

**Rick Cohen, Executive Director
National Committee for Responsive Philanthropy
Panel: NGOs—Putting Their Reputations on the Line
Business/NGO Partnerships Conference
Arlington VA
May 24, 2005**

When you work for the National Committee for Responsive Philanthropy, you get used to being given the critic's slot. In the press, if you're a regular reader of the Chronicle of Philanthropy, you usually find an obligatory quote from someone in our shop, usually buried someplace toward the end of the article, after several paragraphs of adulation, saying something like, "but a spokesperson for NCRP criticized the blankety-blank report" and so on.

So, fulfilling my organization's genetically determined role, let me offer some perhaps divergent perspectives about corporate partnerships, with a heavy emphasis on the aspect of corporate partnerships involving philanthropy.

Although this session isn't really a discussion of NGO and corporate accountability, it has to start with accountability. The most recent numbers on corporate philanthropy reported by Giving USA and by the Foundation Center suggest that corporate charitable giving is increasing, but corporate grantmaking through corporate foundations is decreasing.

The anomaly to us is obvious. The grantmaking that occurs through corporate foundations must be disclosed and detailed on the form which foundations in the U.S. file, the 990PF. Corporate grantmaking that occurs outside of the boundaries of the corporate foundation is exempt from disclosure to the American public, despite its tax deductibility. Publicly traded corporations may at their own discretion reveal their grantmaking, because the Securities and Exchange Commission does not require corporate philanthropic disclosure on corporate 10-Ks and other forms.

The SEC has long used two reasons for this: The SEC believes that corporate philanthropy is not significant enough to be of material interest to corporate shareholders and apparently the public. The SEC has also stated in the past that corporations count and account for their philanthropy in so many different ways that it can figure out a way to collect and tabulate the information. The result is, by NCRP's calculation, some half of corporate philanthropic grantmaking is not disclosed to the public, and therefore the strategic agendas of some corporate funders may be significantly less than transparent—both the

Legislative efforts to enhance corporate philanthropic disclosure have foundered for the decade in the lack of political comity in the U.S. Congress. Most recently, an effort simply to get corporations to reveal their grantmaking to grant recipients connected in some way to corporate offices and directors was pulled out of the Sarbanes Oxley legislation in the House-Senate conference committee. Members of Congress seemed to turn a blind eye to the philanthropic aspects of Enron's mismanagement, ignored Tyco's, and failed to anticipate the remarkable grantmaking of the New York Stock Exchange Foundation that seemed to go substantially charities that happened to be associated with if not actually run by the Stock Exchange board members responsible for approving Dick Grasso's \$140 million salary.

None of this is meant to imply that corporate philanthropy is by definition reflective of the ethics of Ken Lay or Dennis Kozlowski. But there is enough philanthropic mischief occurring in overall picture of suspect corporate accountability that should make NGOs exceptionally careful about the role that they are being given in the corporate script.

In this conference, there's no need to stagger through the obligatory descriptions of the strategic concerns that are increasingly shaping corporate philanthropy.

However, for an organization like mine, some of the strategic issues of particular interest warrant comment.

For example, an increasing political theme in the strategic philanthropy of corporate grantmaking is triumphalist free market evangelism. Grant recipients of all stripes know that to play the game, they have to tone down their political positions, particularly those that relate to calls for government regulation and oversight of corporate behavior. In fact, it should be pretty obvious that U.S. philanthropy has hardly been supportive of corporate watchdogging, since the founders and trustees of private foundations are hardly dominated by grassroots social change interests.

Our tracking of the limited extent of corporate philanthropy that is reported reveals some intriguing politically inspired grantmaking, for example, substantial grants from U.S. defense contractors to the Center for security Policy, particularly its 2002 initiative that became eerily prescient, “turning soccer moms into security moms.” Before the 2004 elections, that was always a laugh line. Corporate support of major nonprofits such as the Foundation for Teaching Economics, the National Right to Work Legal Defense Foundation, and Grover Norquist’s Americans for Tax Reform are notable. No one should forget Enron’s grantmaking to the anti-regulation Mercatus Institute, at which Enron board member Wendy Gramm held a senior position. That probably wasn’t the only rationale for the grant, since Wendy has a spouse who at the time was a rather influential Republican Senator from the state of Texas.

It’s easy to pick on the grantmaking of well known highly conservative corporate grantmakers like grantmaking of Koch Industries, the petroleum and chemical production behemoth, that supports free market organizations like the Cato Institute, Citizens for a Sound Economy, the Competitive Enterprise Institute, the American Legislative Exchange Council, the National Center for Public Policy

Research, and the Foundation for Research on Economics and the Environment, all aiming at limiting government regulation and taxation of the corporate sector.

More pernicious however is the remarkable generosity of some of the nation's best known corporations considered in the mainstream of corporate social attentiveness. For example, try the grants of AT&T, Exxon Mobil, the Limited Brands, and high tech billionaires Bill and Melinda Gates and Michael Dell to the ethically challenged foundation of one Tom DeLay, currently serving as Majority Leader of the U.S. House of Representatives. We don't know the full extent of corporate giving to and through the DeLay Foundation for Kids, since corporations that give to this political foundation if they don't want to be revealed for how much they pay for the face time to spend with DeLay and associates at the foundation's fundraising soirees. The mainstream press has also examined the grantmaking of something called the Capital Athletic Foundation, created and run by a lobbyist associate of DeLay's named Jack Abramoff, whose international grants included giving to organizations that helped purchase weapons for Israeli settlers in the occupied territories on the West Bank.

Tie this back to mainstream corporate giving? One of the major gifts to Abramoff's foundation came from the National Center for Public Policy Research. That Center, a high profile ideologically conservative institution, was a huge grant recipient of many corporations, including some half million dollars or so from Exxon Mobil. No, it wasn't Exxon's money that directly paid for the money to Capital Athletic that went to the armament of West Bank settlers, but money is fungible, and it's hard to believe that corporate funders are quite that uninformed about the political genetics of the political NGOs they're funding.

The politicization of corporate philanthropy comes in many forms. One of the more significant areas of concern is when corporations' deployment of their international grantmaking and partnerships is hardly meant for NGOs that are

reasonably independent of their corporate beneficiaries. A few years ago, the Council on Foundations chose to highlight as its models of corporate grantmaking Nike and the Gap for their grants to an NGO purportedly monitoring sweatshop conditions around the world where the two corporations did their manufacturing or purchasing.

The highlighted NGO was a problematic venture to promote, since the governing board of the NGO was largely executives from Nike and the Gap. Regardless of how well intentioned the two corporations might have been in this example of philanthropy, it was hardly an example of philanthropy, since the corporation could reasonably have been characterized as controlled by the grantmaker. If Nike and the Gap were promoting themselves as venture philanthropists, maybe taking positions on the nonprofit's board might have been an expression of technical assistance, but it's hard to make that case, especially when at least one of these corporations was among the leaders of an effort fighting against fair wage and other protections for sweatshop workers in the Marianas Islands. That campaign was supported by philanthropist Tom DeLay who called the relatively unregulated Marianas quote, "the perfect Petri dish of capitalism," and the lobbyist for the campaign was Capital Athletic's Jack Abramoff.

The issue of reputations on the line doesn't seem to be quite specific enough to this issue. It isn't a question of reputations at risk due to a relationship with a corporate grantmaker. It is a question of understanding the corporate business model that is at work in the relationship. Maybe examples of the ethically debased Enron or the ideologically hard-line Koch Industries or the public relations-shaky Gap and Nike only reflect part of our concern. It's the corporate business model that grant recipients have to be attentive to as they seek and accept corporate support.

The epitome of examples is the Wal-Mart Corporation, whose corporate philanthropy makes it the largest corporate cash grantmaker there is, as opposed to

those corporations that are increasingly dependent on measuring their philanthropy in terms of the value of donated product and in-kind services. Wal-Mart's international leadership as the world's largest retailer and private employer extends to philanthropy. Wal-Mart's philanthropy is part and parcel of its corporate model, recruiting nonprofits to support its growth—or at least not stand in the way of its development plans—and promoting its worldview of social change.

The pattern of corporate grantmaking and family foundation grantmaking from Wal-Mart and the Walton family behind the retail behemoth reflects a strong corporate business model. Although the growth in Wal-Mart profits has slowed recently, the Wal-Mart corporate foundation's giving increased 70 percent between 2002 and 2004. Increased philanthropic motives or an effort to deflect the critical reviews the corporation has been getting around the world, where communities give equally non-union retailers like Target and others a free ride, concentrating their hostility on Wal-Mart. Unlike many, though increasingly like more corporate grantmakers, Wal-Mart is quite willing to fund faith-based nonprofits, reflecting the faith-based orientation of the Walton Family. The corporation and the family both fund religious schools, private schools, school vouchers, and governmental deregulation, all parts of the Wal-Mart vision of an improved society within which the Wal-Mart corporate model works best.

Clearly, corporations can change as a result of interactions with NGOs. Some would say that Nike and the Gap are clear examples of corporations that have seen glimmers of light no doubt due to the advocacy of NGOs swarming over their connections with sweatshop manufacturers—though those improvements could hardly be construed as the result of the corporations' grants to their own client sweatshop monitoring NGO. While it probably is not incorrect to say that even the most socially responsible corporations tend to chafe at the prospects of governmental regulation, not all corporations are as ideologically driven in their

philanthropic grantmaking as the players at Koch Industries or in the Wal-Mart constellation.

Nonetheless, in an environment where corporations are scratching and kicking to reverse the Sarbanes-Oxley trend of increased scrutiny in the wake of the collapse of industry self-regulation, when picking their corporate partners, NGOs must be attentive to the agendas of the corporate grantmakers, the limitations of corporate philanthropic accountability, and the national and international global politics of the corporate sector.