

THE STATE OF GOVERNANCE IN PHILANTHROPY

GULF REGION

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FOREWORD

Over the years, philanthropy has been interpreted in many different ways; from a simple act of kindness, to nominal contributions and strategic giving and, more recently, to social investments. This evolution of the interpretation of philanthropy is the result of the changing needs of communities driven by the evolving global socio-economic landscape that's affecting nations in unique ways.

The Gulf Region's experience with philanthropy is deeply rooted in a tradition built on the principle of almsgiving. Although almsgiving – the charitable acts of giving that are often kept private and are religiously motivated – will intrinsically be a defining characteristic of giving in the region, there is an increasing focus on strategic giving driven by the desire to create long-lasting impact.

In the past eight years, the Pearl Initiative has engaged with the Gulf Region's Private Sector to raise awareness about the benefits of good corporate governance and support businesses to improve their governance practices in a way that best suits their business. Good corporate governance helps increase the effectiveness and trust in all types of organisations and is equally important for organisations engaging in philanthropic and non-profit activities, whether it be as a donor or when implementing programmes. The Pearl Initiative is pleased to now have the opportunity to expand its activities to engage with the philanthropic and non-profit ecosystem here in the Gulf Region.

Foundations and non-profit organisations have increased in size and scope, not to mention the growing role of family businesses and corporations in leading sustainable social initiatives in the region. In light of this increase in actors and stakeholders involved in philanthropy, this "State of Governance in Philanthropy" report provides an analysis of the philanthropic and non-profit ecosystem in the Gulf Region. The ecosystem comprises institutional



Carla Koffel

donors including corporations, family businesses and foundations, and organisations that implement philanthropic activities and programmes and includes the many organisations that do both. The focus of this report is to shed light on the system of rules, practices and processes that are adopted by organisations within this ecosystem and to understand the governance expectations that institutional donors have when contributing to philanthropic and non-profit organisations.

Our research shows that both the donors and the implementers believe that governance in the philanthropic and non-profit ecosystem is important and improving governance practices is a priority. The report looks to outline the governance capabilities that are adopted and prioritised by organisations in the Gulf Region's philanthropic and non-profit ecosystem by sharing the findings from our survey, focus group discussions and interviews with prominent organisations in the ecosystem. Additionally, the report features best practices and case studies to contextualise the findings.

I would like to thank the Bill & Melinda Gates Foundation for their support together with everyone who generously gave their time to share their insights and experience, and for the commitment of the Pearl Initiative's partner companies.

This research is by no means an end, rather we hope it is the beginning of deeper research and engagement of the philanthropic and non-profit ecosystem of donors and implementers with the goal of enhancing the effectiveness and impact of giving in the Gulf Region.

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01 EXECUTIVE SUMMARY

Corporate governance is a system of rules, practices and processes that help leadership direct and control their organisations' activities in an efficient and effective manner. Corporate governance is adopted to support and enhance innovation, talent and ultimately the quality of services and products provided by organisations. It can play a vital part in supporting an organisation to overcome common problems and challenges faced throughout the

lifetime of the organisation, which ultimately leads to increased performance.

The benefits of corporate governance are not limited to the Private Sector and its commercial activities. The philanthropic and non-profit ecosystem has much to gain from the system of rules and practices that facilitate organisational effectiveness. This ecosystem comprises institutional donors including

corporations, family firms and foundations (private, royal, government, family, and corporate) as well as implementing organisations including non-profit organisations and donor organisations that also implement their own philanthropic activities and programmes.

This report provides a detailed analysis of the findings of the research conducted by the

Pearl Initiative as part of its Governance in the Philanthropic and Non-Profit Ecosystem programme that was launched in 2017. Findings in this report are based on the results of a survey that captured quantitative results from key individuals engaged in the philanthropic and non-profit ecosystem in the Gulf Region, a series of focus group meetings in Dubai, Kuwait and Saudi Arabia, and discussions with key individuals.

KEY INSIGHTS

It is evident that the philanthropic and non-profit community in the Gulf Region has started to embark on establishing good governance practices within its organisations. Our research shows that donors who provide funding to regional philanthropic and non-profit organisations understand the importance of good governance practices while implementing organisations have already embarked on their journey to introduce governance practices within their organisations.

Some notable findings from this survey are highlighted in the following points:

- 100% of the survey respondents consider governance practices in the philanthropic and non-profit ecosystem need to be improved and 82% think there is a need to enhance governance practices within their own organisations.
- 81% of the foundations surveyed not only provide grants to implementing organisations but also implement their own philanthropic programmes and activities. 60% of corporations and family offices do the same. The general perception within this ecosystem is that there is a lack of trust by the donor community in the philanthropic and non-profit organisations which implement programmes, hence why foundations and other donors often implement their own programmes.
- The presence of a board is one of the most prevalent issues of importance for donors with over 80% indicating that this was a key factor to consider when providing funding to implementing organisations. On the other hand, 80% of implementing organisations surveyed have established a board and most of these boards are involved in strategic and annual planning activities with less focus on other areas such as diversity and succession planning. Some organisations are interested in finding ways to increase the effectiveness of their board and engagement with board members.
- Transparency is ultimately one of the most important factors funders look for, with 61%

of donors suggesting this is a 'very important' factor to consider as part of their funding decision and another 32% consider transparency 'somewhat important'. 85% of respondents from the implementing organisations consider their organisation to be transparent. Most information, however, is shared internally rather than directly with donors and the general public. Those who do share information with donors and the general public do so through annual reports and data published on their websites.

- Regarding monitoring and evaluation, 84% of respondents who represent implementing organisations indicate that they capture stakeholder feedback, however the majority only capture feedback from internal stakeholders. When documenting stakeholder expectations, only 11% of implementing organisations document the expectations of donors, and less than half document feedback from beneficiaries. This, coupled with the fact that organisations share more information internally than with donors, implies that the ecosystem is characterised by a general lack of communication between donors and implementing organisations.
- Programme impact evaluation is one of the top priorities for donors with 94% of the donor community indicating it is important that the organisation they fund has monitoring and evaluation practices in place. Impact evaluation of programmes and activities is one of the most

commonly adopted governance capabilities of implementing organisations with almost 91% suggesting they are implementing some measures to evaluate their activities and programmes. Both donors and implementing organisations would, however, like to increase and improve impact evaluation and reporting, and seek more information and guidance on how to carry this out effectively.

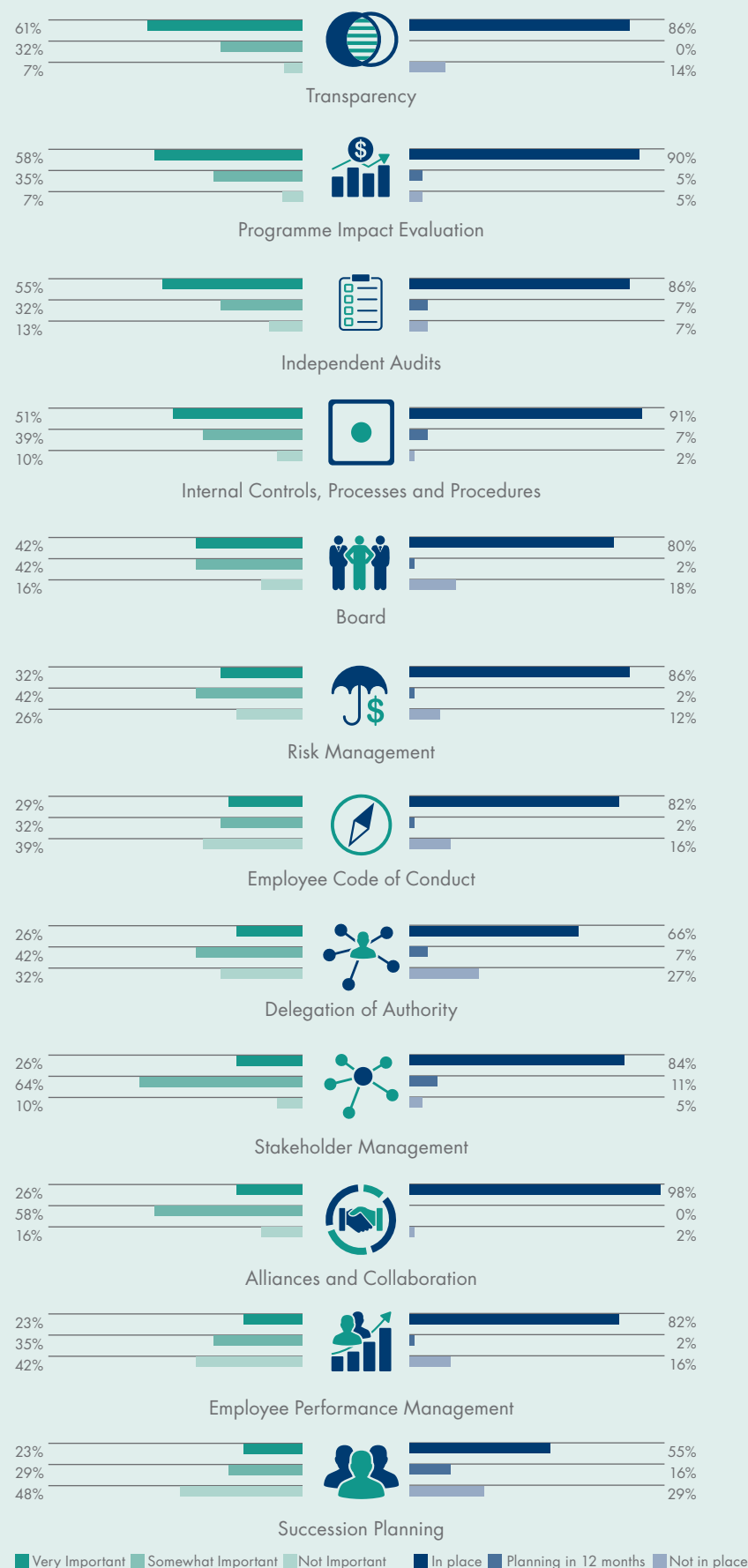
- When compared to other governance capabilities, the existence of a Delegation of Authority is less of a priority for donors within the region as 32% indicated that this has little importance in their decision to provide funding. However, implementing organisations embrace this capability with over 65% indicating they adopt a delegation of authority practice; and another 7% indicate that they are planning to adopt one over the next 12 months, suggesting that having decision making, authority and parameters clearly defined is important for many organisations within the ecosystem.
- The majority, over 95%, of implementing organisations have some internal controls, procedures and processes in place or intend to in the next 12 months. The results indicate that the internal controls, procedures and processes prioritised are accounting practices and financial disclosures with less emphasis on programme delivery.

DONORS' PERSPECTIVE

How important are the following when evaluating an organisation you may be providing funding to?

CURRENT PERCEIVED STATE OF GOVERNANCE

Which of the following capabilities do you have in place?



ALIGNMENT BETWEEN DONORS AND IMPLEMENTERS

Based on the gathered data, there seems to be an overall alignment between the governance expectations that the donor community values when funding implementing organisations and the governance practices adopted by these organisations. The table on the left illustrates a detailed comparison between the governance expectations that donors have towards the organisations they provide funding to, and what implementing organisations report to have in place. A more detailed analysis of each governance capability is set out within this report.

While governance capabilities appear to be in place and expected by the donor community, our research shows that the donor community are not very aware of the extent to which governance practices are being adopted by implementing organisations. Moreover, these organisations want to improve the implementation of some of their governance practices, such as the way the board is engaged and the way they report and evaluate the impact of their activities.

CONCLUSION

While both the donor and implementing organisations in the philanthropic and non-profit ecosystem show positive efforts are being made to incorporate good governance practices, all agree that there is a definite need to enhance these capabilities across the sector.

100%

of implementing organisations think there is a need to enhance governance practices within the philanthropic and non-profit sector in the Gulf Region.

82%

of implementing organisations (including donors that implement their own programmes) think there is a need to enhance governance practices within their organisation.

Donor awareness

It was made clear in discussions with some of the Gulf Region's leading philanthropic and non-profit organisations that donor awareness on the value of good governance practices directly impacts the extent to which these practices will be adopted by implementing organisations. The Gulf Region's philanthropic and non-profit ecosystem continues to rely on individual, ad hoc donations.¹ However, there is a slow but gradual shift from traditional giving to more strategic philanthropy in the region as more actors are becoming involved and the number of private, corporate and family foundations has also increased.² There is a shared responsibility to improve the governance practices amongst donors and implementing organisations which includes a role for donors to look into the organisations they support, make an effort to know where their contributions are being spent and evaluate the impact of their giving.

Cause remains at the core of the operations

Given the region's changing regulatory environment, governance can enhance the effectiveness of the ecosystem by enabling organisations to document procedures and establish guidelines and manuals for all the stakeholders involved to follow, ensuring that the cause remains at the core of the process.

Governance elements such as the vision and mission, board, internal controls, and code of conduct can support the management of stakeholders and attract more relevant donors. Governance enables organisations to clearly identify their objectives and ensure that their activities continue to be aligned to their vision and mission. Governance also helps build trust in the organisation and the broader ecosystem and, as a result, stronger collaborations can be formed between entities across the ecosystem with aligned interests and objectives.

Enhancing the effectiveness of boards, transparency and impact evaluation

Organisations have clearly stated that it is important to have a board, be transparent and evaluate the impact of the activities taking place in the ecosystem in the Gulf Region. A deeper analysis is required through research, sharing information and experiences, and encouraging discussion about how to increase the effectiveness of the way in which organisations implement these areas of good governance practices. This includes analysing how organisations can enhance the

engagement of the board, increase transparency among all stakeholders and increase the knowledge and capacity to conduct impact evaluation and reporting in a way that best suits the organisation and its activities.

Collaborations and partnerships are important

With this increase of actors involved in the philanthropic and non-profit ecosystem, the need to strengthen and expand collaboration is highlighted in the Gulf Region. Cross-sector collaborations and partnerships between organisations with similar objectives can increase the impact and/or reach of their programmes and activities by aligning efforts to deliver their shared mission and goals. Establishing good governance systems and practices across the philanthropic and non-profit ecosystem can help make collaborations and alliances more effective by defining organisational goals, mission and vision, and promoting greater transparency and accountability. To increase the effectiveness of collaboration, there is a need in the region to fill the communication gap between philanthropic and non-profit organisations, corporations and other donor organisations, which can be assisted by good governance practices.

A platform for greater dialogue

Lastly, our research highlights the need to establish platforms to openly discuss the successes and challenges of the ecosystem. The platform would engage all actors in dialogue to inform the Gulf Region's best practices in philanthropy, including the donor community, implementing organisations and government representatives. The primary objectives of these platforms would be to outline tangible practical ways in which the sector could increase the application of good governance practices; and what could be done to better support those operating in the sector to improve these practices.

¹Sleir, R., Adra, F., Sakr, M.A., Rizk, M., (2017), "From traditional to impact philanthropy: Creating a legacy for GCC family businesses". Strategy&. <https://www.strategyand.pwc.com/media/file/From-traditional-to-impact-philanthropy.pdf> ²Stall, L., (2017) "Advocates for change." <http://www.philanthropyage.org/society/advocates-change>

02 RECOMMENDATIONS



To increase trust and enhance transparency, the ecosystem should consider developing guidelines and best practices for reporting. Donors and implementing organisations have a shared responsibility to their beneficiaries to ensure the effectiveness of their giving. For implementing organisations, this entails effectively evaluating and reporting on the impact of their programmes and activities; and for donors, this includes disclosing information about their financial contributions and the impact of their giving.



To enable more efficient programme delivery and potentially lower costs to organisations, the ecosystem should encourage partnerships and collaboration based on a defined framework with clear goals and scope of collaboration.



All actors in the ecosystem should be engaged with each other and with regulators in an open platform to inform regional best practices and enable the continuous improvement of governance practices in the philanthropic and non-profit ecosystem.



Implementing organisations and the donor community should encourage greater accountability and transparency about their philanthropic programmes, activities and impact.



Although many organisations have established boards and are aware of the benefits of having a board, the number of non-executive board members is quite low and boards have little influence over areas such as succession planning and organisational diversity. This suggests that further research and analysis is required in the region to maximise the value and effectiveness of the board.



To enable organisations to better understand and respond to their stakeholders, implementing organisations should increase communication with external stakeholders, which includes documenting expectations from their donors and beneficiaries. The donor community should also make an increased effort to communicate effectively with the organisations they support.



Adequate knowledge transfer and training programmes for the philanthropic and non-profit ecosystem, specifically around qualitative and quantitative impact evaluation, are essential to the effectiveness of giving. Such training and knowledge should incorporate best practices tailored to the Gulf Region.



Implementing organisations should enhance their succession planning practices to avoid issues associated with dependency on specific individuals within the organisation. Meanwhile, awareness of the value of succession planning amongst the donor community should be increased to enable the adoption of good succession plans by the ecosystem as a whole.

03 METHODOLOGY

PURPOSE

The Governance in the Philanthropic and Non-Profit Ecosystem Programme in the Gulf Region aims to collect data from both the donors and the implementers about their governance capabilities. This report is intended to provide a comparative analysis between the capabilities that foundations and donors look for when contributing to causes in the region and an evaluation of the current state of governance in the region's philanthropic and non-profit ecosystem. In addition to sharing survey results, the report highlights key takeaways from the three focus group discussions held as part of this programme in Dubai, Kuwait and Saudi Arabia between 25 September and 14 November 2017.

SAMPLE

The survey targeted foundations, corporations, family firms and non-profit organisations across the Gulf Region addressing commonly accepted elements of corporate governance practices.

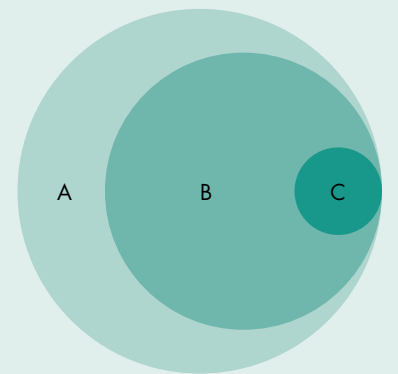
The survey was available from 29 October 2017 to 21 January 2018. The total number of respondents to the survey was fifty (50). Thirty-one (31) completed the survey on the basis that they are donors, twenty-five (25) of which completed the survey on the basis that they both fund and implement philanthropic programmes and activities and six (6) completed the survey on the basis that they are only donors. Nineteen (19) completed the survey on the basis of being only implementers.

The focus group discussions brought together professionals involved in the philanthropic and non-profit sector. Representatives from corporations, family offices, private and public foundations, as well as non-profit organisations, sat together to discuss the current governance capabilities of the sector, the challenges to implementing better governance practices, and ways forward for the sector. The focus groups were attended by twenty (20) participants in Dubai, seven (7) in Kuwait and twelve (12) in Saudi Arabia.

SURVEY SAMPLE

CLASSIFYING THE ECOSYSTEM

Below is a breakdown of the types of the organisations surveyed as part of this research



A
50%
Foundations that both fund and implement programmes

B
38%
Non-profit organisations that implement using grants/donations

C
12%
Entities that solely provide grants to non-profit organisations

ANALYSIS

Once the survey closed, the data was collated, the key findings were identified, and results were corroborated with outputs from the focus group discussions. In addition, extensive desktop research was conducted focusing on governance in regional and international organisations. The analysis shared in the report is intended to have practical value to all the actors and stakeholders in the philanthropic and non-profit ecosystem.

Note that on graphs throughout the report where numbers do not add up to 100%, the data is reported based on the frequency of responses, not by the number of respondents.

REPRESENTATION

The survey respondents represented foundations, corporations, family offices and non-profit organisations across Bahrain, Kuwait, Oman, Saudi Arabia, and the UAE with headquarters in the region or abroad. Non-profit organisations accounted for 38% of the respondents, 28% corporate offices, 12% family foundations, 6% royal foundations, 4% private foundations, 4% government/public foundations and 2% family offices. Geographically, 6% of the entities surveyed were based in Bahrain, 12% in Kuwait, 2% in Oman, 16% in Saudi Arabia, 50% in the UAE and 14% had headquarters outside the Gulf Region. The graphs opposite represent information about our sample profile from both the implementing organisations and the donor community.

RESEARCH LIMITATIONS

The research to identify governance practices and expectations in the philanthropic and non-profit ecosystem in the Gulf Region resulted in sector insights and trends, yet certain limitations constrained the depth of the analysis of the research including the minimal country-specific data from the survey due to the sample size and limited number of focus group meetings. Regarding demographic representation, future research should explore country-specific insights as the regulatory environments of philanthropic and non-profit organisations vary across the Gulf States. Moreover, deeper research into each of the governance practices will help inform regional best practices. Aside from the constraints presented, the research set a precedent to analyse the ecosystem's adoption of governance practices.

FOUNDATIONS, CORPORATIONS AND FAMILY FIRMS CONTRIBUTING FUNDS TO IMPLEMENTING ORGANISATIONS

The survey covered thirty-one (31) corporations, foundations and family firms, all of which represent institutional donors in the Gulf Region. The majority of the respondents represented corporations and family offices. 71% of these entities provide grants to implementing organisations and also implement their own philanthropic programmes and activities. 19% only provide grants to implementing organisations and 10% implement their own philanthropic programmes and activities.

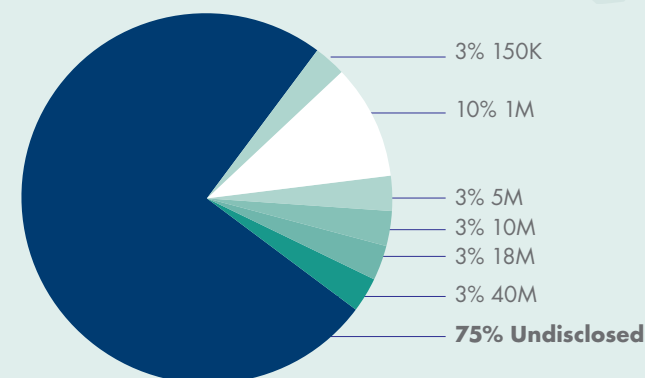
The charts below represent the demographics of those entities as captured by the survey.

83%

of donors have formally established a board or committee to help drive strategy and direction for their donations or CSR programmes.

ANNUAL GIVING

The overall annual giving of the donor community.

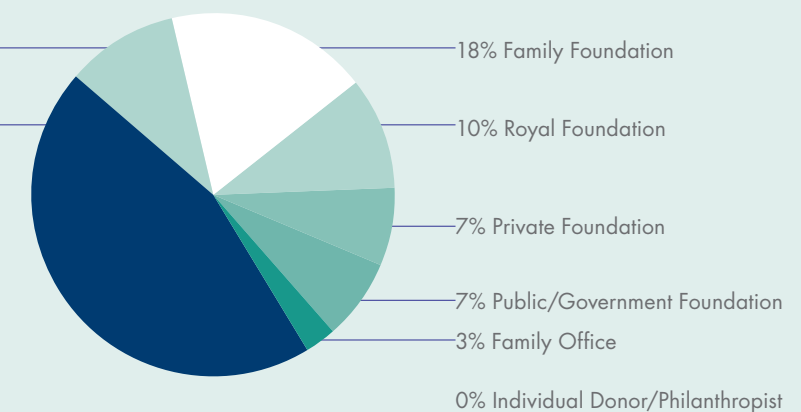


all figures in USD

CLASSIFYING THE DONOR COMMUNITY

10% Corporate Foundation

45% Corporate Office



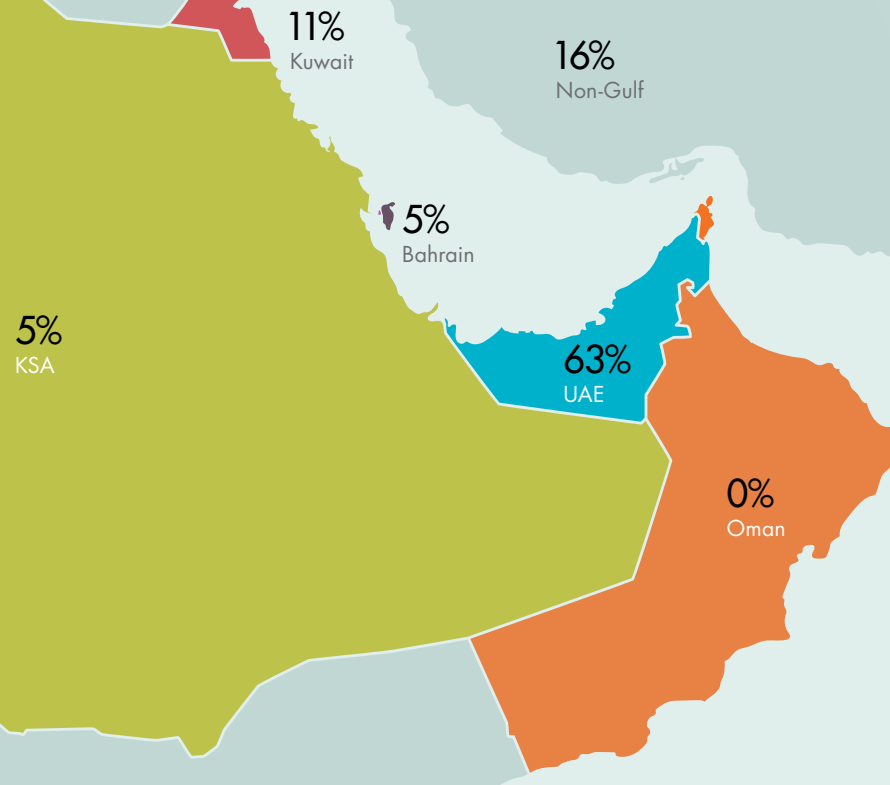
DONOR COMMUNITY

Illustration shows geographic distribution of the donor community



**IMPLEMENTING
ORGANISATIONS**

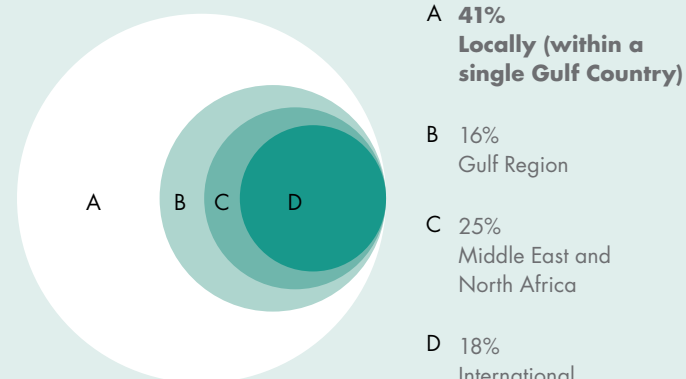
Illustration shows geographic distribution of the implementing organisations.

**PHILANTHROPIC
AND NON-PROFIT
ORGANISATIONS**

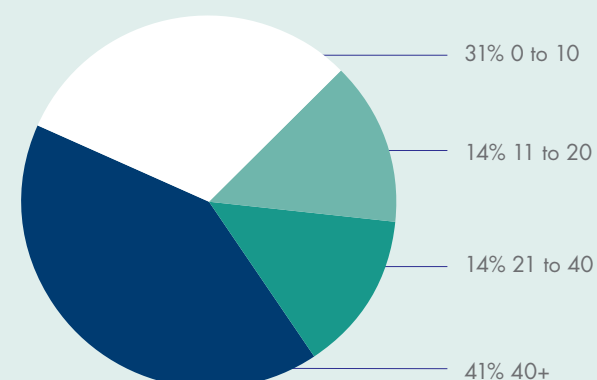
The philanthropic and non-profit organisations targeted in the survey represent the entities implementing philanthropic activities and programmes in the ecosystem. 57% are organisations that both fund and implement their own programmes and 43% are non-profit organisations that implement philanthropic programmes and activities. Registered charities were excluded from this research.

AREA OF OPERATION

Implementing organisations' primary geographic area of operation

**FULL-TIME EMPLOYEES**

Number of full-time employees working in the organisation

**UNDERSTANDING
THE ECOSYSTEM**

Currently, philanthropy in the Gulf Region is in transition from the traditional understanding of the term to a more strategic understanding driven by the desire to generate long-lasting impact. Caught between two generations, philanthropy is correlated with charitable giving, which in this region is often kept private and confidential. However, corporations and family businesses are increasingly institutionalising their giving through their corporate social responsibility divisions or by setting up private foundations. This rise of foundations in the region is challenging the traditional understanding of philanthropy, not to mention the millennials who commonly look for business models to solve social problems.

The regulatory environment in the philanthropic and non-profit ecosystem across the Gulf countries varies from state to state. To ensure some level of flexibility, non-profit organisations are sometimes registered as private companies or not-for-profit companies. Other older organisations are registered as charities. These variances in registration make it difficult to capture the real number of philanthropic and non-profit organisations in the Gulf Region and make it difficult to regulate the sector.⁴

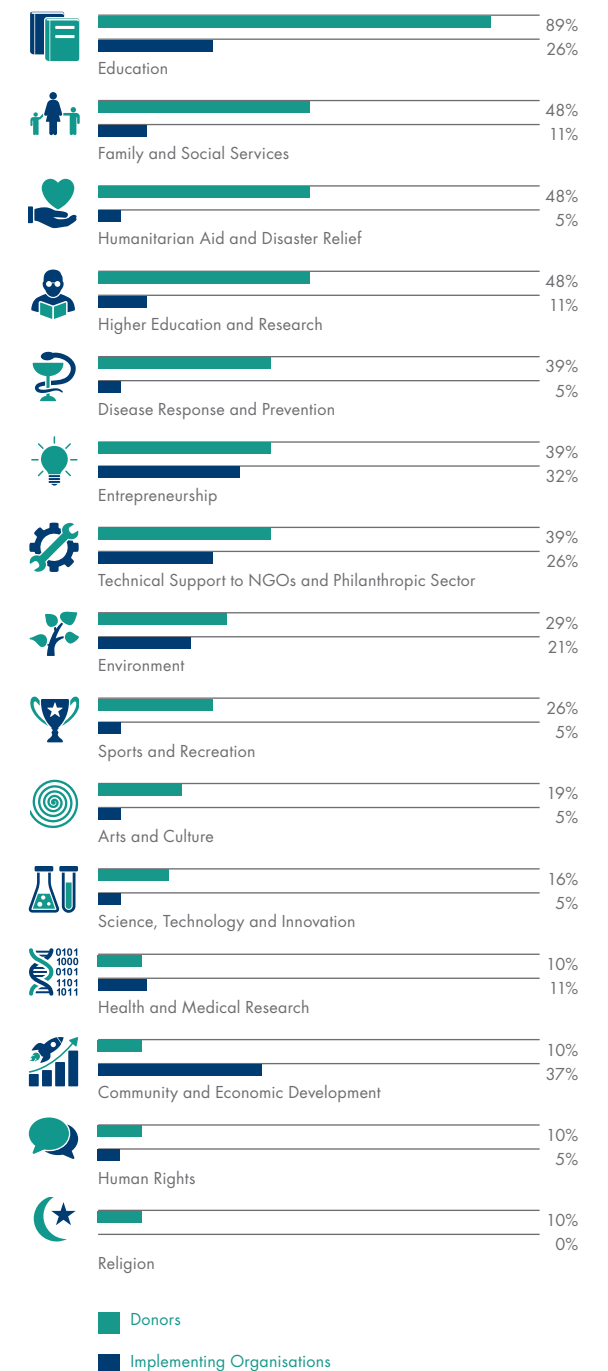
Another defining characteristic of the ecosystem in the Gulf Region is that the majority of foundations not only provide grants, but also implement their own philanthropic activities and programmes. The vast majority of the foundations surveyed in this research are in the business of both grant-making and implementing programmes.

AREAS OF ACTIVITY

The majority of the foundations and corporations are looking to provide funding towards education and family/social services efforts. This is in line with the Giving in Numbers Report, which shows that the top areas that the world's largest companies donate to are Health & Social Services, Community & Economic Development and Education (K-12).⁵ On the other hand, the majority of the region's philanthropic and non-profit organisations focus their efforts in community/economic development and entrepreneurial initiatives.

AREAS OF ACTIVITY

Topic areas covered by the philanthropic and non-profit ecosystem.



FUNDING PHILANTHROPIC PROGRAMMES AND ACTIVITIES

The prevalent source of funding for the surveyed philanthropic and non-profit organisations is through corporate donations with almost half reporting that their primary source of funding comes from corporations. Only 9% of the surveyed organisations claimed that their main source of funding came from government entities. Another source of funding cited in the survey included international grants and donations as well as individual donors.

Much of the contributions made to philanthropic and non-profit organisations were in the form of strategic grant-making which accounted for a little under 70% of the contributions made. Unlike responsive or ad-hoc grant-making, strategic grant-making is a more focused way of giving driven by the desire to solve the root cause of the problem rather than providing “quick fixes”.⁶ Cash donations were on the lower end of the spectrum with less than 30% of funding being granted in this form.

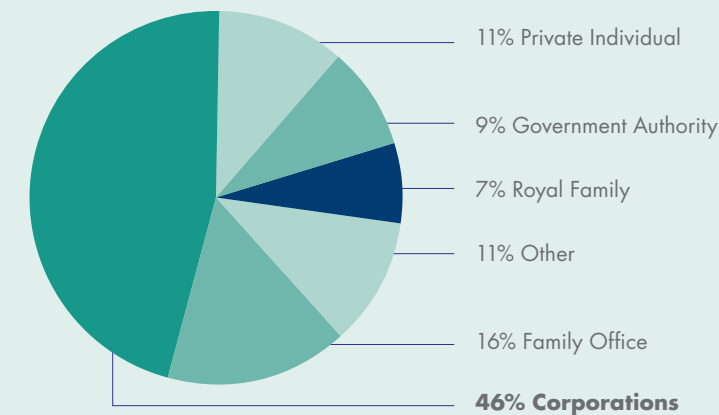
Furthermore, the results of our survey indicate a clear preference within the community of foundations and corporations to provide funding to local non-profit and philanthropic organisations (i.e. those that operate within the same country) with almost three quarters of funding being granted locally.

As corroborated in the focus group discussions and meetings with philanthropic foundations in the Gulf Region, foundations often fund and implement their own programmes as opposed to solely relying on grant-making to non-profit organisations to execute programmes. This is because grant-making organisations often lack trust in the capacity of non-profit organisations to deliver programmes and activities as planned. King Khalid Foundation, based in Saudi Arabia, found itself in need of changing its strategy from a grant-making foundation to one that is providing non-financial support to non-profit organisations to help them strengthen their operational capacity.⁷



PRIMARY SOURCE OF FUNDING

The primary source of funding for implementing organisations



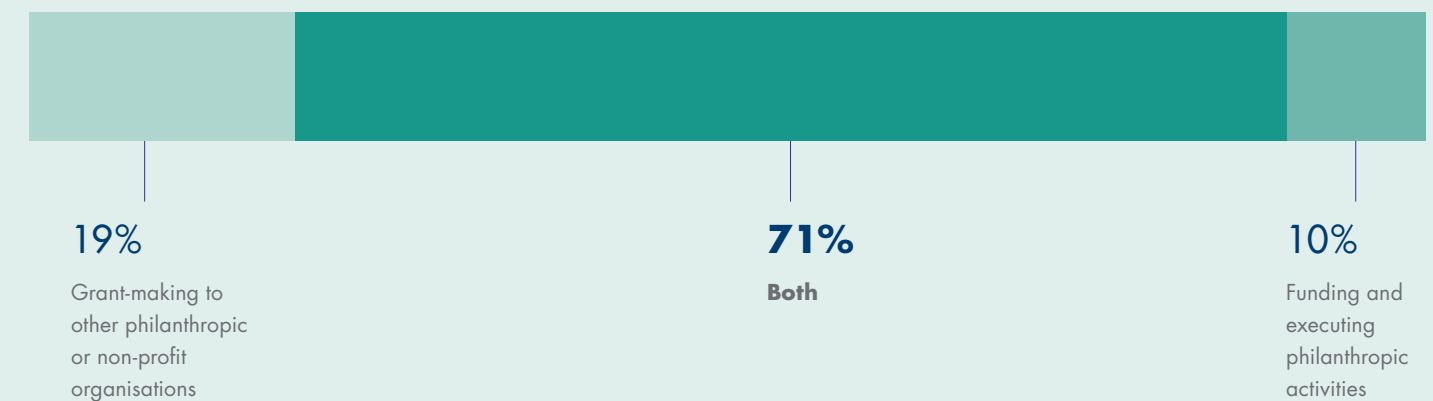
MAIN RECIPIENTS

Who are the main recipients of your organisation's contributions?



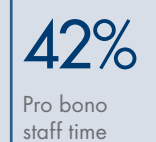
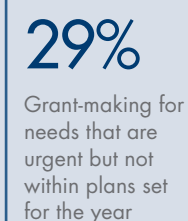
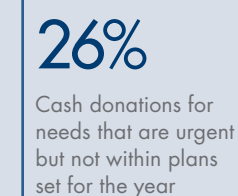
PHILANTHROPIC ACTIVITY?

What is the nature of your organisation's philanthropic activity?



TRENDS IN INSTITUTIONAL GIVING

The nature of the donor community's giving



05 THE CURRENT GOVERNANCE PRACTICES IN THE PHILANTHROPIC AND NON-PROFIT ECOSYSTEM



DEFINING
CONTROLS,
PROCEDURES
AND PROCESSES



PLANNING
FOR SUCCESSION
AND RESILIENCE



PROMOTING
INTERNAL AND
EXTERNAL
TRANSPARENCY



MAXIMISING
ORGANISATIONAL
IMPACT



DERIVING
VALUE FROM
A BOARD



DELEGATING
AUTHORITY AND
EMPOWERING
TEAMS



ENHANCING
EFFICIENCY BY
LEVERAGING
AUDITS



EMPLOYEE
CODE OF CONDUCT



LEVERAGING
STAKEHOLDER
FEEDBACK



ENCOURAGING
EMPLOYEE
PERFORMANCE



PROACTIVELY
MANAGING
RISKS



EXPANDING
REACH THROUGH
COLLECTIVE ACTION



DERIVING VALUE FROM A BOARD

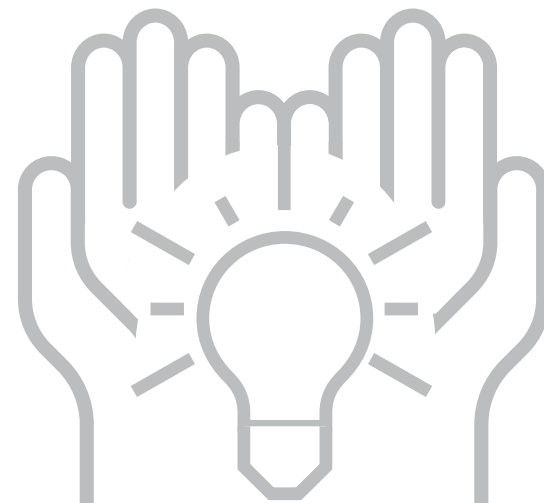
A board is a recognised group of people, appointed or elected to provide strategic support and direction to decision makers within an organisation. A strong board will leverage its members' strengths to create a space for creative and innovative ideas, create networking

connections, address organisational challenges, and ultimately act as a sounding board that can provide constructive criticism and an objective point of view on key aspects and initiatives of the organisation.

KEY FINDINGS

The following are some key findings from our analysis of this capability area:

- 80% of philanthropic and non-profit organisations have established a formal board within their organisation with most (over 90%) having defined the board's role in a formal board mandate document.
- Boards that have been established within philanthropic and non-profit organisations meet frequently, with 90% indicating that the board convenes at least quarterly; none of the organisations that took part in the survey said their board meets less than once a year.
- Half of the organisations with a board in place have also established multiple subcommittees to help support the organisation, with Executive and Audit Committees being the most common.
- The majority of the organisations that responded to the survey indicated that their boards are usually more involved in strategic and annual planning activities; organisational diversity on the other hand was very low on the list of priorities of a board, with less than 30% of respondents indicating that this is something their board influences.
- Our analysis does not show any correlation between the size of the implementing organisations and the size of their board.



Givers' Perspective:

When deciding whether to provide funding to an organisation, how important is it to the donor that the organisation has a board?

42% VERY IMPORTANT

42% SOMEWHAT IMPORTANT

16% NOT IMPORTANT

80%

of implementing organisations have established a board to help drive strategy and direction.

✓ OF THOSE WHO HAVE A BOARD...

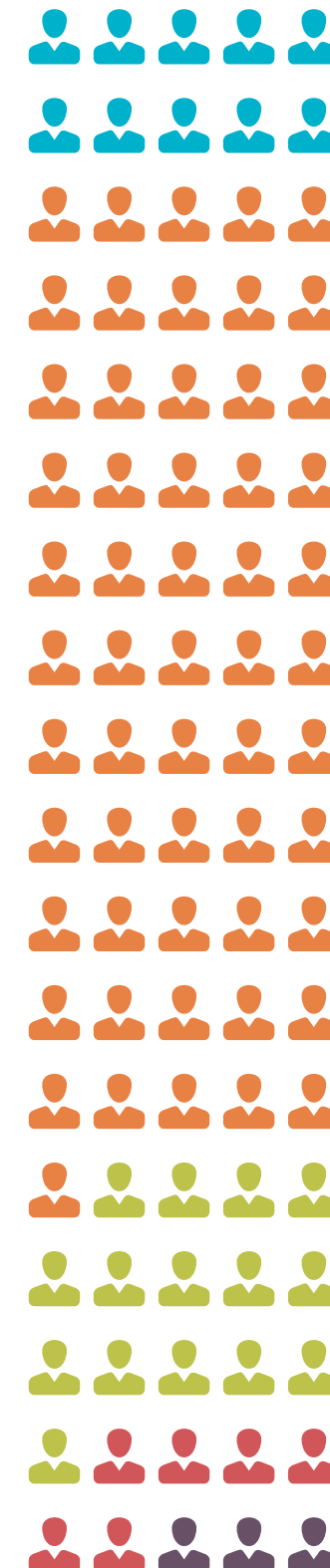
91% have a formally established board mandate to help drive strategy and direction

51% have established subcommittees within their organisations

✗ OF THOSE WHO DON'T HAVE A BOARD...

11% plan to establish one over the next 12 months

56% established an advisory committee (i.e. one without any specific decision-making authority) within the organisation



HOW MANY PEOPLE ARE ON YOUR BOARD?

20% have 1-5 individuals on their board

42% of those have one non-executive/independent individual on their board

56% have 6-10 individuals on their board

39% of those have 4-7 non-executive/independent individuals on their board

15% have 11-20 individuals on their board

60% of those have 1-5 non-executive/independent individuals on their board

6% have 21-30 individuals on their board

50% of those have fewer than 5 non-executive/independent individuals on their board

3% have more than 30 individuals on their board

100% of those have more than 30 non-executive/independent individuals on their board

SUBCOMMITTEES ACROSS BOARDS IN IMPLEMENTING ORGANISATIONS

Business Development Committee

Strategic Committee

Executive Committee

Review and Internal Review Committee

Programmatic Subcommittee

Advisory Board

Audit Committee

Financial Committee

Investment Committee

Project Control Group

Steering Committee

Employment Committee

In-country Value Committee

CSR Committee

Scholarship Committee

Audit and Risk Management Committee

Nominations and Remuneration Committee

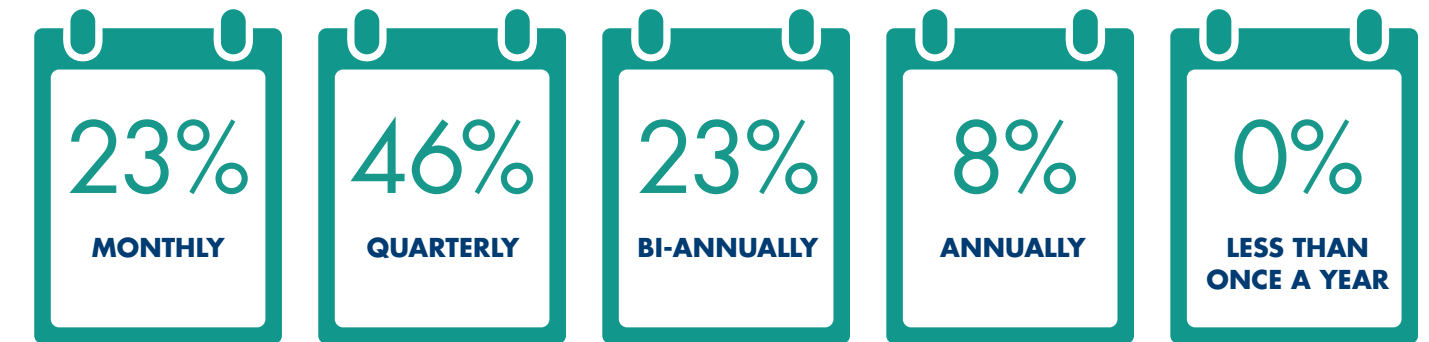
Compliance and Ethics Committee

Sustainable Business Committee

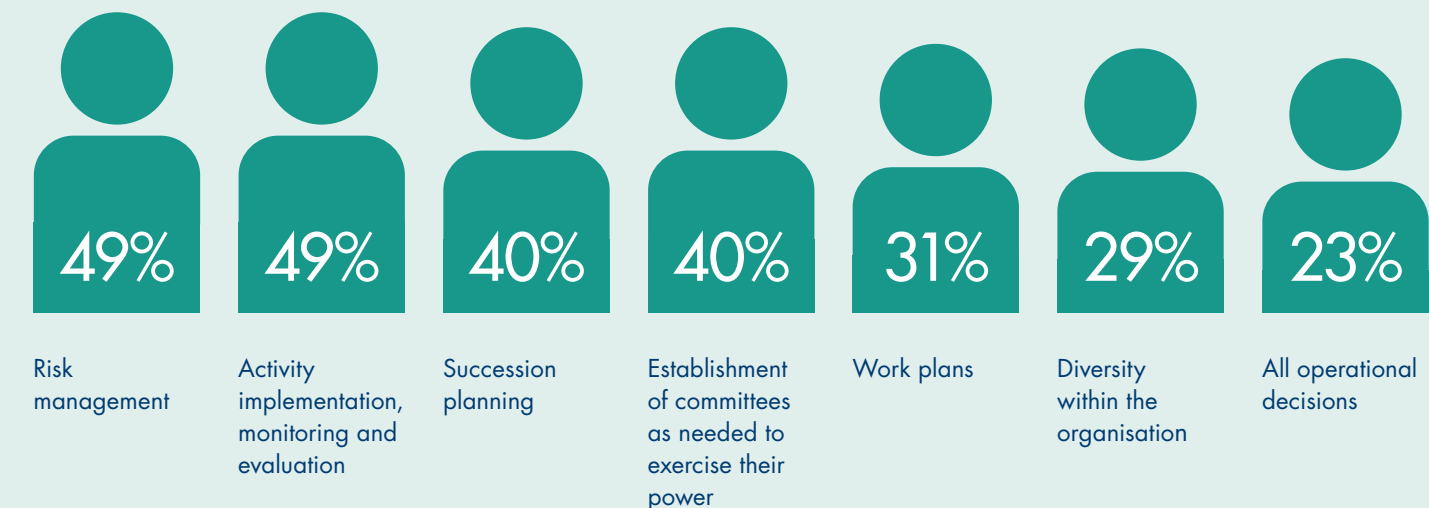
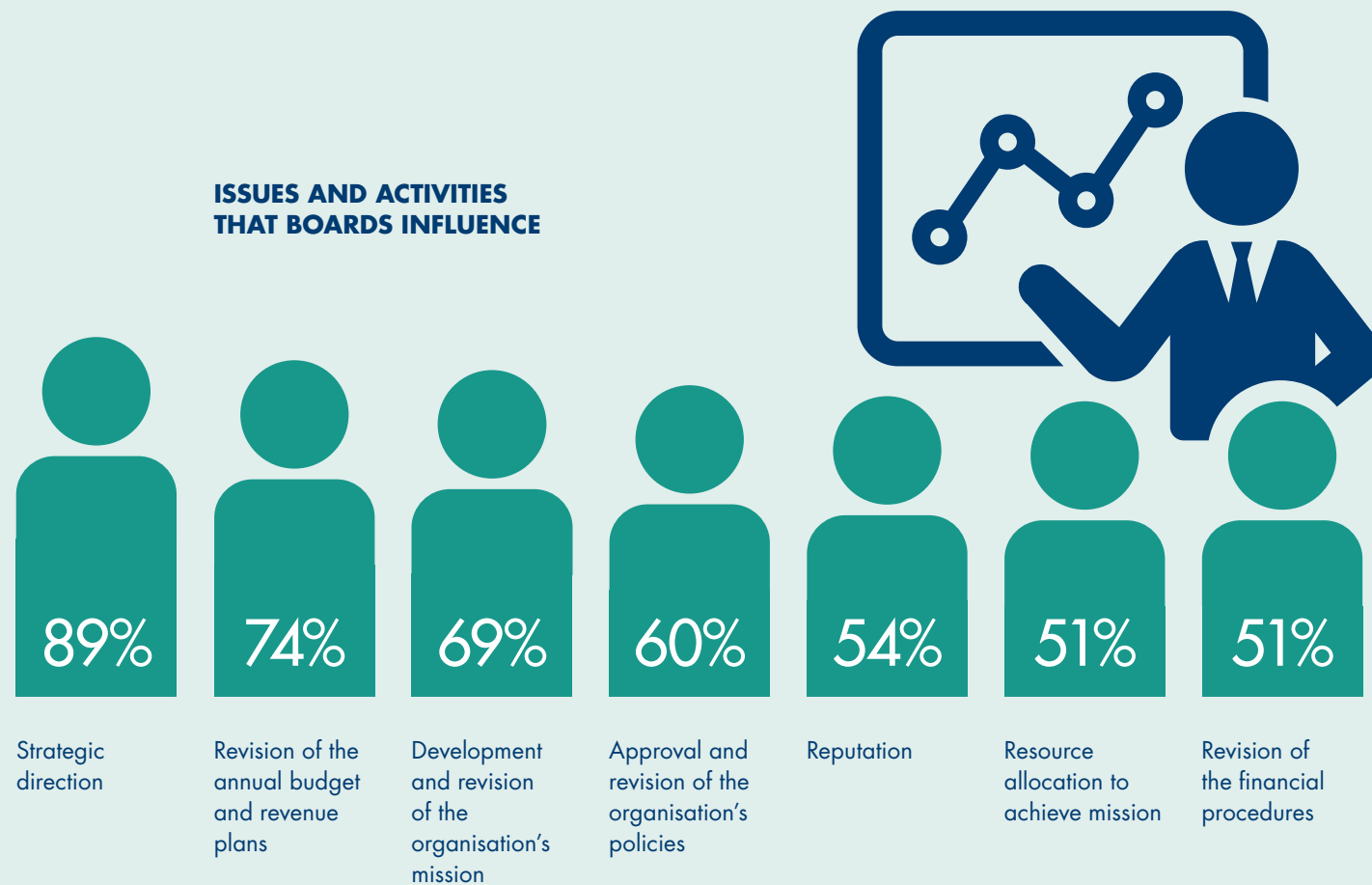
Governance Committee

Steering Committee, in place of a
Managing Director

HOW OFTEN DOES YOUR BOARD MEET?



ISSUES AND ACTIVITIES THAT BOARDS INFLUENCE





DELEGATING AUTHORITY AND EMPOWERING TEAMS

A Delegation of Authority (DOA) is a formalised and unanimous set of guidelines that defines the allocation of decision-making authority within an organisation. It introduces efficiency and effectiveness by ensuring the right individuals are empowered to make the right decisions at the right

time within their area of specialisation. Furthermore, a DOA also defines parameters for when individuals can independently take decisions, and when they need to consult with senior leadership, organisational committees, and/or the board.

KEY FINDINGS

The following are some key findings from our analysis of this capability area:

- Almost two thirds of philanthropic and non-profit organisations who took part in the survey suggested they have a formal DOA in place that considered both financial and non-financial decisions. In fact, none of the respondents specified that their DOA provides guidance exclusively on a financial decision.
- More than half of the respondents who had a DOA in place indicated that they disclose information pertaining to their delegation structure to external stakeholders and potential funders.
- From the organisations who do not have a DOA in place, the trend for how decisions are made within their organisation is distributed almost equally between decisions being made by group consensus and decisions being made by specific individuals at the top.
- However, only a quarter of the donors suggested that it was very important for an implementing organisation to have a DOA in place when considering funding the organisation.



Givers' Perspective:

When deciding whether to provide funding to an organisation, how important is it to the donor that the organisation has a DOA in place?

26% VERY IMPORTANT

42% SOMEWHAT IMPORTANT

32% NOT IMPORTANT

66%

have formally established a DOA with their organisations to help guide the decision-making process.

✓ OF THOSE WHO HAVE A DOA...

83% have a DOA in place for both financial and non-financial decisions

17% have a DOA in place for financial decisions only

0% have a DOA in place for non-financial decisions only

62% have their DOA independently audited.

55% disclose information about the DOA to external stakeholders and potential contributors

✗ OF THOSE WHO DON'T HAVE A DOA...

20% plan to establish a DOA over the next 12 months

HOW ARE DECISIONS MADE WITHIN THE ORGANISATION?

67% group consensus and meetings

60% by specific individuals at the top

27% undocumented internal understanding

GOVERNANCE IN PRACTICE

EFFECTIVE DECISION MAKING

BonVenture

Boards of foundations and non-profit organisations are the stewards of their organisation's mission and resources. They provide strategic input and guidance on the organisation's strategic direction and ensure that they have the required tools to advance their mission. As key internal stakeholders, managers of foundations and non-profit organisations inform the decisions that are ultimately made by the board.

Philanthropic and non-profit organisations often rely on their boards for knowledge and expertise. For example, when making investment decisions BonVenture, a German venture philanthropy organisation, previously relied on its management team to review the viability of the investment and share it with their board who made the final investment decision. With time, the management team realised that they needed more expert opinion on investments and hence established an investment committee consisting of board members and subject area experts who would be able to make a more informed investment decision.⁸

⁸ Boirdi, P. and Hehenberger, L., (2014), "Learning from Failures in Venture Philanthropy and Social Investment". EVPA. https://www.social-enterprise-finance.eu/sites/default/files/Learning-from-failures_EVPA_2015_0.pdf



LEVERAGING STAKEHOLDER FEEDBACK

Stakeholder feedback is information that an organisation receives from internal and external stakeholders to inform internal decision-making and to make improvements to workflows and goals. Gathering and leveraging stakeholder feedback can be helpful in terms of improving an organisation's overall operations and services. Furthermore, organisations that actively seek feedback are also viewed as credible and transparent.

Stakeholders amongst the philanthropic and non-profit ecosystem are many. On the one hand, the implementing organisations' main stakeholders include their beneficiaries and donors. As for the donor community, their main stakeholders are their beneficiaries. Capturing feedback from all these communities enables all efforts to be in sync and aligned, and that the effectiveness of giving is enhanced.

KEY FINDINGS

The following are some key findings from our analysis of this capability area:

- 84% of respondents who represent implementing organisations suggest that they capture stakeholder feedback; with an additional 10% expecting to start doing so within the next 12 months.
- When it comes to formally capturing and documenting requirements however, philanthropic and non-profit organisations tend to focus such efforts more on internal stakeholders rather than external. Only 11% of implementing organisations document expectations from donors and fewer than 50% of them document expectations from beneficiaries.
- Gathering stakeholder feedback is also a prominent activity for foundations and corporations and family firms who provide funding with a little under 90% indicating that they actively seek information from communities prior to making a philanthropic investment. However, almost 75% of this is done through evaluations of third-party reports.
- The most frequent means by which philanthropic and non-profit organisations communicate with their donors and beneficiaries are in the form of direct meetings between the organisation and the donor/beneficiary.



Givers' Perspective:

When deciding whether to provide funding to an organisation, how important is it to the donor that the organisation engages in stakeholder management?

26% VERY IMPORTANT

64% SOMEWHAT IMPORTANT

10% NOT IMPORTANT

84%

of implementing organisations capture stakeholder feedback and expectations.

✓ OF THOSE WHO CAPTURE STAKEHOLDER FEEDBACK...

86% document expectations from internal stakeholders

57% document expectations from the public

49% document expectations from beneficiaries

11% document expectations from donors

✗ OF THOSE WHO DON'T CAPTURE STAKEHOLDER FEEDBACK...

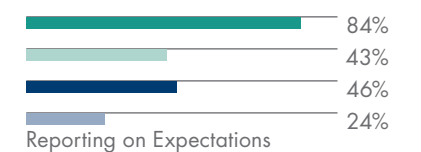
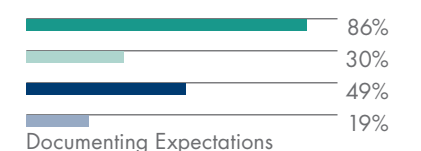
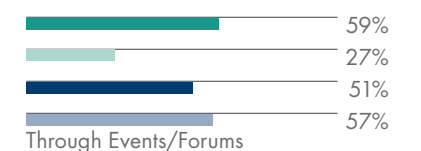
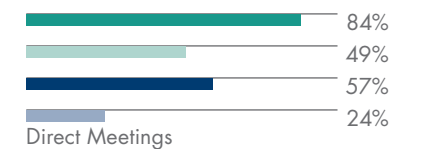
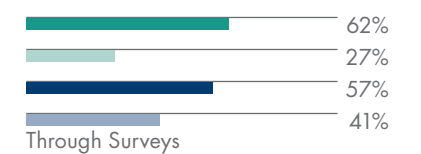
57% plan to capture stakeholder feedback over the next 12 months

DONOR COMMUNITY

87%

of the donor community collect data about the needs of the communities they plan to give to, prior to making their contributions or philanthropic investments.

THE FOLLOWING STAKEHOLDER CATEGORIES' FEEDBACK IS CAPTURED BY IMPLEMENTING ORGANISATIONS WITH THE INDICATED MEDIUMS





ENCOURAGING STRONG EMPLOYEE PERFORMANCE

Employee performance management is a streamlined process that supports the planning, monitoring, and review of employee performance in the context of their contribution to the organisation. This capability can help contextualise, document,

align employee goals with the organisation's goals, manage risks, and define timelines. Ultimately, it can help differentiate between individuals who are performing effectively and those who require further training and support.

KEY FINDINGS

The following are some key findings from our analysis of this capability area:

- Over 80% of organisations have indicated that they have a clearly defined employee performance evaluation framework in place; however, 11% of those who have adopted such a framework do not set clearly defined KPIs but have rather adopted a qualitative approach to evaluate their teams' performance.
- About one third of the organisations who do not engage in employee performance management already have plans to establish a framework for this within the next 12 months.
- 97% of the organisations who took part in the survey suggested that they have clearly defined and documented job descriptions in place for their staff and about 80% of the respondents indicated that they have established a formal organisational chart for their organisation.
- A little over 40% of donors place no importance on an organisation's employee performance management capability when assessing a funding opportunity.



Givers' Perspective:

When deciding whether to provide funding to an organisation, how important is it to the donor that the organisation has an employee performance management system in place?

23% VERY IMPORTANT

35% SOMEWHAT IMPORTANT

42% NOT IMPORTANT

GOVERNANCE IN PRACTICE

EMPLOYEE PERFORMANCE MANAGEMENT

Dr. Natasha Matic
Chief Strategy Officer, King Khalid Foundation

A well-thought-out employee performance management system begins with a clear definition of the overall organisational strategy. At King Khalid Foundation, this process of comprehensive strategy review is done every three years through a participatory approach where all staff members are given the space to discuss and input on the foundation's strategy, vision, mission, values, objectives, and KPIs. The strategy is reviewed annually to ensure internal and external alignment with the set goals.

On a programme level, action plans, log frames, and monitoring and evaluation plans are set together with all supporting services required based on the overall strategy and direction of the foundation. For staff, the overall strategy translates into employee performance plans with KPIs tied to specific activities and programmes, which are also linked to the overarching organisational mission and vision. These plans are agreed and signed off by the supervisor, staff member and human resources.

Like the annual review of the strategy, supervisors and managers are required to discuss their employees' performance at mid-year and provide constructive feedback, which can be addressed during the remainder of the year. Staff are rated and given written feedback by the end of the year and they are given the opportunity to respond to their performance review. Moreover, professional development opportunities, promotions, salary raises, and bonuses are discussed and determined at that time.

This comprehensive approach to employee performance management ensures that all processes and activities within the foundation feed into its strategy, vision, mission and goals. By linking individual employee KPIs to the overall organisational KPIs, the foundation and its employees become accountable to the same values. Ultimately, adopting such a solid Employee Performance Management system reduces costs and most importantly increases organisational impact.

82%

of implementing organisations have a clearly defined employee performance evaluation framework in place.

✓ OF THOSE WHO HAVE AN EMPLOYEE PERFORMANCE EVALUATION FRAMEWORK...

100% discuss results of performance reviews with staff

97% clearly document and communicate responsibilities and job descriptions

89% have a clearly defined and documented framework in place

83% have established and formalised organisational charts and share them with their staff

78% set KPIs for all staff and periodically evaluate achievements

22% adopt a more qualitative approach and evaluate performance

✗ OF THOSE WHO DON'T HAVE AN EMPLOYEE PERFORMANCE EVALUATION FRAMEWORK...

38% plan to establish one over the next 12 months

50% have clearly documented and communicated responsibilities and job descriptions

50% have formalised an organisational chart and shared it with staff members



DEFINING CONTROLS, PROCEDURES AND PROCESSES

Internal controls, procedures and processes provide guidance and direction on approved methods by which the various activities and tasks within an organisation are to be performed. When developed properly, internal controls, procedures and processes provide employees with

guidance on the most effective ways to perform their tasks, facilitate compliance to contractual and regulatory requirements, eliminate ambiguity around accountability, and encourage positive work outcomes while managing risks.

KEY FINDINGS

The following are some key findings from our analysis of this capability area:

- 91% of the respondents who represent philanthropic and non-profit organisations cited that they already have formal controls, procedures and processes in place; and another 7%, have plans to introduce this over the next 12 months.
- However, from those that have this in place, when asked if their controls, procedures and processes were formally documented, about 15% indicated that they have not done so which raises the question about whether the benefits of control, procedure and process documentation is understood given it has not been prioritised.
- Accounting practices, financial disclosure and human resources practices were amongst the top three focus areas for philanthropic and/or non-profit organisations, where controls, procedures and processes have been developed. Organisations that have not yet developed internal controls, procedures and processes prioritise developing controls for accounting and fundraising practices.
- Only 65% of the organisations have put controls, procedures and processes in place to provide guidance on the delivery of their programmes.
- 90% of donors consider documented policies, procedures and processes being in place to be an important factor when assessing a funding opportunity.
- The expectation of the donor community is that the organisations which they provide funding to should have internal controls, processes and procedures in place.



Givers' Perspective:

When deciding whether to provide funding to an organisation, how important is it to the donor that the organisation has internal controls, procedures and processes?

52% VERY IMPORTANT

39% SOMEWHAT IMPORTANT

10% NOT IMPORTANT

91%

of implementing organisations have developed internal controls, procedures and processes.

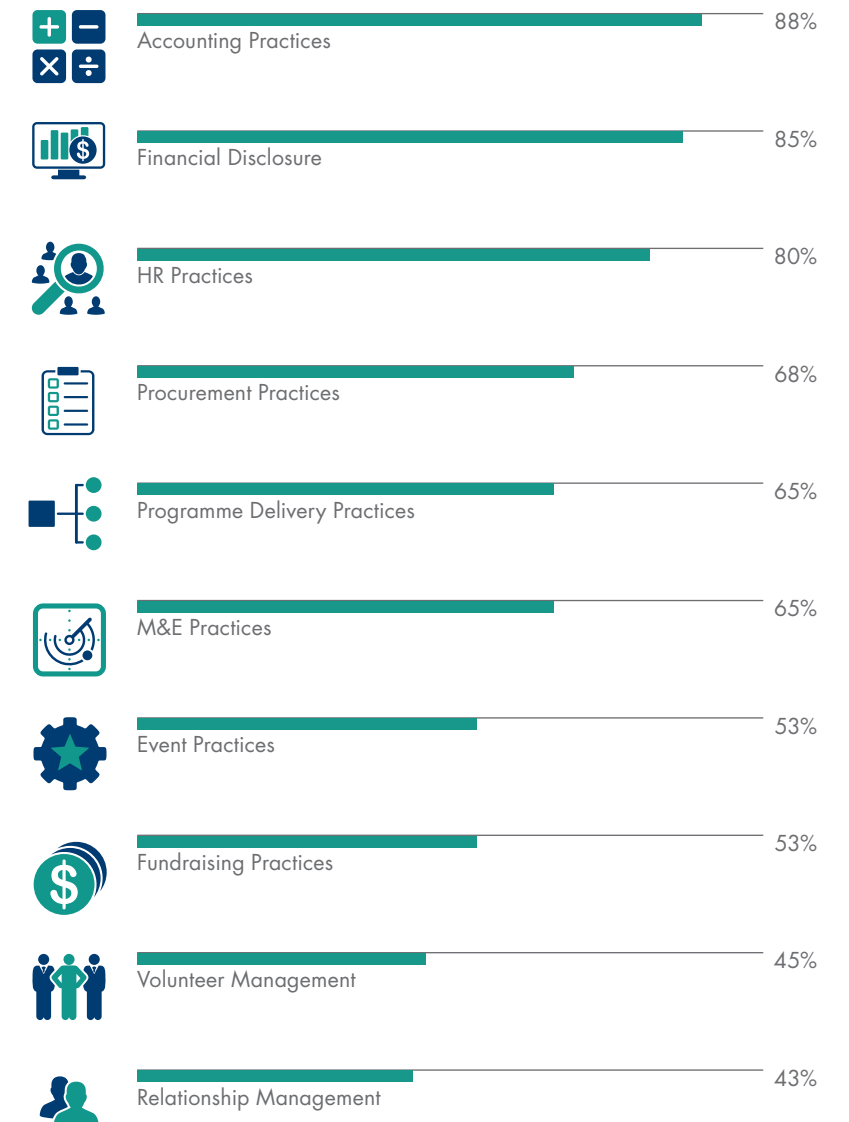
✓ OF THOSE WHO HAVE INTERNAL CONTROLS, PROCEDURES AND PROCESSES...

85% have formally documented internal controls, procedures and processes

✗ OF THOSE WHO DO NOT HAVE INTERNAL CONTROLS, PROCEDURES AND PROCESSES...

75% plan to establish internal controls, procedures and processes over the next 12 months

IMPLEMENTING ORGANISATIONS HAVE INTERNAL CONTROLS, PROCESSES AND PROCEDURES IN PLACE FOR...





PLANNING FOR SUCCESSION AND RESILIENCE

Succession Planning is a process by which transitions of power and positions are planned for to ensure that issues associated with dependency on specific individuals do not critically impact the organisation in the event there is a permanent

and/or temporary transition of power. Succession planning helps mitigate risks and interruption to day-to-day operations if and when such a transition occurs within the organisation.

KEY FINDINGS

The following are some key findings from our analysis of this capability area:

- A little under 50% of donors suggested that the existence of succession plans was not important to their funding decision.
- Despite the lack of prioritisation towards the existence of succession plans, 90% of donors indicated that the individual who leads the organisation or programme was a very important factor when considering a funding opportunity.
- About half the respondents who represent implementing organisations suggested that their organisation has established succession plans. However, one third indicated that plans were in place to establish succession plans over the next 12 months.
- Succession planning is being prioritised in implementing organisations predominantly for senior management and management positions.
- As one of the focus group participants said, "Quite often the person heading the organisation becomes the organisation." This is a very common trend across implementing organisations where most of the connections and contacts sit with the Executive Director. Hence, when the leadership is in transition, many of the relationships and institutional knowledge are lost.



Givers' Perspective:

When deciding whether to provide funding to an organisation, how important is it to the donor that the organisation has succession planning?

23% VERY IMPORTANT

29% SOMEWHAT IMPORTANT

48% NOT IMPORTANT

GOVERNANCE IN PRACTICE

THE CHALLENGES OF EMPLOYEE RETENTION

Habiba Al Mar'ashi
President and CEO, Arabia CSR Network

One of the challenges that the third sector faces is the retention of talent. With limited resources that the non-government organisations possess, building the capacity and training talent – especially fresh graduates to reach their potential and serve the organisation – is considered an overhead cost. While non-governmental organisations (NGOs) are excellent platforms for gaining diverse knowledge and hands-on experience, often and especially in cases where employees face the dilemma of working in a challenging yet stimulating environment of a NGO or entering the corporate world, a lot of time and resources are lost leading to a high turnover rate in the organisation. This is an agency problem where, in this scenario, employees' goals are not aligned with those of the organisation and proper processes need to be put in place to eradicate this.

In order to overcome this challenge, a thorough due diligence process has to be put in place to employ individuals who already possess the skills required to run the operations to amplify the productivity rate and reduce the resources allocated in training and development. Non-monetary incentives for full-time staff, offering internships and volunteering opportunities for probationary purposes, and lastly deploying contract employment instead of full-time employment are all methods that can be considered when overcoming the issue of employee retention in this sector. It is worthy to mention that these are generally some of the solutions to consider; however, the human resource challenge will always remain effective on different scales.

55%

of implementing organisations have succession plans in place.

✓ OF THOSE WHO HAVE A SUCCESSION PLANS...

75% of succession plans are formally documented and clearly defined

92% have succession plans for Senior Management

75% have succession plans for Management

21% have succession plans for Junior Staff

✗ OF THOSE WHO DON'T HAVE A SUCCESSION PLANS...

35% plan to establish succession plans over the next 12 months

DONOR COMMUNITY

61%

consider having a director in the organisation to be very important

29%

consider having a director in the organisation to be of some importance

10%

consider the organisation's director to be irrelevant



PROMOTING INTERNAL AND EXTERNAL TRANSPARENCY

Transparency describes the extent to which an organisation's actions are observable to the internal and external stakeholders and is facilitated through clear and accurate disclosure of information. Transparency creates a culture of accountability that

helps employees take charge of their work and give management the information needed to steer the organisation. It also builds stakeholder confidence in an organisation and boosts its public profile.

KEY FINDINGS

The following are some key findings from our analysis of this capability area:

- Transparency was (along with impact measurement) one of the two most crucial factors that donors look for; with about 95% suggesting that the organisation's transparency was important to their funding decision.
- Over 85% of respondents who represent philanthropic or non-profit organisations suggested that they consider themselves to be a transparent organisation.
- Annual reports and the organisation's website are two of the most common ways through which philanthropic and non-profit organisations communicate specific organisational information with over 80% suggesting they use this medium.
- Implementing organisations generally do not disclose information to the donors that is not otherwise made available to the public.
- A recommendation was made through the focus group discussions for the philanthropic and non-profit community to convene and engage with government representatives. The goal of this engagement is to ensure that those involved in the ecosystem input into the development of guidelines and regulations to increase accountability and transparency in the ecosystem tailored to the Gulf Region.



Givers' Perspective:

When deciding whether to provide funding to an organisation, how important is it to the donor that the organisation is transparent?

61% VERY IMPORTANT

32% SOMEWHAT IMPORTANT

7% NOT IMPORTANT

86%

of implementing organisations believe that they are transparent.

OF THOSE WHO BELIEVE THEIR ORGANISATION IS TRANSPARENT...

84% share information through annual reports

82% share information through their website

76% share information through internal meetings

66% share information upon direct request

47% share information through newsletters

5% share information through other mediums

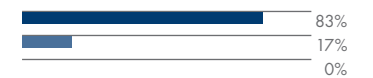
FOR THOSE WHO CONSIDER THEIR ORGANISATION TO BE TRANSPARENT...

Please indicate to which groups of individuals (internal, donors, and/or public) your organisation provides information.



FOR THOSE WHO DO NOT CONSIDER THEIR ORGANISATION TO BE TRANSPARENT...

Do you have any plans to disclose any of the following items to groups of individuals (internal, donors, and/or public)?



Board Decisions



Employee Performance Evaluation



Risk Management Activities



Audit Reports



Regulatory Compliance



Annual Reports



Donation/Funding Allocation Report



Financial Results



Impact Evaluation



Organisation's Activities and Services

Internal Donors General Public Internal Donors General Public



MAXIMISING ORGANISATIONAL IMPACT

Organisational impact management refers to the process of monitoring and evaluating how efficiently and effectively the organisation is achieving its goals and making an impact. Effective impact management will help the organisation align individual performance and funding with its own objectives, increase overall organisational effectiveness and, most importantly in the context

of philanthropic and non-profit activities, ensure that the efforts being made by the organisation are having a tangible and positive impact on the beneficiaries of their activities in the way in which it was intended. Moreover, monitoring and evaluation practices in the philanthropic and non-profit ecosystem will provide insight on social impact and change, not just dollar spent.

KEY FINDINGS

The following are some key findings from our analysis of this capability area:

- The capabilities that a philanthropic and/or non-profit organisation has with respect to how it measures the impact of its programmes and activities was (along with transparency) one of the two most important considerations of donors; almost 93% indicated that this is an important element when evaluating a funding opportunity.
- The importance of impact management is also felt by philanthropic and non-profit organisations with 91% indicating that they do in fact measure impact of their programmes; 81% of the respondents suggested they use quantitative measures and 78% use qualitative measures to evaluate their impact.
- Surveys, meetings, interviews and press exposure were amongst some of the most common methods for organisations to evaluate the impact of their activities.
- From the 83% of philanthropic and non-profit organisations that do report on their impact, 42% report on their impact annually, 30% report quarterly and 15% report on their impact monthly.
- While the statistics in the survey show positive trends in impact evaluation, our focus group discussions reveal that there is not a commonly accepted approach to evaluating the impact of philanthropic activities and programmes. Also, there is a keen interest among donors and implementing organisations to increase the knowledge and resources available to assist organisations to expand and improve their impact evaluation and to develop monitoring and evaluation best practices tailored to the Gulf Region.



Givers' Perspective:

When deciding whether to provide funding to an organisation, how important is it to the donor that the organisation has M&E practices?

58% VERY IMPORTANT

35% SOMEWHAT IMPORTANT

6% NOT IMPORTANT

DONOR COMMUNITY

91%

of implementing organisations take measures to evaluate the impact of their activities and programmes.

87%

of donors take measures to evaluate the impact of their donations or philanthropic programmes.

✓ OF THOSE WHO DO TAKE MEASURES TO EVALUATE THE IMPACT OF THEIR ACTIVITIES AND PROGRAMMES...

80% document and clearly define their impact evaluation process

93% measure and report on the impact of their organisation's activities and services

83% share impact evaluation information with stakeholders

✗ OF THOSE WHO DO NOT TAKE MEASURES TO EVALUATE THE IMPACT OF THEIR ACTIVITIES AND PROGRAMMES...

50% plan to establish impact evaluation measures over the next 12 months

✓ FOR THOSE WHO TAKE MEASURES TO EVALUATE THE IMPACT OF THEIR DONATIONS OR PHILANTHROPIC PROGRAMMES...

74% expect the organisation/foundation receiving donations to measure and report on impact

52% individually track qualitative outcomes

52% individually track quantitative outcomes

4% claim to perform none of the above

FOR IMPLEMENTING ORGANISATIONS THAT MEASURE AND REPORT ON THE IMPACT OF THEIR ACTIVITIES AND SERVICES...

81% evaluate their impact through quantitative measures

78% evaluate their impact through qualitative measures

HOW OFTEN DO ORGANISATIONS REPORT ON IMPACT AND PERFORMANCE?

42% report annually

30% report quarterly

15% report monthly

8% report less than once a year

5% report bi-annually

M&E METHODS ADOPTED BY
IMPLEMENTING ORGANISATIONS

Measure outputs against KPIs
Interviews with stakeholders
Stakeholder reaction and willingness to invest in the activity
Distance the impact would travel around the world
Quantitative participant baseline
Post-programme surveys and interviews
Qualitative metrics
Benefit to larger population
Media reports
Independent assessments
Focus groups
Evaluation forms
Pre-/Post-workshop questionnaires
Theory of change with a data plan in place, populated with metrics that can be tracked and measured each year
Separate impact from activity-based results
Log frames for each project that feed into overall tracked metrics
M&E done internally every year and externally every 3 years
Project cards
Social Return on Investment (SROI) and EFQM Excellence Model

GOVERNANCE IN PRACTICE

PUTTING THE CART
BEFORE THE HORSE

Nao Valentino
Director of Planning & Impact Evaluation
Abdulla Al Ghurair Foundation for
Education

Strategic Philanthropy – Rome was not built
in a day

Rome was not built in a day, but surely the bricks were routinely examined, and progress measured until the city plan was complete. The same principle rings true for evaluating the impact of long-term strategic philanthropy. One simply cannot leave evaluation until the last dirham is deployed or the programme runs its course. Relying solely on post-mortem evaluation eliminates any chance to capitalise upon opportunities for programme improvements that inevitably yield far richer results.

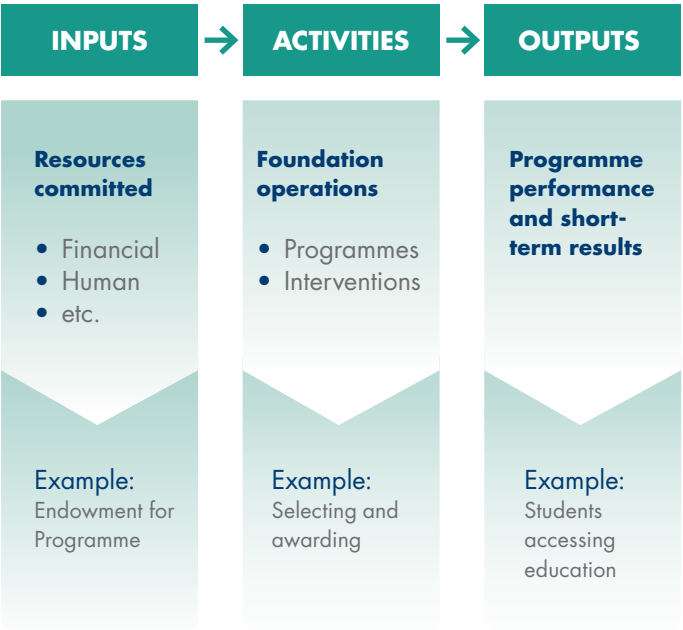
Hitching our horse behind the cart

Abdulla Al Ghurair Foundation for Education (AGFE) takes a holistic view of impact evaluation by embedding monitoring and evaluation practices into every facet of programme design and delivery. Its organisation strategy is crafted around a results framework of the six clearly defined development outcomes that it intends to pursue over its ten-year mandate. The foundation then curated its programmatic portfolio with those outcomes at the forefront.

AGFE started with the end in mind. Some consider this method akin to putting the ‘results’ cart before the proverbial ‘operational’ horse. The foundation finds that giving impact evaluation a leading role is useful for intensely concentrating upon its objectives and thus driving impact. In a world of limited resources, the results framework formulates a credible rationale for saying ‘no’ to misaligned initiatives.

THE THEORY OF CHANGE¹ REQUIRES AGFE TO
ENGAGE IN SHORT- AND LONG-TERM PLANNING,
MONITORING, AND EVALUATION OF BOTH THE
INTERNAL AND EXTERNAL ENVIRONMENTS

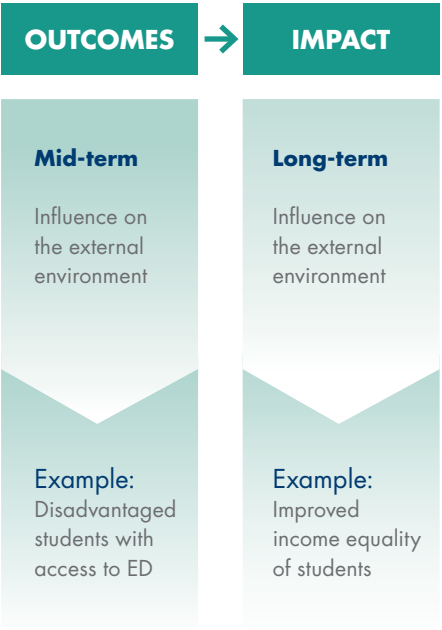
SHORT-TERM
INTERNAL PROGRAM ENVIRONMENT



Counting our chickens before they hatch

AGFE houses an internal M&E capacity that consistently mines interim information surrounding programme performance. Through its results framework, the foundation actively tracks a set of quantitative and qualitative indicators that, over time, highlight where things are going well, and where course corrections are needed. While ‘counting unhatched chickens’ and evaluating interim results is undoubtedly additional effort and expense, the foundation recoups that expenditure in orders of magnitude by improving the return on investment and learning lessons that benefit peers and partners across sectors.

MID- TO LONG-TERM
EXTERNAL ENVIRONMENT



¹ Clark, H. and Taplin, D. (2012) Theory of Change Basics: A Primer on Theory of Change. New York: Actknowledge



ENHANCING EFFICIENCY BY LEVERAGING AUDITS

Internal audits are processes that look to allow an organisation to benefit from a subjective and independent examination of its internal structures, workflows, effectiveness, and overall compliance with regulations as well as internal policies and procedures. They help identify gaps and risks that can be corrected to improve decision-making and

the delivery of the organisation's objectives. Audits by nature not only provide a snapshot of the current state of operations within the organisation but also more importantly provide independent and objective corrective actions to further enhance the delivery of an organisation's objectives on time, on budget, and in-line with quality expectations.

KEY FINDINGS

The following are some key findings from our analysis of this capability area:

- About 90% of donors suggested that it was important for them to have confidence that an organisation they provide funding to undergoes independent audit.
- 86% of the respondents representing philanthropic and non-profit organisations indicated that they are subject to periodic and independent audit activities; with an additional 7% who are planning to start undergoing audits within the next 12 months.
- Accounting practices and financial disclosures were amongst the top 2 priority areas for independent audits with over 85% saying that their audits focus on these areas.
- Fundraising and programme delivery practices however were amongst the lowest areas that undergo an independent audit with only about a third of organisations highlighting that this is an area that is subject to periodic audits within their organisation.



Givers' Perspective:

When deciding whether to provide funding to an organisation, how important is it to the donor that the organisation undergoes independent audits?

55% VERY IMPORTANT

32% SOMEWHAT IMPORTANT

13% NOT IMPORTANT

86%

of implementing organisations undergo periodic independent audits and compliance assessments.

✓ OF THOSE WHO UNDERGO INDEPENDENT AUDITS AND COMPLIANCE ASSESSMENTS...

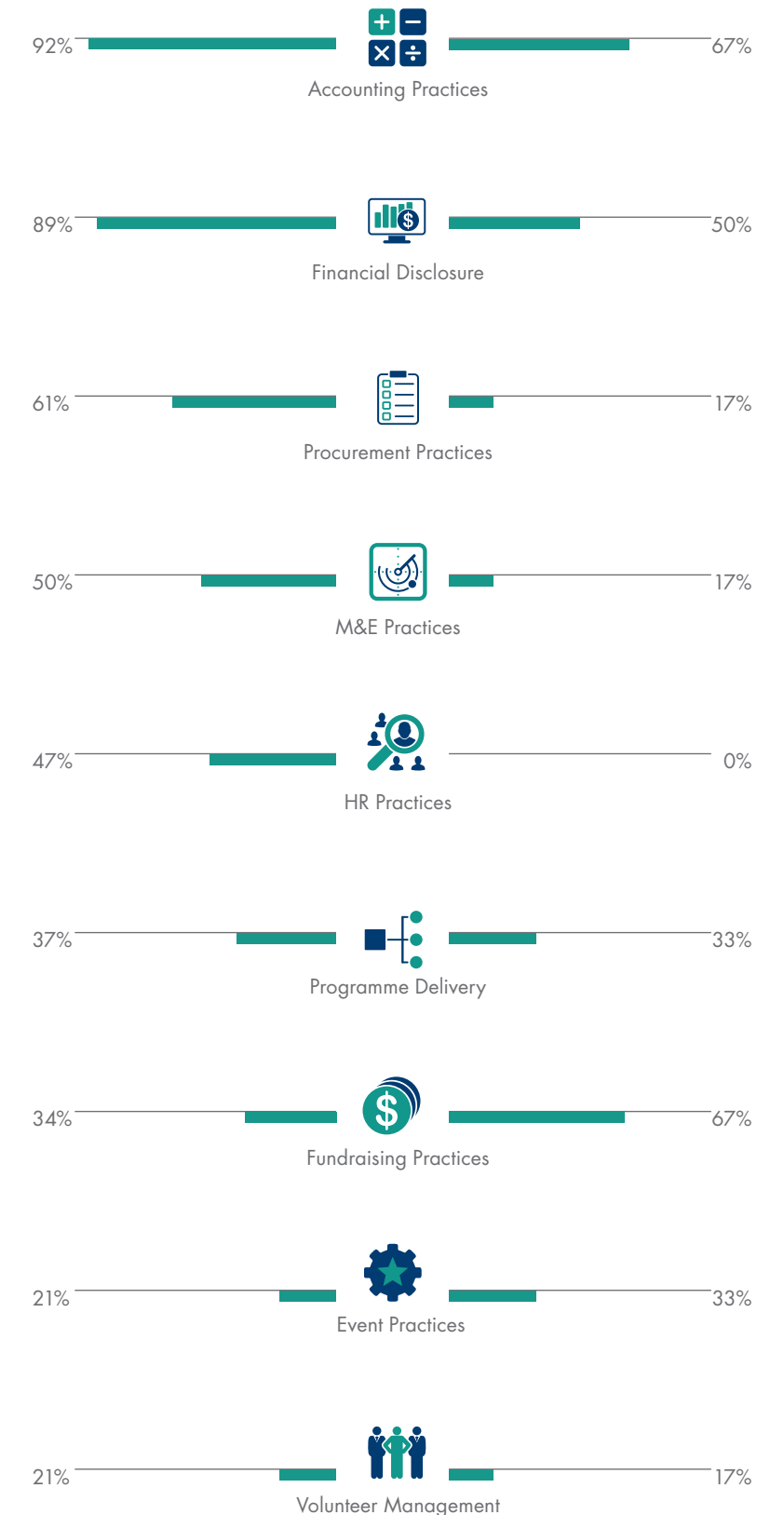
87% have a clearly defined and documented audit and compliance framework in place

✗ OF THOSE WHO DO NOT UNDERGO INDEPENDENT AUDITS AND COMPLIANCE ASSESSMENTS...

50% plan to establish independent audits and compliance assessments over the next 12 months

FOR THOSE WHO UNDERGO INDEPENDENT AUDITS AND COMPLIANCE ASSESSMENTS, AUDIT THE FOLLOWING AREAS...

FOR THOSE WHO DO NOT UNDERGO INDEPENDENT AUDITS AND COMPLIANCE ASSESSMENTS, THE FOLLOWING AREAS WOULD BE PRIORITISED TO UNDERGO AUDITS...



EMPLOYEE CODE OF CONDUCT

An Employee Code of Conduct defines the responsibilities and acceptable practices of an organisation and its employees. An Employee Code of Conduct helps outline the expected behaviours and outcomes for employees in conjunction with

the goals, direction and ethics of an organisation. It helps employees follow directives if situations are unclear and creates a tool of accountability that can be used to evaluate employee conduct whenever necessary.

KEY FINDINGS

The following are some key findings from our analysis of this capability area:

- 82% of respondents representing philanthropic and non-profit organisations indicated that their organisation has an Employee Code of Conduct already in place. However, the majority of those that don't are not planning to develop one over the next 12 months.
- About two thirds of organisations with an Employee Code of Conduct provide details of their code to external stakeholders and potential contributors.
- 78% of organisations with an Employee Code of Conduct require their staff to formally acknowledge and sign the Code; furthermore, 89% of such organisations incorporate an overview of the Code in their employee induction initiatives.



Givers' Perspective:

When deciding whether to provide funding to an organisation, how important is it to the donor that the organisation has an Employee Code of Conduct in place?

29% VERY IMPORTANT

32% SOMEWHAT IMPORTANT

39% NOT IMPORTANT

GOVERNANCE IN PRACTICE

ETHICAL CODES

The Nature Conservancy

Committing to ethical guidelines not only earns public trust but also helps attract and retain talented employees and attracts donors. By harnessing values such as honesty, integrity, transparency, confidentiality and equity in the behaviour of employees, board members and volunteers, the organisation maintains its reputation both internally and externally. Ultimately, maintaining public trust in organisations that implement philanthropic activities and programmes is essential to the success and effectiveness of the sector.

The Nature Conservancy, a global environmental non-profit organisation, was publicly criticised in 2003 for engaging in land deals that involved employees and trustees.⁷ Following this announcement, organisations worked to revamp their policies and procedures and implemented rigid ethic codes to ensure that problems like these are avoided. The Nature Conservancy also reviewed its procedures including its Conflict of Interest policy, which explicitly prohibits the sale or purchase of real estate from staff members, trustees and board members.⁸

82%

of implementing organisations have an employee Code of Conduct in place.

✓ OF THOSE WHO DO HAVE AN EMPLOYEE CODE OF CONDUCT...

78% require employees to sign/acknowledge the Code of Conduct

89% provide an overview of the Code of Conduct to employees during the employee induction

64% disclose information about the Code of Conduct to external stakeholders and potential contributors

✗ OF THOSE WHO DO NOT HAVE AN EMPLOYEE CODE OF CONDUCT...

13% plan to establish a formal Code of Conduct document over the next 12 months

87% have an unwritten, but generally accepted, Code of Conduct followed internally

⁷Panepento, P., (2004). The Chronicle of Philanthropy, "How Charities Can Set Up Ethical Guidelines in an Era of Increased Scrutiny". <https://www.philanthropy.com/article/How-Charities-Can-Set-Up/183577> ⁸The Nature Conservancy, "About Us – Ethics and Compliance". <https://www.nature.org/about-us/governance/ethics-and-compliance/conflict-of-interest-policy.xml>



PROACTIVELY MANAGING RISKS

Risk management involves efforts that help minimise the likelihood and impact of risks that may affect an organisation's ability to achieve its objectives. Formalised Risk Management yields consistent, objective and critical information to help decision makers capitalise on the opportunities they are presented with; and at the same time steer an

organisation through challenging times. When embedded into the organisation, risk management helps foster a culture where both management and employees remain alert and conscious of the internal and external organisational challenges they face.

KEY FINDINGS

The following are some key findings from our analysis of this capability area:

- Insufficient funds/cash flow, attracting/retaining talent, and an unwelcoming regulatory environment were respectively the top three risks philanthropic and non-profit organisations faced.
- Some of the most common risks cited by participants in the focus group discussions faced by all actors in the philanthropic and non-profit ecosystem include reputation, attracting and retaining talent and access to funding. Donors and implementers alike identify that as well as the impact it has on beneficiaries, their public standing is at risk if their philanthropic activities do not deliver their intended purpose. This highlights the importance that risk management be embedded into the initial programme plans.
- Over 80% of respondents representing philanthropic and non-profit organisations suggested that their organisation actively tries to manage risks; however, only about a quarter of these respondents have established a formal documented practice.
- Approximately 70% of respondents who engage in risk management activities do so informally or through their strategic decision-making process.
- Larger organisations with over 20 employees all report to actively try and manage risks. However, only 70% of smaller organisations with fewer than 20 employees claim their organisations manage risks.



Givers' Perspective:

When deciding whether to provide funding to an organisation, how important is it to the donor that the organisation manages risks?

32% VERY IMPORTANT

42% SOMEWHAT IMPORTANT

26% NOT IMPORTANT

86%

of implementing organisation actively try and manage risks.

✓ OF THOSE WHO TRY AND ACTIVELY MANAGE RISKS...

32% describe their risk management framework as informally managed by individuals

26% describe their risk management framework as formally documented and consistently applied

42% describe their risk management framework as integrated into strategic decision making

✗ OF THOSE WHO DO NOT ACTIVELY TRY AND MANAGE RISKS...

17% plan to establish formal risk management capabilities over the next 12 months

WHAT ARE THE BIGGEST RISKS?

✓ FOR THE IMPLEMENTING ORGANISATIONS THAT PROACTIVELY MANAGE RISKS...

47% Insufficient funds and cash flow

45% Attracting and retaining talent

42% Unwelcoming regulatory environment

42% Staff capacity

32% Impairment of reputation

26% Oversaturated competitive environment

24% Work institutionalisation

13% Marketing and PR

11% Inability to engage in networking

✗ FOR THE IMPLEMENTING ORGANISATIONS THAT DO NOT PROACTIVELY MANAGE RISKS...

83% Insufficient funds and cash flow

50% Unwelcoming regulatory environment

67% Attracting and retaining talent

0% Oversaturated competitive environment



EXPANDING REACH THROUGH COLLECTIVE ACTION

Collective action and collaboration refers to engagement with other organisations with similar goals, values and objectives across all sectors and fields. Through such collaborations and partnerships organisations can increase their project effectiveness by pooling resources and ideas

towards a path that increases impacts at lower costs to organisations. They also help foster innovative ideas, exchange information, uncover new venues for implementation, and share best practices in a specific field.

KEY FINDINGS

The following are some key findings from our analysis of this capability area:

- About 85% of donors agree that considering the organisation's collaboration activities within their funding decisions is important.
- 98% of respondents who represent philanthropic and non-profit organisations indicated that they collaborate with other organisations, businesses and government entities on joint initiatives.
- About 80% of this collaboration includes co-funded projects and programmes to drive wider impact and reach; additionally, about 70% of organisations who collaborate require that a formal agreement (such as a contract or memorandum of understanding) is established to define the nature of this collaboration.
- Despite the significant emphasis on forming strong partnerships across the philanthropic and non-profit ecosystem in the Gulf Region, focus group discussion participants state that there is still room for improvement. It was noted that the effectiveness of giving could be enhanced significantly if implementing organisations pooled their resources and worked together towards a common cause.



Givers' Perspective:

When deciding whether to provide funding to an organisation, how important is it to the donor that the organisation collaborates with other entities?

26% VERY IMPORTANT

58% SOMEWHAT IMPORTANT

16% NOT IMPORTANT

GOVERNANCE IN PRACTICE

THE VALUE OF COLLABORATION

Elisa Franceschinis
Managing Director, en.v

98%

of implementing organisations collaborate with other philanthropic and non-profit organisations, businesses and government entities.

✓ OF THOSE THAT COLLABORATE...

70% establish formal MOUs with the organisations they collaborate with

23% sometimes establish formal MOUs with the organisations they collaborate with

84% co-fund projects with the organisations they collaborate with

✗ OF THOSE THAT DO NOT COLLABORATE...

100% do not plan to start collaborating with other organisations, businesses or government entities over the next 12 months

en.v, a subsidiary of El Boutique Creative Group, is an initiative promoting social development and civic engagement in Kuwait and the Middle East. Its model is built upon collaboration, which is instrumental in both the design and delivery of all of its programmes. In an attempt to avoid duplicating efforts and to build the capacity of other actors working in the field, en.v actively seeks out collaborations and partnerships with other organisations and professionals on areas that require focused expertise, rather than expanding its own team and trying to do everything itself. One of the first programmes it developed – a marine conservation programme entitled Al Yaal – was a great showcase of the value of collaboration, as the team was able to clean up over 20 tonnes of waste from Kuwait's shoreline, engage over 1,000 volunteers and educate close to 4,000 students thanks to its partnerships with local non-profit organisations and corporations that were brought on-board from the outset.

Eight years on, its stakeholders and beneficiaries are also able to benefit from the organisation's approach and now extensive database of collaborators. One of its main group of beneficiaries are civil society organisations, young activists and educators who are offered training, mentoring and small grants to develop initiatives that address the pressing social issues of their region. Under each programme, sub grantees from diverse professional, demographic and cultural backgrounds are encouraged to work together and seek out collaborations and partnerships with other stakeholders to maximise the impact of their initiatives. One group of young people in particular, Legalize Kuwait, was able to maximise the few resources it had by winning over a high number of influential allies and partners and ended up attracting the attention of the government and inspiring the adoption of a new bill that legalised home businesses in the country.

06 CONCLUSION

This research explores the way in which organisations in the philanthropic and non-profit ecosystem in the Gulf Region are adopting governance practices. It also seeks to identify which governance practices organisations in this ecosystem want to improve and, if addressed, would enhance the effectiveness of these organisations and, in turn, the effectiveness of giving in the region. There are many good governance practices that are already in place and the next step is to enable organisations to enhance the effectiveness of their implementation of these practices. This report presents recommendations for action that can be taken by both the donor community and implementing organisations, to continue to improve governance practices within the ecosystem.



The Importance of Prioritising Governance

Our research shows that good governance practices are important to the organisations that operate in the philanthropic and non-profit ecosystem in the Gulf Region. Most of the governance capabilities are important to donors when making decisions to contribute funds to implementing organisations. Furthermore, organisations that execute philanthropic activities and programmes are adopting and enhancing governance practices to increase their organisational efficiency.



Institutional Philanthropy

The implementing organisations surveyed as part of this research mainly receive funding from institutional donors including private foundations, family firms and corporations. The fact that the majority of them adopt good governance practices

suggests that the Gulf Region's slow, but gradual shift from traditional to institutional philanthropy appears to be putting pressure on implementing organisations to provide deeper analysis of their programmes and activities. Although recent research finds that individual philanthropy still accounts for the majority of giving in the Gulf Region¹¹, the rise of corporate social responsibility initiatives and foundations (royal, government, family and corporate) is challenging the traditional understanding of giving, which is considered to be personal and private.



Future Research to Enhance Governance Practices

Despite the fact that 80% of implementing organisations consider their governance practices as either excellent or good, 82% say there is a need to enhance governance practices in their organisation and 100% of respondents claim that there is a need to improve those practices within the philanthropic and non-profit sector. To enhance governance practices in the Gulf Region, further research, sharing information and encouraging discussion about how organisations can expand and improve the effectiveness of their governance practices will be beneficial. Individual organisations and the ecosystem at large would benefit from a deeper exploration into some areas to enhance the understanding and application of these governance capabilities.

First, to enable organisations to maximise the value of the contribution of its board, it would be beneficial to explore further the nature of the role of the board, its engagement with the executive management, and how this brings value to philanthropic and non-profit organisations. Issues such as the way in which boards are being engaged to influence strategy and ensure that the

organisation has the tools it needs to fulfil its mission would inform how to enhance the effectiveness of boards in this ecosystem.

In addition, transparency and impact evaluation are among the top priorities for both implementing organisations and the donor community. Stakeholders and government entities are also highlighting the need for more reporting on philanthropic activities and programmes.

86% of respondents consider their organisation to be transparent. In practice, however, the type and means of disclosing information to donors, beneficiaries and the general public tends to be relatively limited. The vast majority of implementing organisations are adopting some qualitative and/or quantitative measures to evaluate the impact of their programmes, however most organisations are looking for more information about how their organisations can report on their activities and impact.

The ecosystem at large would benefit from deeper analysis into the value and ways in which organisations can operate transparently and carry out meaningful impact evaluation and reporting practices. Such analysis can help organisations identify gaps in their current practices and the measures that can be adopted to enhance their capabilities. With more research and data made available in the region, the ecosystem will be better able to inform best practices tailored to their needs.



Country-Specific Insights

Whilst there are core principles of governance that apply to all organisations, wherever their operations are located and whatever their purpose and activities, there are country-specific factors that impact the practical implementation of governance

practices that must be taken into consideration when finding ways to enhance governance practices. The engagement between civil society, foundations, private sector and government actors varies across Gulf states. The role each plays in addressing social problems, and the regulatory framework within each country, impacts the activities and reach of their philanthropic and non-profit ecosystem. Further research, knowledge sharing and discussions about how to enhance governance capabilities should take into consideration not only factors applicable to the Gulf Region but also factors specific to each country.



Ways Forward

Alongside deeper research, our focus group discussion participants unequivocally expressed the need for a platform that engages all actors in the ecosystem including foundations, non-profit organisations, corporations, family businesses and government representatives. The platform will create a space to openly discuss the successes, challenges and failures of the ecosystem with the goal of informing best practices in the Gulf Region's philanthropic scene.

Lastly, enhancing the effectiveness of giving is the responsibility of all actors operating in the ecosystem. This means that donors and implementing organisations alike have a responsibility to study the impact of their contributions and activities. There will be successes and failures along the way, all of which should be acknowledged as part of the learning process for the ecosystem going forward.

¹¹Steir, R., Adra, F., Sakr, M.A., Rizk, M., [2017], "From traditional to impact philanthropy: Creating a legacy for GCC family businesses", Strategy&.

07 ABOUT THE PEARL INITIATIVE

Our purpose

Fostering a Corporate Culture of Accountability and Transparency in the Gulf Region.

Founded in 2010, the Pearl Initiative works across the Gulf Region to improve corporate accountability and transparency. It is a regionally focused growing network of business leaders committed to driving joint action, exhibiting positive leadership and sharing knowledge and experience, to support the regional business and student community towards implementing higher standards.

Strategic Partnerships

Established in cooperation with the United Nation's Office for Partnerships

Strategic partnership with the United Nations Global Compact

Key Characteristics

Gulf Region Focus

Competitiveness Driven

Non-Profit Independent Organisation

Created by Gulf Businesses, for Gulf Businesses

Key Achievements¹²

13

regional insight reports

272

high-level regional and international speakers

6,574

university students reached through our workshops and case study competitions

30

universities engaged across the Gulf Region

96

events and workshops across the Gulf Region

6,802

business leader participants in our forums

What We Do

To reach and influence the business and student communities, the Pearl Initiative:

Shares Insights

We develop and publish reports, insights and good practice references to help businesses independently enhance their capabilities.

Creates Networks

We bring together business, government and civil society decision makers to share best business practices and help maximise the economic opportunities available in the region.

Builds Knowledge

We help build knowledge by bringing experts together with businesses, and host a series of complimentary workshops, roundtables, focus groups and training sessions.

Inspires Action

Our focus on impact and collective action guides what we do to ensure we are working together with the community to inspire action and expand opportunities for all.

Key Topics of Interest

- Specific Corporate Governance Topics including
 - Anti-Corruption Best Practices
 - Diversity in Business Leadership
 - Corporate Reporting Best Practices
- Governance in Focus
 - Governance in the Philanthropic and Non-Profit Ecosystem
 - Corporate Governance in Micro, Small and Medium-sized Businesses
 - Governance in Family Firms
 - Corporate Governance in the Technology Sector
- Knowledge Transfer
 - Business Pledge
 - Executive Education

¹² As of 1 March 2018

08 PARTNER COMPANIES



As of 1 March 2018

