



May 30, 2007

The Honorable Henry M. Paulson, Jr.
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Paulson:

Grantmakers Without Borders (Gw/oB) is a philanthropic network of 130 organizations all dedicated to providing humanitarian support to the Global South. Members include private and public foundations, individual donors, and allies in philanthropy. For the following reasons, Gw/oB strongly urges the Department of the Treasury to withdraw its "Risk Matrix for the Charitable Sector" ("Risk Matrix").

The Risk Matrix stigmatizes a legitimate and valuable method of grantmaking, potentially obstructing further philanthropy in highly vulnerable areas of the world.

Many of Gw/oB's members are committed to providing international grants to small, emerging grassroots organizations that challenge the root of social, economic, and environmental inequalities within their communities. This method of grantmaking includes and empowers impacted communities, often resulting in bottom-up development and long-term change. Coined as social change philanthropy, this is a legitimate and valuable method of grantmaking preformed by hundreds of foundations and done with the same degree of care and professionalism as other means of philanthropy. Unfortunately, the Risk Matrix unfairly labels it as "high risk." Such a vague categorization often discourages other US grantmakers from adopting similar missions and supporting similar grantees. As a result, valuable organizations such as the Women's Rights in Afghanistan Fund, which supports human rights and peace building efforts, and the Hamdi Women and Children Development Organization, which, among other things, provides clean drinking water to Mogadishu, find few funders willing to support their programs. This is particularly troubling because, arguably, the most impactful philanthropy would fall under this undeserved "high risk" classification.

The framework and risk factors used within the Risk Matrix do little to help charities prevent the diversion of charitable funds and detract from more effective and proven methods of due diligence that many grantmakers engage in as a matter of course.

The Risk Matrix asks grantmakers to apply a formulaic chart of ambiguous factors, eventually branding each grantee as "high," "medium," or "low" risk. Rarely are the circumstances surrounding a grant so easily categorized. For example, the Risk Matrix labels those organizations with a history of legitimate charitable activities as "low risk." However, recent events at the Smithsonian Institute and the American Red Cross demonstrate that even organizations with a long history of legitimate charitable activities are susceptible to scandal. In addition, charities working in conflict zones or "regions known to have a concentration of terrorist activity" are "high risk." What regions meet this criteria? Does 9/11 and the recent plot against Fort Dix make all charities working in the Mid-Atlantic States "high risk"? Are regions that recently experienced a dramatic drop in terrorist activities now "low risk" (for example,

Nepal or Ireland)? What are grantmakers to make of statistics that show most charitable organizations, despite their location, are legitimate organizations? These risk factors are confusing and vague, often failing to recognize the intricacies of international grantmaking.

Furthermore, Gw/oB's members typically turn to traditional methods of due diligence when giving international grants. Few grantmaking tools more effectively guarantee that funds are used for their intended charitable purpose than the grantor/grantee relationship. Rooted in the long-standing practice of "knowing your grantee," strong relationships promote trust and transparency while respecting the complicated realities that exist for a grantee. The Risk Matrix asks grantmakers to supplant this traditional technique with a series of questions, this despite the fact that the location or age of an organization provides little insight into the actual use of a charitable grant. It is transparency and trust that guarantees that funds are used for their charitable purpose.

The Risk Matrix is based on broad assumptions about the exploitation of charitable funds by terrorist organizations.

Within the Introduction, the "vulnerability of the charitable sector" is highlighted. As proof of this vulnerability, reference is made to the Annex of the "U.S. Department of the Treasury Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-Based Charities" ("Guidelines"). However, footnote 15 within the Annex merely lists a handful of magazine and journal articles, most focusing on charities that act in bad faith while providing support for illicit causes and not charities that "attempt in good faith to protect themselves from abuse." Needless to say, this evidence is not convincing and this allegation continues to be unsubstantiated. Without real data that documents the exploitation of charitable funds by terrorist organizations, it is impossible to design a thoughtful and effective tool. Gw/oB does not want to support terrorist activities; however, the Risk Matrix is another voluntary tool that inhibits legitimate philanthropic work, while ignoring the realities of international grantmaking.

In conclusion, the Risk Matrix should be withdrawn. Gw/oB would appreciate any opportunity to discuss these issues with you and offer suggestions on better tools (Vanessa Dick, Advocacy Coordinator, vanessa@gwob.net).

Sincerely,



John Harvey
Executive Director
Grantmakers Without Borders