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Economic and Social Council of the United Nations
Panel on “Applying Strategic Philanthropy to the MDGs”
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Good afternoon. I want to thank His Excellency Mr. Léo Mérorès, President of the Economic and Social Council; Amir Dossal, Executive Director of the UN’s Office for International Partnerships; and Charles Moore at the Committee Encouraging Corporate Philanthropy for inviting me to participate in this discussion. It is a pleasure to share with you some perspectives from the Council on Foundations representing, as we do, over 2200 grantmaking organizations holding two-thirds of all foundation assets in the United States.

Before addressing specific issues of corporate philanthropy and how it can contribute to the Millennium Development Goals, I’d like to make a few general observations about philanthropy. Barry Gaberman, the former Senior Vice President of the Ford Foundation – and a leader in global philanthropy, defines philanthropy as the capture of private wealth for public purpose. In other words, philanthropy stands at the nexus between private wealth and the public good. And, while the Council’s members represent many different philosophies and approaches, I think they would all agree that private wealth is not and should not be a substitute for government funding and responsibilities. I say this as one who has thought a lot about the role of the public sector in addressing society’s needs, having served for a number of years in the U.S. Congress.

The Council on Foundations seeks to serve our members and our sector as the voice and vision of philanthropy in the United States, and a partner with our international colleague organizations at the global level. We serve as a leader, educator, advocate, standard-setter, partner, service-provider and convenor. While we seek to enhance the impact of our sector’s philanthropic investments, the Council would never presume to tell our foundation members what they should fund.

The Council is active in the international arena and enjoys strong partnerships with colleague organizations around the world. We have an International Programs Division, guided by our International Committee. Today, every sector of our membership – independent, family, community and operating foundations along with our corporate giving programs are increasingly engaged in global philanthropy. One simply cannot have a global economy without global philanthropy. We are proud of their work and we cherish the opportunity to provide services and support to this growing focus.

As global philanthropy continues to grow, we recognize the importance of collaboration and partnership among our colleague organizations around the world. We have shared, for instance, a number of productive collaborations with the European Foundation Centre that move beyond basic support and capacity building for our members to defining a new responsibility – philanthropic leadership. For example, we foresee the need for a global

compact for philanthropy that would reduce barriers to the flow of philanthropic resources across borders, a topic that I will return to in a few moments.

Now for the Millennium Development Goals. Since their adoption in 2000 the MDGs have served as a reference point for the many actors engaged in international development, whether they be multilateral institutions, governments, businesses, foundations or NGOs. Recognizing foundations as “leading agents in the fight for change,” then Secretary-General Kofi Annan called on foundations to join in achieving the MDGs when he spoke at the Council’s Annual Conference in 2002.

I would like to address five areas in my remarks today:

1. Strategic philanthropy and what that means

How does strategic philanthropy differ from more traditional philanthropy? First, I would say that philanthropy itself differs from “charity” in important ways by going beyond immediate needs to seek long-term solutions or benefits. For the Council on Foundations’ 275 corporate grantmaker members, including both corporate giving programs and corporate foundations, strategic philanthropy involves aligning their philanthropy with their core business competencies to address a social issue or cause. This often involves looking at the corporation’s product-sourcing and supply chain practices, investing philanthropic dollars in areas that will maximize benefits, and partnering with other philanthropic organizations as well as businesses and governments to achieve the highest degree of measurable effectiveness and impact.

2. The growth of U.S. corporate international philanthropy and the reasons for it

Corporate international giving has grown dramatically in the past 15 years as a result of corporation globalization. More and more U.S.-headquartered corporations are expanding their production and marketing operations abroad. At the same time their philanthropic giving has lagged behind with a focus on the United States and now the corporations are re-aligning their philanthropy to reflect their global presence. A Council on Foundations study a few years ago with the Foundation Center indicated just how strong the growth in corporate *international* giving is. During the period 2002-2004, when overall giving by corporate foundations fell by 0.3 percent due to an economic recession, *international* giving by corporations actually grew by 31 percent in 2004 to \$151 million! The following year when U.S. corporations responded so generously to the South Asian tsunami disaster, corporate international giving soared well above this figure. The Council’s corporate members alone gave well over \$100 million for tsunami relief and reconstruction. It appears that the growth of corporate international giving has continued to outpace overall corporate giving in recent years.

3. The contributions that corporate philanthropy is making to the MDGs

A survey of the Council's corporate members indicates that, while most are *aware* of the Millennium Development Goals, they have not been consciously motivated by the MDGs in choosing their philanthropic goals and strategies. That being said, there is nevertheless a strong correlation between international corporate giving and one or more of the MDGs. Funding by U.S. corporations supports every one of the eight MDGs with the largest share going to health, education, poverty alleviation and environmental sustainability. Corporate international development funding tends to go to those countries where the corporation has operations. While there may be one or more unifying themes for the corporation's philanthropy, it is increasingly being managed and interpreted through local business units in ways that connect those themes to local realities.

Let me cite a few examples. The Abbott Fund of the pharmaceutical company is investing to help modernize Tanzania's public health systems and infrastructure. The Citi Foundation is building on its financial services base to support micro-finance institutions and networks in more than 50 countries around the world. The Coca-Cola Foundation is working with its bottling partners to protect watersheds and support initiatives that bring clean water and sanitation to underserved communities in 40 countries. And Kraft Foods, perhaps best known for its philanthropic support for hunger relief and healthy lifestyles, is also working with coffee growers to achieve environmental sustainability and decent incomes.

There are, of course, many, many more examples and you will hear shortly from Microsoft. In addition to those I've mentioned, some of the largest corporate international funders are Merck, Pfizer, Chevron, Bristol-Myers Squibb, IBM, GE, Alcoa, Exxon-Mobil and Johnson & Johnson, a virtual "Who's Who" of corporate America.

What all of these examples have in common are the important assets strategic corporate philanthropy brings to international development – a business model, an investment approach to solving problems, advanced technical capacities, marketing acumen, multi-country presence, name brand visibility and logistical expertise. These advantages are linked through partnerships with NGOs, providing knowledge and access to communities. Such efforts help guide the policy development and the potential of governments to enlarge the scale and impact of their work. This combination allows for maximum innovation and impact.

4. Some challenges to the current environment for international grantmaking

While international philanthropic giving from U.S. corporations is growing rapidly, the overall environment for international giving is a challenging one. U.S. tax regulations for private foundations require a level of "due diligence" concerning prospective grantee organizations which exacts a high toll in terms of staff, time and patience. It is a measure of the deep commitment of corporate grantmakers to international funding, often with

very limited staff, that they are finding ways to satisfy both the legal requirements of “due diligence” and good grantmaking practices. We, the Council on Foundations, are trying to make international grantmaking a bit easier by working with our Internal Revenue Service to develop a centralized repository of information on non-U.S. grantee organizations. This would simplify the process by which foreign NGOs are evaluated to determine whether they are the equivalents of U.S. public charities.

Concerns about terrorism pose another set of challenges. Since 9/11 various actions by the U.S. Government, including the Treasury Department’s voluntary guidelines for anti-terrorist financing, have caused foundations to review their procedures for international grantmaking. In many cases, foundations and corporate giving programs have adopted additional measures to ensure that their international giving does not inadvertently wind up in the hands of terrorists. The record of grantmakers in this area has been exemplary but the anxiety levels remain high, and compliance with such government policies imposes a new level of administrative costs to international grantmaking.

Beyond concerns about terrorism, international grantmakers are challenged by practical issues around identifying suitable partners overseas, monitoring their grants across great distances, and measuring the effectiveness of their philanthropy in distant corners of the world.

5. Thoughts on a global compact for philanthropy

I’d like to take this opportunity to suggest an area where the United Nations could be helpful in supporting the growth and flow of philanthropic resources on a global basis. Currently corporate grantmakers and foundations engaged in cross-border philanthropy face a myriad of special rules and tax regulations, often in both the giving and receiving country. Just as we have witnessed the growth of international compacts and agreements on trade, human rights, and numerous other aspects of global exchange, we will never fulfill the full promise of global philanthropy until we achieve a similar compact for philanthropy. Today a corporation with a presence in 50 nations must comply with a similar 50 different sets of philanthropic and tax regulations before it can participate in each nation’s non-profit sector. The Council on Foundations is pursuing the idea of a global agreement or compact at the inter-governmental level that would promote national policies favorable to philanthropy as well as consistent rules that would simplify giving between countries. You should know the European Union has just commissioned a study looking at the potential of a common law for philanthropy. We are hopeful this work can mark the beginning step towards a global compact. Personally, I can think of no one act the United Nations could pursue that would achieve a greater growth in global philanthropy than to become our partner in promoting such a global compact. Your ability to convene the disparate nations around a common purpose suggests you hold a special opportunity to help achieve this goal.

International philanthropy from U.S. foundations will continue on its strong growth trajectory. The Council continues to work with over a hundred colleague organizations around the world supporting the development of a modern, institutional, philanthropic

sector in their own countries. Interest in philanthropy is growing exponentially among not just high net-worth individuals, but also among young people, businesses, and foundations in every region of the world. New giving models are emerging and the field is poised for an exciting era of growth and innovation. A global compact on philanthropy is an idea whose time has come, especially as we focus urgent attention on the next seven years of the Millennium Development Goals. I would welcome a partnership with the United Nations to take the global compact and the promise of global philanthropy to a new level.

In conclusion, on behalf of our membership we want to thank you for this opportunity to share our thoughts about ways we can go forward together to build a better world. One of America's great philanthropists, J. Irwin Miller, encouraged his foundation's professional staff to guide their work by answering this question; "Ten years from now, what will you wish you would have done today?" We are at the beginning of a golden age of philanthropic growth across this globe. The combination of personal resources, corporate social responsibility, demographics, a global vision and philanthropic values will combine to serve the common good in ways we can only imagine today. You can play an important role in making this vision a reality. We look forward to being your partner.

Thank you.