



December 22, 2006

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”) strongly urges the Department of the Treasury to withdraw the “U.S. Department of the Treasury Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-Based Charities” (“Guidelines”) released in the October 31, 2006 Federal Register. Despite repeated efforts by the Department of the Treasury to improve the Guidelines, they continue to impede the important charitable work of international grantmakers and ultimately fail to further their stated purpose, “to assist charities that attempt in good faith to protect themselves from terrorist abuse.”

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. With an unwavering commitment to the eradication of poverty and the promotion of social justice, Gw/oB’s member organizations often fund projects of hope and opportunity in vulnerable communities, thus acting as a counter-point to terrorist influences. Ironically, the Guidelines, with their counterproductive approach to preventing the use of charitable funds by terrorists, often chill the valuable work of international grantmakers, including Gw/oB’s member organizations. Thus, philanthropic money that funds, for example, farming projects or support for tsunami victims is delayed or discontinued. This chilling effect is especially troubling since the Department of the Treasury has failed to provide real, non-anecdotal evidence that charitable funds are unintentionally being diverted for terrorist purposes.

Of particular concern is the vetting process within the Guidelines. Gw/oB’s members have a long-standing tradition of building relationships with grantees outside the United States. Essentially, the Guidelines ask grantmakers to view their grantees with suspicion and skepticism, despite prior contacts that suggest otherwise. Ultimately, the vetting process undermines vital philanthropic programs, without providing real mechanisms to prevent the diversion of funds to terrorism. Case in point, the Guidelines suggest all grantmakers include certification language in their grant agreements. It is doubtful that an individual with malevolent purposes would hesitate to sign such an agreement. It would be more productive to suggest more traditional methods that create transparent relationships that inspire trust and confidence.

Although the Guidelines are labeled as *voluntary*, there is considerable pressure to adopt the recommended practices. This is particularly true now that the Combined Federal Campaign is adopting the Guidelines into its regulations, and various IRS agents, during audits, are questioning organizations about their compliance with the Guidelines. Furthermore, organizations with smaller grantmaking budgets (i.e. \$100,000/year) are disproportionately

affected by the Guidelines. They would be forced to divert their limited financial and personnel resources from proven best practices in due diligence and instead engage in unproductive information gathering that ultimately distracts from their philanthropic mission.

In conclusion, the Guidelines should be withdrawn. They chill the valuable work of international grantmakers without providing realistic and useful processes for preventing the diversion of charitable funds to terrorism, and their quasi-voluntary label is confusing and frustrating, disproportionately impacting smaller grantmakers.

Sincerely,

A handwritten signature in black ink, appearing to be the name 'John Harvey' written in a cursive style.

John Harvey
Executive Director
Grantmakers Without Borders