legitimacy

Foundations can draw their legitimacy from a variety of sources or domains, including:

- Through the value that a foundation adds beyond money, and beyond what already exists.
- By working from evidence based principles and expert advice from the board and others.
- Working within the legal framework and making decisions based on laws, whether international or national laws, or those guiding charities.
- Through a moral imperative, and by doing good.
- Based on faith.
- Through transparent reporting and impact measurement.
- By becoming localised, and employing staff in country.

Legitimacy and Voices of Communities Served

- Incorporating, respecting and including communities and populations served in a foundation's work, grantmaking and decision-making bodies is very important and is a growing consideration for many foundations.
- Challenges to genuine inclusion of community voices include:
 - Beneficiary representation on the board can be viewed as tokenistic and unrepresentative.
 - Participatory grant making is an important gesture but is easy to get wrong.
 - Beneficiary panels can lead to circularity with people becoming self-serving.

Challenges to Legitimacy

- The role and credibility of private philanthropy, as well as the use of private wealth for public good, is increasingly questioned and debated.
- Foundations must grapple with the philanthropy paradox: they are often working against financial inequality, while representing the engines of inequality given that they can rely on wealth inequality to exist.
- Careful consideration should be given to the possible divergence between a foundation's charitable activities and its investment choices.
- Private foundations' wealth can be a detractor of legitimacy in that it raises questions about how the level of spending influences the democratic process and society writ large.
- There is a need for transparency in order to build and maintain trust with the public such that regulation and legal requirements aren't imposed on foundations.
- Foundations should be mindful of how much money they can reasonably make for their endowments without undermining their legitimacy.
- Achieving social good can sometimes lead to working counter to the democratic grain.

Time Horizon and Legitimacy

- The in-perpetuity horizon can insulate a donor from the pressing circumstances of the day.
- The spend-down perspective may force foundations to be very conscious of what they achieve, with what resources, and in what timeframe.
- The spend-down mindset can be very helpful for reflective purposes. One useful thought experiment would be to write an 'obituary' for a foundation and use it as a basis for exploring whether existing plans achieve the stated goals and vision.
- In-perpetuity foundations may want to consider using the spend-down lens and setting a deadline to explore the focus it provides and the urgency of issues.