

Questions to ask... ...OVERSEAS GRANT-MAKING

A key role of any charity trustee is to ensure that the funds of the charity are used for their intended charitable purpose. Trustees of grant-making charities have additional responsibility to ensure grants are being used as expected by beneficiaries.

When it comes to sending money overseas, the law requires trustees to take – and provide evidence of – ‘reasonable’ steps to ensure payments are applied to advance charitable objectives. Some key considerations for charities that are giving or intend to give grants overseas are provided below. These questions provide prompts for trustees on areas which may need to be investigated or evidenced for reporting on international grants.

Location

Distance and different political systems can make it difficult to determine whether a prospective beneficiary is a good match, has sound governance and robust financial controls. Trustees must also be mindful that overseas grant recipients will not be subject to the same rules and regulations as charities in England and Wales. Some questions to consider when evaluating an international beneficiary include:

- How well-developed is the country’s legal and regulatory framework for voluntary organisations?
- How might the communications culture of the country or region condition dealings with beneficiaries?
- Will local conditions affect the type and extent of controls and checks performed on the use of the grant?
- Will funds be remitted through official banking channels or alternate methods?
- Is there a heightened risk of money falling into the wrong hands?

Grant allocation

Effective grant-making abroad requires insight and planning. Trustees should research where and with whom they might work, and consider strategies that are likely to meet charitable objectives.

- Are there any target populations or geographies of concern that will help focus the charity’s giving?
- Should the charity provide direct support to a specific organisation or contribute to a pooled fund?
- Will grants be made only to organisations or directly to individuals?
- Should only small grants be considered initially as a means of exploring the region or country?
- What size and frequency of payments are likely to be made?
- Will grants be made in Sterling, or will they be made another currency?

The ‘reasonable’ steps taken to ensure a small grant has been used for charitable purposes may not suffice for a more substantial or multi-year grant.

Due diligence and monitoring

Careful due diligence, effective monitoring and maintaining a sense of connection are crucial factors to overseas grant-making. These activities will provide assurance that grants are only being used for the purposes intended.

- Has appropriate due diligence been performed on the proposed recipient?
- Are appropriate monitoring arrangements in place? Are these likely to be followed in practice?
- What audit trail will be available to confirm that the grant has been spent in line with the terms and conditions?
- Should a representative of the charity visit the country to check on progress?
- Are the charity's contact and reporting expectations likely to be met by the beneficiary?
- If the proposed recipient is a previous recipient, has anything significant changed since due diligence was carried out which would require due diligence to be revisited?
- If the grant is ultimately being funded by a donor, are any relevant contractual commitments being passed on to the proposed recipient?

Working with advisors

Charities may choose to work with a local consultant or another third-party advisor to develop international strategies and achieve their goals. Such advisors can provide expertise on local regulations and support across areas of due diligence, reporting requirements and disbursements of funds. If trustees are not satisfied with the answers to many of the above questions, additional expertise may be required.

- Can the charity effectively manage the programme decisions and the legal and tax issues involved?
- Would it benefit the charity to work with an advisor or partner with a well-established local organisation?
- Will the services provided by an advisor help the charity meet its grant-making objectives?
- Does the price of an advisor align with the charity's budget? What value will the charity get for the price?
- How would working with certain advisors impact the charity's reputation?

International organisations are fundamental to the strategies of many UK grant-makers, and while there are additional steps which must be taken to ensure compliance with charitable objectives, these should not be barriers to giving.

Using intermediaries to make payments

In some cases, there are particular challenges in making grant payments and it is necessary to look outside of the traditional banking system. Most countries have formal banking systems and place and using such systems is usually the safest way to ensure that funds reach the intended recipient. However, there may be cases where alternative methods are required which may include the use of intermediaries.

- How urgent is the proposed transaction, and would a time delay be acceptable in order to enable use of the formal banking system?
- What are the proposed charges and what are they for?
- Are the trustees satisfied with the safety and security of the proposed arrangement?
- Are the trustees satisfied that appropriate due diligence has been carried out on the intermediary?
- Does the proposed transaction comply with local laws?
- Will full and proper written records of the transaction be kept?

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