



## **INTERNAL ANTI-TERRORIST FUNDING PROCEDURES**

In order to reduce the likelihood that KBFUS funds will be diverted for violent ends, the King Baudouin Foundation United States (KBFUS) adopted the general principles of governance and financial accountability described below, consistent with the Council on Foundations' advice.

### **KBFUS general principles of governance and financial accountability**

- ⟨ KBFUS will be governed by a board of directors (or by one or more trustees) that oversees the management of the organization in furtherance of its charitable purposes and maintains minutes or other records of its decisions.
- ⟨ KBFUS will adopt procedures for accounting for all funds that are adequate to document the sources of funds and the uses of such funds in furtherance of the organization's charitable purposes.
- ⟨ KBFUS will ensure that its board of directors, officers and staff members are informed about the legal requirements affecting international grantmaking (including Executive Order 13224 and the Patriot Act).
- ⟨ KBFUS will adopt internal anti-terrorist funding procedures appropriate to its own particular grantmaking program.
- ⟨ KBFUS will make disbursements by check or wire transfer rather than in cash whenever such financial arrangements are reasonably available.

Also consistent with the Council on Foundations' advice, KBFUS will adopt a risk-based approach in its grantmaking policy. This risk-based approach will:

- (1) help us to identify those grants that may present a greater risk for diversion, and
- (2) describe additional steps that will be taken to minimize the possibility of diversion for grants that are so identified.

## **Identification of grants that may present a greater risk for diversion**

Factors that will be taken into account by KBFUS in making the risk assessment are as follows:

- < Whether the FRO (Foreign Recipient Organization) is an established organization with a history of charitable accomplishments (less risk).
- < Whether KBFUS has prior experience dealing with the FRO, and the FRO has a track record of using grant funds for the intended purposes (less risk).
- < If KBFUS has no prior experience with the FRO and it is not an established organization, whether KBFUS can obtain references from other trusted sources (less risk).
- < Whether the FRO is a smaller organization with specific charitable objectives and strong leadership and internal controls (less risk).
- < Whether the FRO currently receives funding from an agency of the U.S. government that conducts its own vetting process (less risk).
- < Whether the FRO has received recognition of exemption under Section 501(c) (3) from the IRS, or similar recognition of charitable status from the appropriate government agency in its own jurisdiction (less risk).
- < Whether the FRO meets the standards of an accrediting organization that prescribes best practices for organizations in its own jurisdiction (less risk).
- < Whether the grant agreement gives the FRO unlimited discretion to use the funds in any of its charitable programs (more risk in the case of FROs with which KBFUS has no prior experience and that do not have a track record of charitable accomplishments) or restricts use of the funds for specific projects, activities or expenditures (less risk).
- < Whether the FRO or the project to be funded is located in a country against which the United States has imposed economic and trade sanctions enforced by the Office of Foreign Assets Control based on foreign policy and national security goals (more risk).
- < Whether the FRO or the project to be funded is located in a country that has adopted anti-terrorism legislation (less risk).
- < Whether the FRO or the project to be funded is located in a country experiencing significant social unrest, civic turmoil, and/or internal violence (more risk).

None of these factors standing alone will be viewed by KBFUS as evidence that a potential grant possesses a risk of diversion. However, the presence of “more risk” factors without counterbalancing “less risk” factors will justify additional due diligence.

**Additional ‘due diligence steps’ for grants presenting a greater risk for diversion**

- ⟨ Review the organizational documents and financial statements of the FRO, if available.
- ⟨ Obtain information about the FRO’s involvement with prior charitable programs, including references from reliable sources.
- ⟨ Identify the person who will administer the grant and obtain information on his/her qualifications (or the CEO, in the case of a general support grant).
- ⟨ Obtain information about the FRO’s internal controls and accounting procedures for grant funds, including oversight mechanisms for charitable projects.
- ⟨ Enter into a written grant agreement with the FRO restricting the use of grant funds for charitable purposes.
- ⟨ Require periodic narrative and financial reports on the FRO’s use of grant funds.
- ⟨ In the case of multi-year grants, disburse grant funds on a periodic basis, requiring a report on the use of funds already granted before making the next disbursement.
- ⟨ Where practicable, identify a reliable in-country source that could assist with grant administration and on-site monitoring, if necessary.
- ⟨ Consider sponsoring a site visit (by the grantmaker or a reliable source) where there is a question regarding the use of grant funds and such a visit is reasonably justified based on costs and the size of the grant.

Additionally, KBFUS will take the following actions:

1. All future grant agreements of KBFUS will include the following paragraph:

“The Grantee will not use any portion of the grant to engage in, support, or promote violence, terrorist activity, or related training of any kind, whether directly through its own activities and programs or indirectly through its support of, or cooperation with, other persons and organizations engaged in such activities, and will take reasonable precautions and institute reasonable procedures to prevent any portion of the grant from being so used. The Grantee certifies that:



- (a) we do not support violence or terrorist activities or appear on the lists of individuals or organizations identified by the U.S. government, the United Nations or the European Union as associated with terrorism;
- (b) none of our trustees (or directors), officers, or other key staff members support violence or terrorist activities and we do not employ any other individuals known to us to support violence or terrorist activities;
- (c) none of our affiliates or subsidiaries support violence or terrorist activities, we do not engage in transactions of any kind with vendors, contracting organizations, or any other entities known to us to support violence or terrorist activities, and we do not otherwise disburse any of our funds, as grants or in any other form, to individuals or entities known to us to support violence or terrorist activities;
- (d) we have reviewed the lists of individuals or organizations identified by the U.S. government, the United Nations or the European Union as associated with terrorism and:
  - (i) none of our trustees (or directors), officers, other key staff members, or other employees appear on those lists; and
  - (ii) none of our affiliates, subsidiaries, vendors, other contracting organizations, grantees or other entities with which we engage in transactions appear on those lists.”

2. All future KBFUS grantees will be checked against the lists of individuals or organizations identified by the U.S. government, the United Nations or the European Union as associated with terrorism. These lists currently include the OFAC Specially Designated Nationals List, the U.S. Government Terrorist Exclusion List, the UN ‘Security Council Resolutions 1267 and 1390’ List, the European Union ‘EU Regulation 2580’ List.

Adopted by the Board of Directors of KBFUS on July 17, 2003.