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Swiss Foundation Code 2009

Principles and Recommendations for the Establishment
and Management of Grant-making Foundations

Abridged version
Adapted English translation
by Judith Safford

Helbing Lichtenhahn Verlag

Swiss Foundations

Established in 2001, SwissFoundations is the leading association of grant-making foundations in Switzerland. An active network dedicated to innovation, it promotes and supports the exchange of experiences, transparency and professionalism amongst the country's foundations. SwissFoundations therefore contributes to the effective and sustainable application of foundation resources.

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Abridged Version

The complete version, including extensive commentaries on the recommendations and appendices (model foundation regulations, glossary of terms, resources, bibliography, and contributor biographies) was published by Helbing Lichtenhahn Verlag in Basel, Switzerland (in German and French) as Volumes 5 and 6, respectively of the book series *Foundation Governance*, edited by Philipp Egger/Georg von Schnurbein/SwissFoundations:

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Acknowledgments

In October 2005, the “Swiss Foundation Code” appeared as the *first comprehensive manual of guidelines for grant-making foundations* in Europe. The exceedingly positive response demonstrated that a great need existed for such a tool.

Just three years later, a second revised and expanded edition was written. It was called the “Swiss Foundation Code 2009,” and—included a new commentary section. New dynamics in the foundation sector made a thorough revision necessary. The complete version was published in German and French, both Swiss national languages, as Volumes 5 and 6, respectively of the series *Foundation Governance*.

Once again international response was pronounced, and demand increased for an English translation. SwissFoundations is now proud to present an abridged English version of the “Swiss Foundation Code 2009”, containing the principles and recommendations for the establishment and management of grant-making foundations. The abridged translation does not, however, contain the extensive commentaries. A full English version will be published in a few years time with the *third revised and expanded edition*, which is currently under production.

I would like to express my gratitude to Philipp Egger, Judith Safford and to the translators Mayanne Wright and Christina Warren for their significant contributions to this abridged English version of the “Swiss Foundation Code 2009”.

January 2011, Basel

Dr. Beat von Wartburg
President of SwissFoundations

Message from the Editors

Switzerland provides an ideal environment for foundations, and offers excellent conditions for their establishment and management.

The country's long-standing foundation tradition is flourishing; indeed, the foundation sector can today benefit from specialized and up-to-date expertise available from the not-for-profit and financial services sectors. Liberal legislation encourages the establishment of foundations and facilitates charitable foundation work. The Swiss political system and society place a great deal of trust in foundations. In fact, in Switzerland, grant-making foundations, i.e., endowed, non-profit, and charitable foundations, are not simply tax shelters but entities for redistributing wealth. With double the tax deductibility at the federal level, those legislative reforms affecting Swiss foundation laws that went into effect at the beginning of 2006 sent out a positive signal—contrary to the general trend of taxing financial reserves.

Potential foundation founders, donors and sponsors were offered incentives to realize their foundation goals. The establishment of a foundation and the associated release of private assets in order to benefit the general public should indeed be rewarded and facilitated. Nevertheless, a foundation's fiscal advantages come with the obligation to fulfil its mission for the public good. The goal is to achieve a fair give and take that will benefit society.

Despite their well-respected reputation, charitable foundations, even in Switzerland, have come under increasing pressure to prove their legitimacy, and this is welcomed. Given the tax privileges they enjoy while getting started as well as those they receive during the entire period of their operation, and the fact that they intervene in the dynamics of social realities, foundations are quasi-public institutions. Their activities must always be analyzed: how can a foundation achieve its purpose through goal setting? According to what criteria does a foundation regulate its actions? What does "good governance" mean for grant-making foundations?

The need to develop "best practices" for the Swiss endowment system was first explored and discussed at the 2003 annual conference of Swiss Foundations under the title "Foundations in Change". It soon became clear that one could not simply adopt guidelines from the corporate sector and apply them to foundations. Even regulatory legislation from the not-for-profit sector cannot be applied unconditionally to foundations without modification. In fact, founda-

tions vary so greatly with regard to how they are set up and operate that one set of regulations cannot govern them all, and would be arbitrary and ineffective.

The current “Swiss Foundation Code” takes into consideration the specific requirements of grant-making foundations and seeks to be clear and specific.

Since grant-making foundations usually enjoy sufficient assets to achieve their purpose and mission, they do not depend on the outside world. This makes the issue of governance all the more important because no proprietary interests exist to serve as a counterpoint to management. In non grant-making foundations and other charitable organizations, the founder, might provide such a counterpoint, and certain market controls may also play a role. Contrary to this, grant-making foundations answer only to themselves.

This situation places particular demands on the organization and leadership of grant-making foundations when it comes to effectively achieving their purpose and ensuring a system of checks and balances and transparency.

We hope that the “Swiss Foundation Code” will prove to be a helpful orientation guide to new foundations as well as a useful tool for long-standing foundations in their continued development.

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