



# EGGA Journal

FALL 2008

Aligning Mission and Investments  
Fully Leveraging Philanthropic Capital  
for Environmental Change

# Contents

## 1 Executive Director's Letter

### COVER STORY

*An in-depth feature on a vital topic of interest*

## 2 Mobilizing Assets, Multiplying Impact: Fully Leveraging Philanthropic Capital for Environmental Change

### TRENDS

*Overviews of emerging issues*

## 8 Toward a Corporate Rating System to Guide Social Investing: A Closer Look

## 10 Green Expands to Hedge Funds: Opportunities for Funders

### REPORTS FROM THE FIELD

*Brain F.O.O.D. — facts, opinion, oratory, and data — about the work of EGA's members and affinity groups*

## 12 Feeding Jamaica: Solutions that Serve People and the Environment

### COLLABORATION CORNER

*Successful, replicable foundation partnerships that can “turbo-charge” our work*

## 14 Investor Power Plus Organized Community Leaders Equals Results

### LESSONS LEARNED

*Special triumphs (or pivotal mistakes) readers can apply to their own work*

## 16 The Saga of Baca Ranch: How a Pivotal Program-Related Investment Protected an Aquifer, Saved a Wilderness, and Helped Create a National Park

## 18 Brainerd Foundation Sunsets

### WHY NOT HERE?

*News from abroad for use at home*

## 19 The Heat Is On: Emerging Opportunities for Renewable Heating

### PERSPECTIVES

*Provocative viewpoints or debates within the environmental movement*

## 21 Get Off Your Assets for Climate!

### INSIDE EGA

*Latest goings-on within the organization*

## 22 EGA Take Prominent Role at Council on Foundations Leadership Summit

## 23 The European Foundation Centre Launches Environmental Affinity Group

### MEET THE MEMBERS

*News and profiles of EGA members and environmental and philanthropic leaders*

## 24 “Solving Today’s Problems with Today’s Money”: An Interview with John Hunting

## 26 LETTERS TO THE EDITOR

### WORDS FOR THOUGHT

*Concise reviews of books and reports worth reading*

## 27 Transforming Contemporary Capitalism

## 28 Do Unto Other Species...

*Cover Photos by:* Top row, left to right: Connecticut Coalition for Environmental Justice; Courtesy of the Brainerd Foundation. Center, left to right: Jim Nelson; istockphoto.com/David Safanda; Courtesy of the Center for Ecoliteracy. Bottom, left to right: Javier Sanchez; James Whitehead, Prodigraphics.com; ewingphoto.com

## 2008 EGA Board of Directors

### Tracy Austin

Mitsubishi Corporation Foundation for the Americas

### Heidi Binko

WestWind Foundation

### Gretchen Bonfert

The McKnight Foundation

### Stuart Clarke

Town Creek Foundation

### Anisa Kamadoli Costa

Tiffany & Co. Foundation

### Jon Cracknell

JMG Foundation

### Danielle Deane

William and Flora Hewlett Foundation

### Michelle DePass

Ford Foundation

### Aileen Lee

Gordon & Betty Moore Foundation

### Pete Myers

Jenifer Altman Foundation

### Mike Pratt

Scherman Foundation

### Marni Rosen

Barbara Smith Fund

### Larry Shapiro

Rockefeller Family Fund

## EGA Staff

### Jason Babbie

membership services director

jkbe@ega.org

### Luis Davila

enhancing the field director

ldavila@ega.org

### Rachel Goldstein

development manager

rgoldstein@ega.org

### Bryce Hesterman

special projects coordinator

bhesterman@ega.org

### Dana Lanza

executive director

dlanza@ega.org

### Ann Leonard

Funders Workgroup for Sustainable

Production and Consumption coordinator

aleonard@ega.org

### Mark Randazzo

Funders Network on Trade & Globalization coordinator

mark@fntg.org

### Linda Smith

EGA event planner

Linda@greenmeetings.us

### Eric Waters

operations manager

ewaters@ega.org

**EGA Journal is published twice a year as a service to our members. The views expressed are those of the authors, and not necessarily those of EGA.**

**We welcome your contributions and feedback on articles. (Deadline for the Spring 2009 issue to be announced.) Send your materials by e-mail to: editor@ega.org**

### Editors

Dana Lanza, EGA executive director

Miranda Spencer, editorial consultant,

mirandasp@comcast.net

Eric Waters, publication coordinator

### Designer

Design Action Collective

Printed with soy ink on 100% post-consumer waste recycled paper.

# Executive Director's Letter

BY DANA LANZA



photo: Djavad Gasi

## Dear Members:

As we ready ourselves for the last quarter of the year, I hope that this issue of the *EGA Journal* finds you harvesting the joys of late summer, while preparing to hunker down for the coming seasons. Fall is the perfect time to gather what we have learned during the earlier parts of the year, sifting through what we hope to hold and grow anew, while reflecting on how to do things in a better way in times to come.

From a funding perspective, such reflection might take the form not just of grants analysis, but also some hard contemplation about the utility of our investments. Just as grantmaking fertilizes our hope and vision for a more sustainable and equitable world, so too does our participation in the market seed our intention to create the sort of world in which we want to live.

The theme of this issue of the *Journal* is how foundations are maximizing their assets in service to a vision of deep change. Known by a variety of terms, including “fiduciary responsibility,” “mission-related investing,” “fully leveraged asset management,” and “mobilized assets,” this process is about how to make the most of your foundation’s mission by leveraging your investments. The four broad strategies discussed are mission-related investing, program-related investing, shareholder activism, and increasing payout or spending down philanthropic assets. The cover story, “Mobilizing Assets, Multiplying Impact,” beginning on page 2, explains these strategies at length.

At this year’s EGA Retreat, the opening plenary will be focused on the question of asset management. In addition, we have organized several other activities around this theme. We believe that the complexity of the impending environmental crisis compels foundations to use every means possible to aid the transition to an economy that does little if no harm, and does not disrupt our planetary ecosystem. As shown in the stories in this issue, environmental grantmakers are responding to the call for action.

At the same time, the question of asset management is gaining wider attention throughout the broader spectrum of philanthropy. It has been discussed formally at all of this year’s top philanthropic events, including the Council on Foundations Annual Conference, the European Foundation Centre General Assembly, and the Global Philanthropy Forum, among others.

Philanthropy has a unique role to play in the ensuing challenges of our time. As we step forward into a climate-changed world, it seems appropriate for environmental funders to act as role models within philanthropy, the non-profit sector, and the world at large, demonstrating the sorts of actions that need to be taken. May EGA members step forward as committed and visionary leaders of economic change by targeting all of our resources for a sustainable future!

Hopefully yours,  
Dana

### The EGA 2008 Editorial Committee

Diana Cohn, executive director, Panta Rhea Foundation

Dana Lanza, executive director,  
Environmental Grantmakers Association

Miranda Spencer, editorial consultant

Michael Stone, senior editor, Center for Ecoliteracy

Stephen Viederman, retired, Jessie Smith Noyes Foundation

Ken Wilson, executive director, The Christensen Fund

... and special thanks to guest editor Michael Passoff,  
associate director, As You Sow Foundation

## Mobilizing Assets, Multiplying Impact: Fully Leveraging Philanthropic Capital for Environmental Change

BY JOSHUA HUMPHREYS, HARVARD UNIVERSITY AND THE CENTER FOR SOCIAL PHILANTHROPY

The foundation community is currently undergoing a sea change in the way it uses philanthropic capital to advance charitable goals. Consider:

- 💰 Recent research from FSG Social Impact advisors, a philanthropy consulting firm, identified some \$2.3 billion in what it described as “proactive” or “strategic” mission investments made by more than 90 foundations surveyed in 2007;
- 💰 According to the *Chronicle of Philanthropy*, more than one-quarter of the top 50 largest foundations incorporate at least one social or environmental factor into endowment management;
- 💰 The Social Investment Forum has documented more than \$57 billion in foundation endowment assets that were screened according to at least one social or environmental issue;
- 💰 The Forum also identified nearly 20 foundations that filed or co-filed a shareholder resolution on a social or environmental issue during 2005-2007; collectively, they control \$1.5 billion in investment assets.

Increasingly, foundation officers, trustees, and program officers are reexamining the assets at their disposal and considering how to deploy them as deliberately as they can. In addition to making grants for environmental programs, many foundations have mobilized financing through program-related investments (PRIs; see *definition*, page 7), and many members of the Environmental Grantmakers Association are already leading the way in developing and executing creative, more fully leveraged philanthropic strategies, from investing in “double-bottom-line” enterprises and intermediaries that produce both financial and environmental returns to actively voting proxies in companies they own, filing shareholder resolutions, and joining with other shareholders in investor coalitions and networks of mutual concern.

Although financial markets have recently suffered from the turmoil of the sub-prime lending crisis and record-high oil prices, capital markets have also seen an unprecedented wave of innovation in environ-

mental and social investing over the last several years. New investment products, services, and vehicles are seeking to capture opportunities presented by environmental issues while mitigating the financial risks posed by environmental liabilities. Investment managers and consultants are developing the capacity to incorporate environmental, social and corporate-governance (ESG) factors into investment analysis because they recognize them as long-term fiduciary issues.

Foundations with environmental programs thus find themselves poised to take unprecedented advantage of this emerging landscape of experimentation and innovation within both philanthropy and finance. By more actively mobilizing their assets in these ways, foundations can use untapped endowment resources to take on specific environmental issues that reinforce or extend the reach of their grantmaking activities. And far from compromising financial responsibility, institutional investors are finding, mission-aligned environmental

investing strategies can help strengthen the long-term stewardship of assets.

### Finding More for Mission

Quantifying the leverage that EGA members currently wield to produce environmental impact remains a challenge. EGA's own efforts to “track the field” of environmental grantmaking has identified approximately \$200 billion in EGA-member endowments, which constitutes around one-third of the more than \$615 billion in assets held in all US-based foundation endowments. EGA members pay out nearly \$697 million in grants for environmental programs each year, a rate that many worry simply pales beside today's environmental challenges. (For comparison, in the wider US philanthropic community, around \$39 billion was paid out in grants in 2006, the most recent year documented by the Foundation Center.)

Last year at the Council of Foundations meeting in Seattle, several foundations involved in mission-related investing issued an unprecedented challenge to the foundation community to dedicate 2 percent of endowment assets to investments that produce social outcomes in support of philanthropic missions. Lead by the Annie E. Casey Foundation, the F. B. Heron Foundation, and the Meyer Memorial Trust, the “Two Percent for Mission” challenge seeks to mobilize more than \$10 billion of philanthropic capital into mission investments over the next five years. Several environmental grantmakers including the Gaylord & Dorothy Donnelley Foundation, Needmor Fund, Russell Family Foundation, and Tides Foundation have joined the initiative, along with an expanding group of more than a dozen other foundations with more than \$18 billion in combined investment assets. If EGA members were to join the campaign and commit at least 2 percent of endowment assets to mission, \$4 billion in capital could be rapidly channeled into this growing area.

### Exploring Opportunities, Reinventing Portfolios

Whatever percentage grantmakers choose to devote, they can take advantage of the recent growth of environmental investing opportunities in the capital

markets. Last year, the Social Investment Forum documented \$45 billion in total net assets managed with explicit environmental criteria in 146 different investment vehicles spanning a variety of investment companies and asset classes, from mutual funds to exchange-traded funds (ETFs) to alternative investment funds. By 2007 environmentally oriented ETFs managed more than \$2 billion in total net assets, tracking indices focused on issues such as climate change, renewable and alternative energy, clean and green technology, and environmental and water resource management.

One of the fastest growing areas in environmental investing is in alternative asset classes such as private equity and venture capital, hedge funds, and responsible real estate funds. The Social Investment Forum identified nearly \$5 billion in capital raised through approximately 40 different US-based alternative investment vehicles incorporating a variety of



The growing demand for wind power offers green investment opportunities.

environmental issues into their portfolios. According to the Sustainable Energy Finance Initiative of the United Nations Environment Programme (UNEP), global investment in sustainable energy broke all previous records in 2007, with \$148.4 billion of new money raised.

According to David Wood, director of the Institute for Responsible Investment (IRI) at Boston College's Center for Corporate Citizenship, the climate crisis has created new environmental investing opportunities. "Investors have become increasingly sensitive to the risks and opportunities that climate change brings to their entire portfolio," he said. "New strategies are evolving, from environmental banking, to green and transit-oriented real estate development, to careful consideration of the carbon implications of infrastructure investments."



Global investments in sustainable energy, such as solar power (above) broke all previous records in 2007.

### Tackling Climate Change

One of the most ambitious recent efforts to leverage investment assets to address the risks and opportunities of climate change is the Investor Network on Climate Risk (INCR), a project of the coalition Ceres. INCR was launched in 2003 at the first UN Investor Summit on Climate Risk with an action plan to promote enhanced disclosure and improved corporate governance practices. Initially a coalition of 10 institutional investors with \$600 billion in total assets under management, it has since grown to a \$5 trillion network of more than 60 investors, including six environmental grantmaking foundations. Nineteen foundations joined

other institutional investors, state treasurers, and fiduciaries to convene the most recent UN Investor Summit on Climate Risk, which took place earlier this year, and 14 foundations have become signatories to INCR's Action Plan that emerged from the summit.

Not all INCR signatories necessarily leverage their assets according to the same blueprint. Some are actively committing portions of their endowment assets to the growing number of climate-related investment vehicles; others are voting their proxies actively on climate issues or engaging directly with companies they own. A small number of foundations, such as the Needmor Fund and the Nathan Cummings Foundation, have filed or co-filed shareholder resolutions on issues of concern. Indeed, the Needmor Fund, an Ohio-based family foundation of heirs to the founders of The

Champion Spark Plug Company, addresses climate matters as part of a much more comprehensive mission-related investing policy, which incorporates a broad array of social and environmental screening criteria, avoiding poor environmental performers, divesting from nuclear power producers, and seeking investment opportunities in companies with positive environmental attributes.

### The Impact of Active Ownership

The Nathan Cummings Foundation, a family foundation created by the founder of the Sara Lee Corporation with more than \$560 billion in assets, established shareholder policies on proxy voting and resolution filing in 2002. As Lance E. Lindblom, President and CEO of the foundation, explained, "The foundation is an active shareholder, filing shareholder proposals on issues with implications for both societal well-being and long-term corporate profits. We don't view this approach as 'green' investing, but rather responsible investing." He added, "Our philosophy is that implementing policies to enhance

## Shareholder resolutions have led to measurable changes in corporate disclosure policies and practices.

energy efficiency, reduce greenhouse-gas emissions, or simply improve the way environmental issues are handled is good for long-term shareholder value. Rather than divest from a company that appears to be doing a poor job of addressing environmental issues—and leave a premium on the table for bad management—we use our standing as share holders to push for better disclosure and improved environmental, social and governance practices." Since 2003, the foundation has filed or co-filed more than 35 different resolutions on environmental issues, and in several cases obtained measurable changes in corporate disclosure policies or practices at companies such as Smithfield Foods, XTO Energy, and Apache Corporation.

Indeed, the leverage that shareholders can exert highlights the vital role that proxy voting (see box, page 6) plays in the resolution process. Proxy votes are material assets, governed by fiduciary duty, so institutions have a responsibility to make sure their votes are cast prudently in ways that reflect their concerns as asset owners and investors. And proxy votes provide the most immediate way for investors to communicate their concerns about environmental, social, and governance issues to companies, and are one of the simplest ways for foundations to begin aligning mission with investments. Leading foundation shareholder advocates such as the As You Sow Foundation and the Jesse Smith Noyes Foundation have worked closely with Rockefeller Philanthropy Advisors to develop proxy voting resources designed specifically for foundations (see Resources, page 6).

### More Power in Numbers

Finally, joining investor coalitions can give environmental foundations a front row seat on leading trends in responsible investing. For example, in addition to participating in INCR, they can join the Carbon Disclosure Project, a special project of Rockefeller Philanthropy Advisors that provides a nonprofit coordinating secretariat for more than 380 institutional investors with a combined \$57 trillion of assets under management to

gain information on the business risks and opportunities presented by climate change and greenhouse gas emissions from 3,000 of the world's largest companies. They can sign on to the United Nations Principles for Responsible Investment (UNPRI), sponsored by the UN Environment Programme and Global Compact, which provides voluntary and aspirational guidelines on incorporating environmental, social and governance issues into investment management, and gives signatories access to a growing global network of responsible institutional investors, investment managers, and ESG service providers. There is also the Investor Environmental Health Network (IEHN), a relatively new shareholder network for investors concerned about the financial and public health risks associated with toxic chemicals policies. Through direct dialogue and filing shareholder resolutions at corporations around the world, IEHN members encourage companies they own to adopt policies to reduce and eliminate toxic chemicals from their products in order to mitigate risks of litigation and enhance long-term shareholder value. The network is sponsored by an EGA member, The Rose Foundation for Communities and the Environment, as part of its Environmental Fiduciary Project. Many other groups are actively seeking new members.

### Taking the Next Steps

For program officers and foundation executives who are interested in exploring the ways that mission-related investing and other more fully leveraged philanthropic strategies can expand the impact of their foundation's environmental work, the biggest barrier to breach is often the internal firewall erected between foundation programs and finances. Program staff will need to develop a greater comfort level with the concepts and tools of investing in order to address the fiduciary concerns of foundation trustees and finance officers. The examples and resources cited in this article and in Resources show the real potential benefits of leveraging foundation assets more fully for mission. And the time to do so is now. ■

## RESOURCES

“Unlocking the Power of the Proxy: How Active Foundation Proxy Voting Can Protect Endowments and Boost Philanthropic Missions” (2004), available at [www.asyousow.org/publications/powerproxy.pdf](http://www.asyousow.org/publications/powerproxy.pdf)

“Managing the Risks and Opportunities of Climate Change: A Practical Toolkit for Investors” (2008), available at [www.ceres.org/NETCOMMUNITY/Document.Doc?id=332](http://www.ceres.org/NETCOMMUNITY/Document.Doc?id=332)

“Toxic Stock Syndrome: How Corporate Financial Reports Fail to Apprise Investors of the Risks of Product Recalls and Toxic Liabilities” (2008), available at [www.iehn.org/documents/IEHN%20Toxic%20Stock%20Report%203-08.pdf](http://www.iehn.org/documents/IEHN%20Toxic%20Stock%20Report%203-08.pdf)

“Handbook on Responsible Investment Across Asset Classes” (2007), available at <http://bcccc.net/index.cfm?fuseaction=document.showDocumentByID&nodeID=1&DocumentID=1170>

“The New Passing Gear: Mission-Related Investing, A Policy and Implementation Guide for Foundation Trustees” (2008), available at <http://rockpa.org/wp-content/uploads/2008/01/MRI.pdf>

“Mission in the Marketplace: How Responsible Investing Can Strengthen the Fiduciary Oversight of Foundation Endowments and Enhance Philanthropic Missions” (2007), available at [www.social-invest.org/pdf/research/Mission%20in%20Marketplace%20-%20Resource%20Guide.pdf](http://www.social-invest.org/pdf/research/Mission%20in%20Marketplace%20-%20Resource%20Guide.pdf)

“Demystifying Responsible Investment Performance” (2007), available at [www.unepfi.org/fileadmin/documents/Demystifying\\_Responsible\\_Investment\\_Performance.01.pdf](http://www.unepfi.org/fileadmin/documents/Demystifying_Responsible_Investment_Performance.01.pdf)

The Chicago Tribune calls it the “bible for socially progressive foundations”:

## Proxy Season Preview



Global warming, environmental health, sustainability, conservation, native rights...every year shareholders propose hundreds of resolutions on social and environmental issues that are directly relevant to foundations' missions.

Learn how your foundation — by voting its shareholder proxies — can leverage its investments and help push public companies to act on these vital issues.

The *Proxy Season Preview* is designed specifically to help foundations identify these resolutions and vote their proxies in an informed manner. The *Preview* highlights key issues, describes current social and environmental resolutions, identifies the investors and organizations filing them, provides a comprehensive list of companies and upcoming proxy votes, features media stories and new foundation reports, and includes a resource section that will enable foundations to learn more about what their colleagues are doing to align mission and investment.

The 2008 edition from As You Sow, Rockefeller Philanthropy Advisors, and the Jessie Smith Noyes Foundation is available at no charge at [www.asyousow.org](http://www.asyousow.org), [www.rockpa.org](http://www.rockpa.org) or [www.noyes.org/mrinvest.html](http://www.noyes.org/mrinvest.html)

Contact AYS at [asyousow@asyousow.org](mailto:asyousow@asyousow.org) if you wish to be added automatically to the email list for the 2009 *Preview*.

## Investment Tools to Support Your Mission: A Primer

Mobilizing assets is not a style of investing, like large-cap, small cap, value or growth. Rather, it is a way of looking at the investable universe to achieve long-term value. Consideration of the political, environmental, cultural, and social context in which all investments are made, and assessment of the risks and opportunities thus presented, are integrated with traditional financial analysis — resulting in insights to strengthen a portfolio over the long term.

Deciding to get involved is not an either/or decision. It is a process of finding your comfort level with the various investment tools available for harmonizing, to the extent possible, your philanthropic goals with your investment process. Some of the most promising tools include:

1. Community investment: Cash kept for administrative and grant expenses can be invested in community-development financial institutions (CDFI) that are federally insured, provide full liquidity, and offer rates of return competitive with commercial banks. These CDFIs can be found in your local community, or in communities in the United States and overseas in which you have grantmaking interests. Community investments may also be made at market rates as part of a fixed-income portfolio.
2. Shareholder activity: “Shareholder” implies a passive relationship between the investor and the company in which his or her money is invested. But the term carries with it the responsibilities of ownership. Shareholders thus have a responsibility to let their portfolio companies know how they feel about important environmental and social issues by voting their proxies and eventually co-filing and, perhaps, filing their own shareholder resolutions. These activities can be an especially powerful tool adding value to the grant where grantees are involved in corporate campaigns and where the foundation is seeking to change corporate behavior around general program areas.
3. Portfolio management: Equity and fixed-income investments are managed in a number of ways: active, passive, indexed, directly, or through mutual funds and other common funds. Over the last decades many foundations have harmonized their portfolios by screening out companies whose prod-

ucts, processes, and activities they find problematic and by creating portfolios of companies whose actions they believe to be positive, and/or portfolios that reflect the companies that are rated best-in-class in their economic sectors. More recently, special topic funds have reached the market, including The U.S. Community Investing Index, climate change funds, water funds, clean tech funds, and more. Combinations of these approaches are also possible, and many foundations start by investing a small portion of their portfolio in these areas, expanding as their comfort level increases.

4. Alternative investments: Private equity funds, venture funds, hedge funds, and real estate investments that integrate social as well as financial goals are available with special concerns for climate, water, real estate, forestry, and health, among other topic areas. Alternative investments invest in non-publicly traded companies at different stages of development. Just as they vary by subject, this type of investment varies by risk profile and fees (both higher). It is especially important to examine them closely to ensure their goals are similar to yours. For example, many “sustainable forestry” funds focus almost exclusively on the forests but do little to sustain communities adjacent to the forests in ways that add value for all.
5. Program-related investment (PRI): PRIs are below market and market-rate repayable loans that are charged to the grant budget—the 5 percent payout—rather than to the general endowment. Nevertheless, they are an important tool to add value to grantmaking where grantees and others cannot obtain loans from regular banks and other lending institutions.

All of the above investment tools are as applicable to small foundations as to large ones. Many believe that without a large endowment or large numbers of shares in companies for proxy voting their efforts are not likely to have an impact. Recall, however, the great anonymous philosopher who said: “If you think you are too small to make a difference, you have never been in bed with a mosquito.”

—Stephen Viederman

## Toward a Corporate Rating System to Guide Social Investing: A Closer Look

BY MICHAEL J. MARX, CORPORATE ETHICS INTERNATIONAL (ADVISER TO ROCKEFELLER BROTHERS FOUNDATION)

The foundation community has struggled for years with an ethical paradox. Program officers fund nonprofit organizations to solve social and environmental ills often associated with large corporations, while investment officers of these foundations invest millions of dollars in these same companies.

Similarly, institutional investors, such as pension funds, regularly invest in companies that are weakening the very labor movement they serve.

The fundamental challenge that well-meaning investors face is how to invest in companies that are socially and environmentally responsible while fulfilling their fiduciary duty. This challenge is complicated by socially and environmentally irresponsible companies “externalizing” their costs to others: government, communities, the environment, or other companies. As a result, in the short term such companies may appear profitable, and their success is rewarded by Wall Street via its singular focus on quarterly share price and earnings. But in the long run, society as a whole incurs the real-world costs of such shifting.

### Changing the Equation

So how do we change the fiduciary calculus such that socially and environmentally sustainable companies are financially rewarded, and unsustainable ones are punished? The answer begins with distinguishing one from the other and then re-directing capital accordingly through a reputable and reliable rating system.

If highly rated sustainable companies that internalize their costs were given a financial advantage by local, state, and federal government taxation and procurement policies, potentially hundreds of billions of dollars would be redirected and the fiduciary calculus on which foundation investment decisions are based would follow.

The key to redirecting capital is first to rate companies on their social and environmental practices, and then redefine “fiduciary duty” to enable foundations — as well as governments, institutional investors, and pension funds — to redirect their capital accordingly.

Numerous corporate rating systems already exist to measure environmental, social, and governance performance (ESG), ranging from mainstream financial institutions, such as the Dow Jones Sustainability Index and the FTSE4Good, to socially oriented research providers such as KLD and Innovest. Even mainstream Wall Street institutions such as Standard & Poor’s (S&P) and Moody’s are increasingly including environmental and social criteria in their corporate governance ratings. The problem is that these rating systems lack standardization, transparency and, in some cases, sophisticated methodology. They are also not embraced by the broader NGO community, which tracks its own issues and administers a myriad of surveys in order to rate good and bad actors. In the corporate community, the unfortunate result is survey fatigue. The need for a better solution has created an opening for NGOs to join with progressive companies, investors, and government entities to craft and promote a generally accepted rating system.

### Challenges of Standardization

Attempts to develop and achieve broad acceptance of a single approach face several challenges. First, it must not depend heavily on voluntary reporting. Fortunately, a growing body of environmental economics work enables industries and individual companies to be measured externally. For instance, the environmental research firm Trucost integrates a variety of public data sources (i.e., trade data, census data, industry statistics, and voluntary disclosures from leading companies) to develop industry- and company-specific analyses. Companies will be compelled to report voluntarily when they’re being rated regardless of their cooperation.

Second, many NGOs will persist in performing their own surveys to address their key issues. The harmonization of a rating system will need to be designed to evolve over time to incorporate those issues that are clear indicators of sustainability and surrogate measures for other issues.

Third, many of the leading rating firms may resist standardization in order to protect their market share. Administering a harmonized rating system will require a self-sustaining infrastructure to gather and analyze data, weigh and refine indicators, and rate and audit companies for compliance. It will gain credibility and market share when large companies such as Hewlett Packard, Wal-Mart, and Nike require their suppliers to use it when reporting on specific ESG criteria and when governments use it to guide corporate-related policies. A generally accepted rating scheme, in other words, will spawn a host of new business opportunities for firms already involved in the field.

### Strategies for Change

Despite the challenges, seizing this opening would be profoundly strategic for changing the nature and practices of corporations, according to a recently released report entitled “A Strategic Corporate Initiative”, funded by the Nathan Cummings and Panta Rhea foundations. Indeed, this report concluded that one of the seven most strategic paths for changing corporations was a harmonized rating system. The report subsequently spawned an NGO-Investor Corporate Ratings Working Group (RWG) under the aegis of Corporation 20/20 ([www.corporation2020.org](http://www.corporation2020.org)).

The RWG is in the process of expanding its stakeholder base and screening the most promising independent sustainability tools on the market to determine which is most capable of garnering universal stakeholder consensus. This process will set the stage for a next phase to move toward a standardized, generally accepted approach.

Changing the nature of corporations is a daunting challenge, but by effectively aligning, integrating, and managing a series of existing market mechanisms,



Too often, investment officers invest in stock of companies associated with environmental ills.

trillions of dollars could be redirected in a way that rewards sustainability leaders and penalizes laggards. The foundation world has an urgent and pivotal role to play in this transition, using its clout and its values to end the contradiction between program goals and endowment investment goals that has persisted for so long. ■

## Green Expands to Hedge Funds: Opportunities for Funders

BY ELIZABETH J. COLEMAN, BEATRICE R. AND JOSEPH A. COLEMAN FOUNDATION, AND LEE SLONIMSKY, MANAGING MEMBER, OCEAN CAPITAL PARTNERS LLC

As noted in headlines over the past decade, both the number of hedge funds and the value of assets under management have grown explosively. This expansion has been matched by new types of hedge fund investment strategy.

Less publicized, however, is the growth of socially conscious hedge funds dotting the landscape of more traditional forms of socially responsible investing (SRI). In fact, the largely unregulated environment in which hedge funds operate positions them to infuse money (more than one trillion dollars currently under management) and fresh concepts into SRI. For environmental funders interested in more closely aligning mission and investment, participating in or establishing socially conscious hedge funds is an opportunity worth exploring.

### Hedge Funds 101

Hedge funds were established by the 1940 Investment Company Act in response to the stock market and banking crises of the 1930s; the legislation was intended to lure the wealthy back into a moribund market by creating an investment vehicle that would greatly lower their risk—hence the term “hedge.” However, “hedge fund” is a structural term, not a strategic one. (See sidebar, page 11.) The core hedge fund principle has been to “sell short” (i.e., sell borrowed stock in anticipation of a decline in price, then profit by buying back the stock at the lower price) as well as to “buy long” (i.e., profit from a price rise), aiming to insure profits whether the market goes up or down, and to avoid the kind of catastrophic losses associated with the 1929 crash.

However, there is no global economic activity that cannot be accessed through a hedge fund. What this freedom means for environmental funders is not only a degree of creativity and control not found in other financial products but also an opportunity for greater returns in service of one’s mission, due to more flexibility in investment strategy and a larger number of investment tools.

### Imagining the Possibilities

Green hedge funds may as yet be few in number (a recent estimate puts the total around 70), but have been affected by the trend in socially conscious investing among mutual and other regulated funds. It is also possible to build a portfolio around an environmental agenda. For example, the hedge fund Green Hills Partners LP invests in bank and real estate stocks that have environmental commitments in their business models (for example, mortgage credits or buyer rebates when a house uses solar panels, or when land is safeguarded against development), and sells short banks and real estate stocks that have been negatively screened for both environmental indifference and poor business prospects, profiting when they decline. Essentially, a hedge fund manager with an environmental passion can be as creative with new concepts as his or her vision allows.

### Finding and Maximizing Funds

Foundations seeking to benefit from green hedge fund investing face two challenges: how to access and influence such funds, and how to obtain the best possible returns.

All major investment banks have “prime brokerage” departments, and a call to a prime broker may identify green funds. A foundation with sufficient assets (starting with a base of as little as \$10 million) could interest a manager in establishing such a fund, or moving a current fund in an environmentally conscious direction, with green concerns closely embedded in the investment strategy. Because hedge funds are limited to relatively few investors, who often

represent a significant portion of a fund’s assets, these investors often enjoy exceptional access to managers, including frequent meetings and even daily information about financial results. Indeed, hedge fund investing remains a “word of mouth” and relationship-driven business; investment forums held around the country offer additional opportunities to forge connections that can lead to green investing possibilities tailored to green goals.

As for financial concerns, the flexibility of hedge funds to create their own investment strategies (and social missions) can help alleviate any negative impact on returns from green investments. A mutual fund, for example, that wants to invest in the future of solar power could invest in a basket of related companies but find the venture faltering because of management problems in a company that have nothing to do with the profitability of solar power per se. A hedge fund, on the other hand, can investigate the same basket of companies, scrutinize management more thoroughly, and sell short a particular company with management problems while still investing generally in well-run alternative energy companies.

(Any freedom can lead to excess, and in the last decade a small minority of funds has bet on borrowing hundreds of millions of dollars to accentuate profits, betting heavily on one outcome. This is the opposite of hedging: It increases the risk of big losses rather than guarding against them, leading to crackups such as the recent demise of Bear Stearns. However, most managers run their funds prudently and intelligently, and some hold strong views on environmental and other social issues.)

### Tapping the Power

Hedge fund managers and foundation heads with a strong environmental commitment are in a unique position to associate the largely untapped resources of hedge funds with environmental progress. In this era in which managers can confront corporate boards and sometimes buy companies when they aren’t satisfied with results, it’s heartening to think of a hedge fund manager who owns a significant portion of an oil company with the power to advocate that more research funds be put into alternative energy. We urge EGA members to seriously consider tapping the power of hedge funds as an investment strategy that may ultimately allow them to plough more money into their mission. ■

For more information about green hedge funds, contact Lee Slonimsky at [oceanequity@earthlink.net](mailto:oceanequity@earthlink.net) or 212-567-1745.



## Hedge Funds: A Technical Explanation

Relatively unregulated, hedge funds are free to engage in everything from speculation in the commodities markets to trading stocks from a few times a month to a thousand times an hour, to taking positions in options, and more. However, all hedge funds have the following in common:

1. A partnership structure, most often 99 limited partners and a general partner.
2. Limited partners must be “accredited investors,” meaning they must meet requirements such as an income of \$200,000 per year for a single individual, or a net worth of one million dollars.
3. Reporting to the partners is generally via a quarterly letter, end-of-year report, and tax documents.
4. An “offering book” (prospectus) that outlines a proposed strategy. It is not legally binding but subjects the hedge fund manager to the criticism of “style drift” when not followed.
5. Unlike mutual-fund investing, where everyone receives the same prospectus and is entitled to the same terms, hedge fund partners can negotiate their terms with the general partner, most often through a “side letter.”
6. Advertising to the general public — even approaching a potential investor, with whom there is no “preexisting relationship” — is prohibited.

## Feeding Jamaica: Solutions that Serve People and the Environment

BY ZENOBIA BARLOW AND MICHAEL ABLEMAN, CENTER FOR ECOLITERACY

*Zenobia Barlow, cofounder and executive director of the Center for Ecoliteracy (www.ecoliteracy.org), and Michael Ableman, author, farmer, and Center food and farming adviser, visited Jamaica in February 2008 as part of a delegation from the Nobel prize-winning microlender the Grameen Bank. There, at a conference about poverty in the island nation, they discussed the central role of a sense of place, ecological stewardship, and local food systems in the alleviation of poverty. The Center for Ecoliteracy was invited because of its work with food and food systems education, and because the Center's Rethinking School Lunch program was a model decision makers in Jamaica thought could make a significant contribution to the Grameen model of microfinancing. Michael Ableman's urban agricultural projects were also seen as useful. Barlow and Ableman's goal was to encourage local funders and others to think more broadly in terms of people, community, and ecosystems in their design for the amelioration of poverty. The following article was compiled and edited from excerpts from their speeches and other facts about the work of the Center.*

### Making Connections in Jamaica

Jamaica is a land rich in food and cultural traditions, legendary rivers, and fiercely independent rural communities. As we consider schemes to alleviate poverty there, our intention is to remain conscious of the communities and ecosystems upon which all life and ultimately all wealth depend. The deprivation that manifests as poverty in Jamaica's human communities is being expressed as well in the depletion of her natural resources and the degradation of her environment.

The Center for Ecoliteracy in Berkeley, California, is a foundation engaged in fostering an understanding of how nature sustains life. The Center is dedicated to mirroring ecological wisdom in how we educate young people, conduct businesses, and design technologies. We seek solutions that simultaneously address the needs of human communities and the ecosystems in which they are embedded. As a way of testing the validity of our grantmaking and program-

matic strategies, we have adopted a problem-solving approach that engenders a cascading set of solutions rather than, as sometimes occurs, new problems in other areas. Thus, in the island nation of Jamaica, we must be mindful of the importance of a sense of place, ecological stewardship, and local food and agriculture as central to developing solutions to poverty.

We do not believe that one can separate economic poverty from the deprivation of land and seas, or the sense of disconnection from the interrelationship of all living things. Microlending — providing small loans for locals to start their own entrepreneurial businesses— provides a powerful system to encourage self-sufficiency among the poor, but is it really possible to create long-term self-sufficiency if the natural systems from which all enterprise is based are impoverished?

As energy prices continue to climb, land is diverted from food production to fuel production, and as climate change transforms the planet, the cost, quality, and secure access of food will become the dominant issues of our time, especially for populations already living on the edge. As an island nation wholly dependent on the importation of its basic food, Jamaica is especially vulnerable.

### A New View of Agriculture

At the Center for Ecoliteracy, we believe that farming must be central to efforts to reduce hunger and poverty. But we also believe that we need to completely rethink what we mean when we use the word “farming” or “agriculture.” We need to replace the dominant industrial paradigm of inputs in, products out. We need to refocus on management-intensive rather than resource- and chemical-intensive systems. We need to promote systems that depend on human resources, and emphasize place-specific knowledge of soils, weather, water, and the interactions and relationships among animals, plants, and humans.

Fortunately, in Jamaica the opportunities are as vast as the vulnerabilities. It still has vibrant rural communities, an excellent climate, good soil, abundant land, and a population that has, even under the most

difficult of conditions, maintained great dignity, intelligence, and creativity.

The Center for Ecoliteracy seeks to demonstrate that a person can make a decent living in agriculture; that it can be done in such a way that it does not destroy the health of people or the health of the land; and that creative ways exist to replace the painful memories of a nation whose agriculture was based on a plantation and slavery model that exploited both humans and the environment with a new model that honors farmers as craftspeople, artisans, and highly respected professionals.

To that end, we have begun work in the Parish of Trelawny, in collaboration with the hotel and resort firm Island Outpost and local citizens, to create a working food production model based on low-input natural systems. Our goal is for this farm to become a hub for the broader community; to model scale-appropriate tools, techniques and products; to act as an agricultural training center; and to provide cooling, packing, and processing facilities. Long term, we hope to establish a cooperative marketing and distribution system that will provide local farmers with better prices and access to markets.

While we need to focus on finding ways for Jamaicans to grow food to feed Jamaica, there is also a virtually untapped opportunity for small farmers to provide agricultural products to the ever-expanding tourist hotels on the island that now rely predominantly on poor-quality imported products to feed their guests.

The key to all of these goals is education and solid, ongoing technical and marketing support. We can achieve them through hosting training seminars, in-the-field farm advisors, and full-time post harvest, packing, and marketing staff. In this way, foundations focused on alleviating poverty are natural partners for environmental grantmakers.

### Promising Signs

We also observed that food and farming need not be restricted to rural areas. In our visits to poverty-alleviating projects in the city of Kingston, we were privileged to see inspiring examples of people reweaving lost con-



Children from Trench Town in the city of Kingston, Jamaica.

Photo courtesy of Center for Ecoliteracy

nections of communities to place, and food to culture and the environment. In Trench Town, mythologized in the music of Bob Marley but seen as a troubled place in newspaper headlines, we sampled warm, fragrant gingerbread fresh from an oven in a bakery that provides revenue, training, and nutrition to an impoverished neighborhood at the Laws Street Training Center.

Outside the Amsterdam Theatre, a building recently reclaimed by the Agency for Inner City Renewal (AIR) to provide a school where training projects are gaining traction, we witnessed a huge rosette of vibrant greens being harvested from a bed eked out of a bare scabbled hillside and handed joyfully to someone on her way to work at a cooking pot.

As foundations and other interested organizations and individuals continue on the path of designing financing and development strategies in Jamaica, we must reinvest in the country's traditions in ways that create cascading solutions, extending out into an ever more promising future. ■

To read the complete speeches by Barlow and Ableman, please visit the Center for Ecoliteracy at [www.ecoliteracy.org](http://www.ecoliteracy.org). Barlow's speech appears at [www.ecoliteracy.org/publications/zenobia\\_barlow\\_jamaica.html](http://www.ecoliteracy.org/publications/zenobia_barlow_jamaica.html); Ableman's is at [www.ecoliteracy.org/publications/michael\\_ableman\\_jamaica.html](http://www.ecoliteracy.org/publications/michael_ableman_jamaica.html)

## Investor Power Plus Organized Community Leaders Equals Results

BY DAVE BECKWITH, THE NEEDMOR FUND AND LOIS GIBBS, CENTER FOR HEALTH, ENVIRONMENT AND JUSTICE

Thirty years ago, the Love Canal, New York community crisis topped newscasts and made headlines across the country. Residents, led by a young homemaker named Lois Gibbs, wanted Occidental Petroleum to relocate families from their homes near a leaking toxic waste dump. While citizens at Love Canal were protesting, Luella Kenny, one resident who had recently lost her young son, was speaking at Occidental Petroleum's shareholders meeting in California. For the first time, the corporation understood the magnitude of the suffering and was challenged to take action.

Out of that struggle was born the modern grassroots anti-toxics movement, and the Center for Health, Environment and Justice (CHEJ). Headed by Gibbs, this national organization is dedicated to supporting local groups and making systemic change.

The Needmor Fund, a family foundation based in Toledo, Ohio, was an early funder of CHEJ. Founded in 1956 by Duane and Virginia Secor Stranahan, Needmor had a history of funding controversial groups — the Gray Panthers, antinuclear activist Karen Silkwood, Teamsters for a Democratic Union.

### The Move to Conscientious Investing

Soon after the grassroots success at Love Canal and elsewhere exploded into the modern environmental health movement and led to the establishment of Superfund (the federal program to clean up toxic waste), Needmor began to look beyond grants to its investments as another possible tool to accomplish its mission “to work with others to bring about social justice.” The issue was sparked by a contradiction—Needmor funded community and labor activists who were fighting over a local nuclear processing plant owned by Kerr-McGee, but at the same time, the endowment owned shares in the company.

Needmor discovered that other investors were also struggling with this challenge, and sought their advice, as well as assistance from the Social Investment Forum, a membership group of investors committed to socially and environmentally responsible investing. We then adopted three investment strategies we use

to this day. The first is negative screens — determining the types of enterprises from which we would not want to make money. Fund managers are instructed to screen out companies that, for example, have poor human rights records or are involved in nuclear power or tobacco production.

Second, Needmor looks for positive community impact. These investment opportunities are not program related investments (PRIs) but market-rate products that are expected to perform well. Needmor keeps nearly 15 percent of its endowment in this type of investment. Whether it's certificates of deposit in smaller community-development banks and credit unions (insured and at a fixed interest rate) or mortgage-backed securities composed of mortgages from community development projects in inner city and poor rural areas, Needmor expects a “double bottom line” positive return.

Finally, Needmor takes its responsibility as an owner in the companies in its portfolio very seriously. We sponsor shareholder resolutions to, for example, improve sustainability by requiring the reporting of carbon emissions. In coalition with other shareholders, we aggregate our proxy votes to affect corporate behavior.

We've also found that when grantmakers, investors, and shareholder activists work strategically and collaboratively with consumers and grassroots environmental health groups, we can further advance those practices that are protective of human health and the environment and that create sustainable industries. A more recent campaign by CHEJ against the plastic polyvinyl chloride (PVC) offers an ideal illustration.

### Targeting Target and the Power of Collaboration

In 2005, CHEJ launched a nationwide campaign calling on Target, one of our nation's largest retailers, to phase out PVC in its products and packaging. PVC, commonly referred to as vinyl, is known as the “poison plastic” because it is dangerous to human health and the environment throughout its entire life cycle. In conjunction with the campaign, members of the Investor Environmental Health Network (IEHN), led by the As You Sow Foundation, sent a letter signed by multiple faith-



Media event outside Target store in conjunction with the launch of the anti-PVC campaign.

based and SRI investors, expressing concerns about the financial, legal, and reputational risks the company faced by continuing to sell PVC products.

As the insiders — shareholders — engaged in dialogues with the company, CHEJ coordinated a major public mobilization including news conferences and protests outside Target stores (featuring a giant 25-foot inflatable PVC rubber ducky), the launch of a viral flash internet video, and a nationwide letter-writing campaign. Because the company continued to refuse to develop a comprehensive plan to eliminate the plastic, organizers escalated the campaign, deciding to focus efforts strategically on influencing Target's annual shareholder meeting.

Members of the IEHN lent CHEJ and their allies their proxy tickets to attend Target's May 24, 2007 event, where they planned to address the CEO. On the day of the meeting, CHEJ released a major report documenting the ways Target was lagging behind competing retailers on PVC, held demonstrations at 200 Target stores nationwide, and staged a news conference and a spirited protest outside of the company's meeting place. CHEJ also published an ad in the popular newspaper *USA Today*, calling on the company to “stop ducking the truth” about the dangers of PVC.

At the meeting itself, advocates presented the CEO a copy of the *USA Today* ad along with petitions signed

by more than 10,000 concerned Target customers, calling on the company to phase out PVC. During the question-and-answer period, thanks to the shareholders, advocates were able to dominate the meeting, as every other question posed to the CEO was about the PVC problem. Soon after, Target met with the advocates and shareholders and announced a new plan to phase out PVC in their products and packaging.

The victory proved the power of coordinated insider/outside strategies among CHEJ and shareholder advocates. It also led other competing retailers to announce and develop similar PVC policies.

### A Continued Commitment

The Needmor Fund continues to believe that the money we control bears a burden of mission. Every dollar is a tool. When we put the mission first — at both at the finance and the grantmaking levels — we are using every tool in the box. Our financial returns haven't suffered — in fact, our portfolio regularly outperforms its benchmarks, in many cases by 2 percent to 4 percent. It's all proof that doing good and doing well can go hand in hand. ■

### Resources

CHEJ: [www.CHEJ.org](http://www.CHEJ.org)  
 Needmor Fund: [www.needmorfund.org](http://www.needmorfund.org)  
 Interfaith Center for Corporate Responsibility: [www.iccr.org](http://www.iccr.org)  
 Social Investment Forum: [www.socialinvest.org](http://www.socialinvest.org)  
 Investor Environmental Health Network: [www.iehn.org](http://www.iehn.org)

Photo: Connecticut Coalition for Environmental Justice

## LESSONS LEARNED

### The Saga of Baca Ranch: How a Pivotal Program-Related Investment Protected an Aquifer, Saved a Wilderness, and Helped Create a National Park

BY THE DAVID AND LUCILE PACKARD FOUNDATION

When you look at sand dunes that rise taller than a 70-story building, many words come to mind: spectacular, imposing, awesome. In 2000, however, the most appropriate word would have been “vulnerable.”

The Great Sand Dunes National Monument, million-year-old formations in Southern Colorado, are the tallest of their kind in North America, part of a delicate ecosystem that includes the entire surrounding San Luis Valley. They stand in a strikingly beautiful, sparsely inhabited place, where high-desert plains meet the steep slopes of the Sangre de Cristo Mountains. Over thousands of years, runoff from melting snow has created rushing streams and wetlands that have sunk water into the sand, creating vast underground aquifers. And it was precisely these enormous reserves of water that were placing the dunes in jeopardy.

Water is a precious commodity throughout the dry West, and a series of corporate interests had been eyeing those subterranean reservoirs with growing interest for years. Rapidly expanding cities and suburbs were increasing demand for water, driving up its value, so the aquifer was as attractive as an untapped oil field. But there was a serious environmental cost to tampering with this pristine wilderness: Draining the water would upset the ecosystem of the entire region and threaten the very existence of the dunes.

#### The Battle Is Joined at Baca

In 2000, Baca Ranch, a 97,000-acre property that contains the sand dunes as well as the surrounding wetlands, mountain range, and plains, was put up for sale by its owner, Cabeza de Vaca Land and Cattle Company. The asking price was just north of \$30 million. For more than a decade, Cabeza de Vaca and the previous owner, American Water Development Inc. (AWDI), had unsuccessfully fought—in the courts and

through state initiatives—for the right to sell the water beneath the ranch. Their opponents were an unlikely coalition of conservative local farmers and ranchers and The Nature Conservancy (TNC), a powerful national conservation organization. The conservationists had been closely watching Baca change hands since the late 1980s, and had even made an unsuccessful offer to buy it in 1995. By the time the ranch went on the market in 2000, they had already lobbied Colorado’s senators, as well as other government leaders, and convinced them of the critical nature of the habitat.

The locals knew that to preserve their own water supply, as well as the integrity of their land, they needed to protect Baca Ranch permanently. The conservationists knew that the unique formations and wildlife of the property needed government protection. Together, they forged bipartisan cooperation in Congress that would extend through the Clinton administration and the subsequent Bush administration, providing support powerful enough to turn this huge endangered piece of property into the Great Sand Dunes National Park and Wildlife Preserve. Protection in perpetuity, exactly as desired — but there was still a problem.

The new National Park, America’s 58th, would not be christened until 2004, when enough federal monies were amassed to complete the purchase. Over the intervening four years, the property could still change hands, meaning that the aquifer and dunes were still at risk.

The Nature Conservancy decided to buy the land before anyone else could and hold onto it until the federal government could go through its necessary but time-consuming channels. With more than \$3 billion in assets, TNC—dubbed “the world’s richest conservation group” by *The Washington Post*—seemed well positioned to buy both the property and the time the government needed. But there was yet another problem: TNC was short on available cash.

Despite surviving so many threats in the past, the dunes remained as vulnerable as ever.

It was at this point that TNC turned to the David and Lucile Packard Foundation for assistance. TNC



Baca Ranch, a 97,000-acre property, contains unique sand dunes as well as wetlands (above), mountain ranges, and plains.

submitted a proposal to the Packard Foundation on December 20th, and in January 2001, the foundation awarded it a \$14 million program-related investment. “We needed the certainty of that loan to know whether we could really negotiate with the seller,” said TNC’s Heidi Sherk. “Even though we continued negotiating for another 11 months, we couldn’t have done that without the Packard Foundation money.”

The initial outreach to the Packard Foundation came from then-Secretary of the Interior Bruce Babbitt, who called Michael Mantell, founding partner of Resources Law Group, which regularly works with the foundation on land acquisitions. Spurred by Babbitt’s entreaties, Mantell recommended that the Packard Foundation move quickly to help, and the foundation’s board immediately agreed. The \$14 million loan represented a particularly large PRI for the Packard Foundation, which normally limits the range of such investments to between \$3 million and \$5 million. And there was certainly risk to consider, although the Packard Foundation’s past experience with TNC was reassuring. In fact, it took more than three years for the federal appropriations to come through. As is often the case, the government money became available in small increments, so that over time the Packard Foundation’s obligation—serving as collateral as the purchase was being finalized—was reduced to \$433,050.

Throughout, though, the Packard Foundation stood by patiently, relying on the trust that comes from

long-term relationships. Enabling land acquisition is very important to the foundation, which had often given grants for that purpose, but in this case a loan made more sense because it allowed the funds to be retrieved for later reuse. The foundation was confident that its partner, TNC, as a large organization, could repay the loan if for some reason it wasn’t able to get the government money. (Ultimately Packard earned a small return on the investment, which was somewhere between 1 percent and 3 percent.)

The last federal appropriation for Baca Ranch was approved in November 2004, repaying TNC and the Packard Foundation and releasing the foundation from its obligations. The land is now divided between three federal entities—more than 53,000 acres make up the Great Sand Dunes National Park and Preserve, about 13,000 acres were added to the Rio Grande National Forest, and the final 31,000 remaining acres became the Baca National Wildlife Refuge.

Today, Baca Ranch harbors more than 70 species of rare plants and animals, some found nowhere else in the world. A large elk herd roams the territory, along with foxes, mountain lions, bighorn sheep, and bison. Sandhill cranes especially love this area, as do tiny tiger beetles, a species of insect found nowhere else on earth. And the sand dunes still rise majestically towards the skies, inspiring visitors to think: spectacular, awesome, and invulnerable. ■

To learn more about the project, visit [www.packard.org](http://www.packard.org)

## Brainerd Foundation Sunsets

BY ANN KRUMBOLTZ, BRAINERD FOUNDATION

Driven by a sense of urgency about the survival of US Northwest ecosystems, and by founder and president Paul Brainerd's desire to enjoy the results of his organization's work in his lifetime, the Seattle-based Brainerd Foundation is developing a strategy to spend out its assets over the next 10 to 12 years.

The foundation currently spends about \$2.5 million a year, often exceeding the minimum 5 percent required by law and dipping into its endowment to fund projects of special importance. Now it will be increasing its annual outlay to between \$3.5 million and \$4.5 million, meaning that sometime around 2020, after 25 years of grantmaking, the endowment will be gone and the foundation will sunset.

The foundation is currently working with external stakeholders including grantees, advisers, and colleague foundations to help identify potential opportunities for expanding its effectiveness during the spend-out period to fulfill the goal it established in 2005 when it adopted its current strategic plan: "Building the will of communities and policy leaders to protect our region's air, land and water."

It is likely that much of the additional spending will be used to deepen investments in the foundation's current program areas, a strategy it anticipates will likely be the best option to leverage the extra funds. Brainerd's grantmaking currently supports three program areas — conservation policy work, place-based conservation efforts, and organizational capacity building for the conservation movement. Recognizing that advocacy and activism are keys to achieving environmental change, the foundation's policy work focuses on helping decision makers at the state and local levels make informed choices by uniting policy development and civic engagement efforts. The place-based program targets efforts to conserve specific landscapes selected using the science of conservation biology and other criteria. The organizational capacity program promotes leadership development and the effective use of technology and communications tools.

The foundation also maintains three special funds—the Catalyst, Opportunity, and Grassroots



**Mt. Shuksan in the northern Cascade range. Brainerd's place-based grant program targets efforts to conserve specific landscapes.**

Funds—that supplement its program grants. The Catalyst Fund gives grantees the luxury of "planning grants," which are designed to increase their capacity to think how they might become more effective in the future. The Opportunity Fund provides small grants to help groups take advantage of short-lived, emergent opportunities. The Grassroots Fund supports small organizations confronting critical challenges on the ground in their communities.

Besides intensifying support for its current programs, the Brainerd Foundation may also invest time and effort in helping to cultivate more regional philanthropic leadership to build capacity with the next generation of philanthropists.

Paul Brainerd, who was a newspaper editor and a software company CEO (he financed the foundation with proceeds from the sale of Aldus, the software company that created PageMaker) prior to his career as a philanthropist, has been thinking about sunsetting the foundation for a while. He was inspired in part by Beldon Fund Trustee John Hunting's discussion of his decision to spend-down that foundation this year (see page 24 for an interview with Hunting). His other reasons are more personal, however, and played a greater role in his decision. "I want to be able to see for myself that our work has a lasting impact," he maintains. And as a concerned environmentalist, he is also driven by a sense that time is of the essence: "The world is a precarious place," says Brainerd. "Waiting can be a very dangerous strategy, as can relying on halfway measures. We must strive to save what we can now." ■

Photo: Jim Nelson

## The Heat Is On: Emerging Opportunities for Renewable Heating

BY ARNE JUNGJOHANN AND KATHERINE STAINKEN, HEINRICH BÖLL FOUNDATION;  
AND WILSON RICKERSON, RICKERSON ENERGY STRATEGIES

Renewable energy is critical to addressing global climate change. Yet during the past 10 years, political support for renewable energy has focused mainly on the electricity and transportation sectors; only rarely have renewable forms of energy been targeted for use in heating, which accounts for an estimated 40 percent to 50 percent of global final energy demand and a third of the total energy consumption in the United States. (Primary energy demand represents energy sources, including coal, crude oil, natural gas, natural gas liquids, and hydro and nuclear electricity; final demand represents the end uses for that energy—in mining, manufacturing, forestry, construction, transportation, agriculture, residential construction, public administration, and other commercial and institutional applications.)

If the United States wishes to plot a more aggressive response to the climate challenge—particularly given the recent sharp increases in heating fuel prices—it should include an increasing role for renewable forms of heating and cooling. Heating technologies based on solar thermal and geothermal energy, as well as biogas, biodiesel, and biomass such as wood pellets or wood chips, could and should be included in its arsenal of responses (See sidebar, next page.)

### The Untapped Potential of Renewable Heating and Cooling

The International Energy Agency (IEA), usually an advocate of more conventional forms of energy, concluded in its 2007 report "Renewables for Heating and Cooling" that currently available renewable heating technologies provide a cost-effective means for reducing both carbon dioxide (CO<sub>2</sub>) emissions and fossil fuel dependency. Yet despite its vast potential, the share of renewable energy in the heating and cooling markets has been relatively stagnant. However, if increasing attention can be brought to the topic, market growth will likely accelerate, further opening the door to investors, decreasing costs, and hastening the development of new technologies.



**This European building is heated using renewable energy (notice panels on roof).**

Beyond these benefits, the expected expansion of renewable energy for heating and cooling in Germany alone is expected to lead to an estimated 400,000 jobs by 2020. For a country the size of the United States, comparable growth could translate to 1.5 million new jobs, not to mention a proportionate reduction in oil imports and the resulting improvement in energy security.

### The German Example: Carrots and Sticks

Germany is an international leader in renewable electricity, with the largest markets for wind energy and solar photovoltaics in the world. As noted above, it is also one of a few European countries to take the lead in promoting renewable heating and cooling. As of 2007, renewable energy in Germany represented only 6.6 percent of the heating supply, with natural gas, mineral oil, and coal dominating. But recently, the German government set one of its most ambitious targets to date: increasing the share of renewable energy in the heating sector to 14 percent by 2020. This task will be accomplished through two means: a financial support measure called the Market Incentive Program (MIP), and a federal policy, the Renewable Heating Act. The MIP provides grants and low-interest loans for existing home and building owners to convert their heating systems to use a percentage of renewable energy. The 500-million-Euro-per-year program is funded mainly by energy tax revenues. The Renewable Heating Act requires the mandatory installation of renewable forms of energy for heating new buildings beginning in January 2009. (The state of Baden-Wuerttemberg in southwest Germany is even more ambitious in that its mandatory installation requirements include retrofitting existing buildings.)

Photo: HIMIN

### Opportunities for Grantmakers

Most of the technologies for renewable energy in the heating and cooling sectors have already been developed; however, they are not yet available at market prices. The key question then becomes: Which methods will push these technologies to gain more ground? The Heinrich Böll Foundation believes the answers can be found by providing foundation and other support in three crucial areas: research and analysis, policy development, and public awareness and education.

First, a scientific analysis of the potential environmental benefits and reduction in CO2 emissions from an aggressive use of renewable heating and cooling technologies in the United States is needed. In addition, heat maps identifying potential sources of renewable heat and waste heat from power plants that is not being used in combined heat and power applications should be developed, and an in-depth study performed of the extent to which renewable heating can contribute to energy security.

To build support for the development of US renewable heating policies, it would be beneficial to convene policy makers, researchers, engineers, manufacturers, educators, and students for a transatlantic peer exchange of ideas, policies, and best practices in Germany and other European countries. Looking east toward China's ambitious solar hot water heating targets and programs may also prove useful. China currently has 55,000 megawatts of installed solar water heating capacity, compared with 1,500 megawatts in the United States. Funding and organizational support for these types of exchange programs are needed.

Additional opportunities for grantmaker engagement lie in installing a series of educational demonstration projects in the form of renewable heating systems in schools, libraries, hospitals, and other public buildings.

### The Heat Is On

The challenge for renewable energy stakeholders and their supporters will be to raise the profile of renewable heating and cooling as a viable and necessary component of a comprehensive climate strategy. With the 2008 federal elections about to bring fresh leadership to the United States, now is the time for the philanthropic community and other key players to push these technologies to the forefront. The more significant a role renewable heating plays in the near future, the greater the likelihood that the United States can take the lead on an overlooked but vital area of climate policy. ■

### Types of Renewable Heating

**Solar thermal energy:** Here, solar radiation is harnessed via low, medium, or high-temperature collectors to produce heat. (Solar thermal differs from solar photovoltaics, in which panels or cells convert solar energy directly into electricity.)

**Sample applications:** Solar thermal applications have been used in crop drying, heating of large buildings, and for higher-grade industrial heating purposes.

**Geothermal energy:** Geothermal energy is generated from heat contained in or discharged from within the earth's crust, mainly via heat conduction, but it can also be collected from hot water or steam buried at particular locations.

**Sample application:** Geothermal heat pumps can pump hot water from more than 1,000 feet below the surface with an electrical motor to be used in heating systems for residential homes, greenhouses, agricultural appliances, or swimming pools. As the water cools down as it pumps through the building structure, it is cycled back into the ground. Certain geographic conditions are favorable for this technology; for example, in Iceland more than 50 percent of all energy is geothermal.

**Biomass:** Biomass is derived from a variety of biological sources. It is solid, organic, non-fossil material that can be used as fuel for heat production. It includes wood chips, wood pellets, agricultural crop and animal residues, and also the biogenic portion of municipal solid waste.

**Sample application:** A wood pellet stove can provide heat for a home.

**Biofuels:** Biofuel is a fuel produced from dry organic matter or combustible oils produced by plants, usually soy bean, palm, and canola oils.

**Sample application:** Although typically used for transportation rather than heating purposes, up to 5 percent of biodiesel can be blended with conventional oil and still be considered heating oil.

**Biogas:** Biogas is a gas produced by the breakdown of organic matter under low-oxygen conditions in a process called anaerobic digestion, and is then combusted to produce heat. The easiest way to use biogas is for heating, since no pre-treatment other than the removal of water is required.

**Sample application:** A biogas plant can connect to the current natural gas infrastructure and replace natural gas in providing heat for buildings, once the gas has been pressurized to the same level.

## PERSPECTIVES

# Get Off Your Assets for Climate!

BY STEPHEN VIEDERMAN, RETIRED, JESSIE SMITH NOYES FOUNDATION

In his article "Being True to Your Mission: Social Investments for Endowments," (*The Journal of Investing*, Winter 1997) William McKeown, a lawyer at a leading New York firm, concluded by observing that, "In order to fulfill their responsibility to see that the corporation [nonprofits and foundations] meets its charitable purposes, they may have a duty to consider whether their investment decisions will further those charitable purposes, or at least not run counter to them."

By this standard, there are probably very few foundations meeting their fiduciary responsibility. The recent United Nations Environmental Program-sponsored study by Freshfields, one of the world's largest and most prestigious law firms, confirms that considering the social and environmental issues in institutional investment decisions does not constitute a breach of fiduciary duty.

At a time when the risks associated with climate change are daily becoming more evident, foundations are not responding with their endowment dollars. The report "Design to Win," cited in the Spring 2008 issue of *EGA Journal*, called for additional grantmaking of \$600 million annually but made no mention of the \$600 billion of foundation assets that make the grants possible. Foundations still fail to see the added value that can be achieved by considering their investments as a tool for change along with grants.

Indeed, three invitations came across my desk recently to participate in meetings on philanthropy and climate to be held over the coming month in the United States and Europe. The speakers and participants were to be distinguished scientists, activists, grantmakers and grantseekers, and representatives from governmental and intergovernmental organizations. Not one of the agendas, however, raised the issue of how philanthropic assets could be used to curb climate risks. This is a norm that needs to be changed.

Climate change is not only an environmental issue. It is a social, moral, and ethical issue as well. As such, it affects all foundations, whether or not they are funding programs or projects on climate risk. Using assets to mitigate and adapt to the effects of climate change

does not require a change in program guidelines and giving. While not every foundation will make direct climate change grants, the urgency of the issue does require boards and finance committees to reconsider how their investment decisions positively and negatively affect climate, to rethink issues related to their grant programs, and then to act accordingly. Just as boards hire consultants to help them manage their investments, foundations can hire specialists to assist in managing the climate-investment nexus.

Possible actions include:

- Consider equity, fixed income, and alternative investments in funds and companies that are taking climate change seriously as a business and social risk. Many vehicles from mainstream firms including Deutsche Bank and Goldman Sachs complement those from social investment firms such as Calvert and others;
- Develop and implement shareholder proxy voting guidelines as an effective way of encouraging greater corporate attention to climate;
- Make community investments that will assist in mitigation and adaptation to various climate scenarios; and
- Align your foundation with other climate change investors by joining the UK-based, internationally focused Carbon Disclosure Project (with signatories exceeding \$50 trillion), the US-based Investor Network on Climate Risk (with signatories exceeding \$5 trillion), and the European-based Institutional Investors Group on Climate Change, which includes 35 of Europe's leading institutional investors.

Foundations can no longer tie one hand behind their back as they try to engage the climate crisis—which may well prove to be the defining issue of the 21st century. ■

A version of this article originally appeared in *Green Living: the Newsletter of Climate Change Philanthropy Action Network (CCPAN)*, No. 2, May 2008.

Reactions to [s.viederman@mac.com](mailto:s.viederman@mac.com) will be gratefully accepted.

## EGA Takes Prominent Role at Council on Foundations Leadership Summit

BY LUIS DAVILA, EGA ENHANCING THE FIELD DIRECTOR



Photo: Bryce Hesterman

A “Systems Thinking” session at the Council on Foundations Summit.

Last May, Environmental Grantmakers Association staff and members participated in the Council on Foundations Summit, the largest-ever gathering of leaders in philanthropy from the United States and around the world, to consider ways philanthropy can best serve society’s needs while developing best practices for successful giving. More than 3,000 funders came to National Harbor, Maryland to seek learning opportunities and tools needed by philanthropic organizations to expand, enhance, and sustain their ability to advance the common good.

EGA contributed to this exchange of knowledge and experience by hosting a series of events throughout the conference. First was a comprehensive four-hour learning institute offering an overview and update of recent climate science along with a “systems thinking” view of climate change and its intersections with grantmaking in the arts, public health, social justice, education, and community development. This session included a keynote by John Holdren, director of the Woods Hole Research Center & Harvard University Program in Science Technology and Public Policy, and presentations by EGA Board member Michelle DePass

of the Ford Foundation and Suzy Sonenberg of the Long Island Community Trust, who shared lessons on making these linkages.

Trainers from the Sustainability Institute then led participants through a series of system maps that helped them find their “leverage point” in the climate change equation.

The session was followed by the now traditional EGA “Meeting Point,” where funders had the opportunity to network and discuss their environmental funding, as well as learn more about our new initiatives for the year.

On the conference’s second day, EGA co-sponsored a session on water and sanitation with the Wallace Genetic Foundation, providing an opportunity for philanthropists to tackle the issue of water scarcity worldwide and the need for prompt collective action. It focused on new models and practical approaches used by the rapidly expanding public and private constituencies collaborating on behalf of this issue. The session was hosted by EGA member Mark Van Putten of the Wege Foundation; speakers included Carol Bellamy, former executive director at UNICEF and current president/CEO at World Learning; EGA member Chet Tchozewski

of the Global Greengrants Fund; and William K. Reilly of the Packard Foundation.

Next on EGA’s agenda was the launch of “Green Beyond Grants Guide, Volume II: Cutting Carbon.” The publication (available at [www.ega.org](http://www.ega.org)) provides specific steps and resources to help foundations reduce the carbon footprint of their daily operations.

EGA’s final day at the summit included a session focusing on the association’s Green Practices Program, providing practical information and resources to help guide foundations interested in improving the sustainability of their operations and in enhancing their local communities. This session showcased the pioneering

work of foundations across the United States. The demonstration was complemented by an exhibitor’s booth showcasing EGA’s Green Co-Op, which provides an easy way to support a sustainable economy by purchasing green office products online.

In the upcoming year, EGA will continue to remain engaged with the Council on Foundations and share our experience organizing “Zero Waste” events. Currently, we are planning activities for next year’s Council on Foundations conference. If you are interested in becoming more involved in EGA’s work at the Council, or have suggestions to share, please contact Luis Davila at [ldavila@ega.org](mailto:ldavila@ega.org). ■

## The European Foundation Centre Launches Environmental Affinity Group

BY DANA LANZA, EGA EXECUTIVE DIRECTOR

In June the European Foundation Centre (EFC), led by grantmakers from The Oak Foundation, JMG Foundation, and the Prince Albert II of Monaco Foundation, launched an environmental affinity group at their 2008 Annual Conference in Istanbul, Turkey.

I had the great privilege of supporting a delegation of EGA members who were invited to participate in a one-day pre-conference convening of the new group. In all approximately 40 funders from across Europe and the United States met to share information and views about funding strategies. Several EGA members were invited to give presentations about trends in American environmental and global philanthropy, including myself, Jon Cracknell of the JMG Foundation, and Sandra Smithey from the C.S. Mott Foundation. These presentations set the stage for a series of small discussions about approaches to climate change. We held a vigorous discourse about the merits of differing strategies (for example, policy advocacy versus local adaptation) and there was much conversation about the need to construct collaborative projects.

As the group furthers its growth, the EFC plans to sustain a close partnership with EGA. The next step will be an Institute at the Fall Retreat, entitled “Across the Pond: European Environmental Grantmaking in Action.” The session promises to be a “101 session” for EGA members who are interested in learning more about

the structures of European philanthropy, the exciting changes happening in Brussels as they might impact US philanthropic strategies, and background on EFC and its initiatives.

The Institute is the perfect opportunity for members who want to learn more about European philanthropy before signing up to join EGA at our next joint collaborative meeting with the EFC Environmental Group next year, possibly in Italy. Other EGA-EFC collaborative activities throughout the coming year may include additional webinars focused around climate change.

We at EGA view this emerging European partnership as a significant way to bridge the historic “trans-Atlantic divide” between grantmakers while leveraging the opportunities provided by changes in European philanthropy. There are many things both groups can learn from one another. For example, advances in sustainability have been made in Europe that leave an American wondering, “Why not here?” Meanwhile, our European counterparts can learn much from the trials and tribulations of a now 20-year-old EGA.

It is often said that crisis becomes opportunity. If American and European grantmakers join together now to form resource exchanges, a knowledge bank, and collaborative partnerships, then we’ll be able to point to one historic obstacle overcome in the challenge of climate change. ■

## “Solving Today’s Problems with Today’s Money”

### An Interview with John Hunting

On May 27, 2008, Verna Harrison, executive director of the Keith Campbell Foundation for the Environment, interviewed longtime environmentalist John Hunting, founder of the Beldon Fund, a private foundation that will close in 2009 after spending out its \$100 million endowment. The Beldon Fund’s resources greatly increased in 1998, when the Steelcase Furniture Company, the source of Hunting’s wealth, went public and most of the proceeds from his stock sales were transferred to Beldon. At the same time Hunting, who has been an environmental philanthropist for decades, decided to set a 10-year time horizon for the foundation that would allow it to accelerate its grantmaking at a particularly challenging time for environmental issues.

The Beldon Fund has sought to build a national consensus to achieve and sustain a healthy planet through three main programs: Human Health and the Environment, which engaged powerful new voices outside the environmental community to activate the public; the Key States Program, which focused on strengthening public and policy support for environmental protection in five states — Wisconsin, Michigan, Minnesota, North Carolina, and Florida — and a Discretionary Program, designed to strengthen the capacity of the environmental community to develop successful techniques for civic engagement. On the eve of the foundation’s phase-out, EGA Journal looks at Hunting’s philosophy of philanthropy, lessons learned from years in the field, and what’s next for him.

Note: The following conversation has been edited and abridged for brevity, clarity, and accuracy.

Verna: You’re one of the “legends” in the environmental grantmaking movement. From the perspective of your grantmaking, what is the reason that you chose to structure your organization in what they call a “spend out” mode and can you explain a little bit about what that means?

John: There were four reasons. One of them is that I feel philosophically that a foundation should spend out and solve today’s problems with today’s money. Second, there’s going to be a lot of money coming down

the pike; every year new foundations — some huge — appear that were not here before. Third, I wanted to see the results done in my lifetime. We all know that very often foundations are set up and the people who carry on start going off in different directions from the intention of the donor. To be fair, I should also say that I did not have any children, and that left me freer to give my money away.

Finally, as an environmentalist — particularly an environmentalist against global warming—I think it’s inexcusable for a foundation not to spend out now because what’s the sense of saving for the future when we may not have a future?

Verna: And as far as the actuality of spending out, does that mean that the Beldon Fund goes out of existence completely? What will be your relationship with the environmental community? Are you going to be involved in a different context?

John: Yes, it does mean the Beldon Fund will spend out completely. We approved our last grants at our June 2008 board meeting. As far as my relationship to the environmental community, I still have a small fund at the Tides Foundation which will probably support progressive public policy issues. I also have a small foundation — the Dyer-Ives Foundation — in Grand Rapids, Michigan which I intend to spend down too.

Verna: What are the main accomplishments of the Beldon Fund that most stand out in your mind?

John: Our three main programs have all done pretty well and I think helped strengthen environmental advocacy. Our strategy was to focus on some key states, invest in capacity building of advocacy organizations and encourage them to collaborate so they could work more effectively on a range of issues. We also helped grantees expand their nonpartisan civic engagement activities. And we reached beyond the converted to bring in new advocates from outside the traditional environmental community — particularly nurses, who became very powerful voices for reform of toxic chemicals policies and helped promote a health message that got a lot of traction and resulted in some new laws.

Verna: What advice would you give to other grant-makers about promoting state-based collaboration?

John: I think that people should be at least communicating if not collaborating so that they don’t step on each others’ toes, don’t waste resources, and try to come together to present a united front which has much more likelihood of getting things accomplished. In our states program we encouraged the development of “tables” where 501(c)(3) organizations [public charities that conduct charitable and nonpartisan educational work] could develop a collaborative agenda. These were environmental tables as well as broader tables with organizations working on other progressive issues. Participants literally sit around the same table and plan their programs, share successful strategies and develop collaborative resources. To give just one example of the benefits: in Minnesota, it was common for environmental groups to have more than 50 competing policy priorities. This changed once they started setting joint agendas. In 2007 they had four priorities and won three of them.

You want to have collaborations on every level, and that includes foundations. Because so often we’re asking grantees to collaborate but we don’t collaborate ourselves. So I think it’s important that foundations also try to collaborate, especially in the area of environmental health — there aren’t that many foundations that fund in that area but they have worked together and pulled the grantees together to become more cooperative and, I think, more effective.

Verna: And in the area of your states work, it seems to me that you were pretty innovative early on with trying to incentivize grantees to work together through the use of a common “pot of funding.” Is that something you’d recommend to other organizations?

John: In general, yes. We’ve had mostly good results with this approach. We gave planning grants for organizations to come together to develop a thoughtful plan and to hold each other accountable, with the promise of multiyear grants if they were able to work it out. It wasn’t always an easy process. In fact, some grantees started calling it the “Beldathon.”

Verna: What is the most important advice you would give fellow grantmakers?

John: We believe in advocacy. We believe that nothing gets done if you don’t change the minds of the decision makers, so we evolve from that. I hope that other foundations will do the same because no matter what area of the environment a foundation is interested in, so much depends upon what happens in



Photo: Javier Sanchez

Please join EGA and the Beldon Fund for a “fireside chat” at this year’s Retreat, where we will acknowledge John and his colleagues for their lasting contribution.

the policy and advocacy realm. We’ve always tried to set a model for that. We’ve supported organizations that provide information about legal forms of advocacy, because many foundations are nervous about becoming advocates.

So my first advice is, involve a good lawyer who understands the law on foundations and advocacy. The second bit of advice is hire a good executive director—one who’s well paid and can do the job. I think it starts at the top. Then if that executive director has plenty of stuff on the ball, he or she will go out and find other good people to work for him or her. I would also urge foundations to try to put on their board people who are knowledgeable about their issues. We were fortunate in having people on Beldon’s board who cared and knew a lot about our issue areas and it was very helpful.

Finally, we made one mistake in taking on too many issues in the beginning and then we realized it was just not going to be effective and we whittled them down. My advice to new foundations that are just beginning is

John Hunting, continued from page 25

to start small and expand rather than start with too many issues and then have to reduce.

Verna: Have you used outside evaluators?

John: Yes, and it's been extremely helpful. We have had several evaluations at strategic points that helped us refine our focus and improve the quality of our work and the administrative and grantmaking processes. We felt strongly that the only way for a foundation to get honest feedback is to do anonymous evaluations.

Verna: As the executive director of a relatively new foundation, I can attest to the importance of the advice provided to us by the Beldon staff—not only during meetings but by coming to Annapolis to meet with our president and staff.

John: Well I think that is important to try to keep the CEO not too tied down so that he or she can be available not only for giving advice but for pulling people together, too. One of my little pet theories is that money is not always the most important thing a foundation has to give. They can give advice, they can be brokers between money and ideas and people.

Verna: So what have you enjoyed the most about this role as a leader of the Beldon Fund? What's been the most fun?

John: It's the feeling of satisfaction. That I did my best, I tried to make a difference. I think I did make some difference. ■

The Bridge, continued from page 27

fetish, etc.) and identifies important potential "drivers" for those transformations (principally the development of a new consciousness and a new politics).

He is quick to acknowledge that little of this is new—he has drawn quite liberally from the writings of many others. The book's unique contribution may have as much to do with its source as its content. Speth is an ultimate environmental insider from whom a suggestive critique like this may have more impact than if it had come from another, more easily marginalized figure. One suspects that he believes that if his readers are mainstream environmentalists, then the book will bring them into engagement with a range of writers and ideas with which they were previously unfamiliar. This would be a good thing—both that environmentalists are introduced to these ideas and that that introduction should come by way of Speth's intelligent, readable, and hopeful book. ■

## Letters to the Editor



Photo: istockphoto.com/Hans F. Meier

Dear Editor:

I'm very glad that Scott Denman of the Wallace Global Fund wrote the essay, "Nuclear Power: No Solution to Global Warming" (*EGA Journal*, Spring 2008). He made excellent points about the financial cost and environmental hazards of nuclear power, and its risk of diverting attention from much better solutions to our energy needs, such as renewable energy sources and energy efficiency and conservation.

I'd like to add an additional concern about climate and nuclear energy to those very valid issues: water. The Intergovernmental Panel on Climate Change's "Climate Change 2007: The Physical Science Basis," predicts that global warming is likely to intensify drought's duration and severity, and to raise water temperatures. Nuclear plants, however, typically need a great deal of temperate water for cooling, which may not be available reliably in the years to come. The August 2007 shutdown and power reductions at the Brown Ferry nuclear plant in Alabama, due to a shortage of cool-enough water in the Tennessee River, are a warning that these risks may be not far off.

Thanks again to Mr. Denman and to EGA for helping us understand nuclear power in the context of climate change.

**David Todd**  
Trustee, Magnolia Charitable Trust  
Austin, Texas

## WORDS FOR THOUGHT

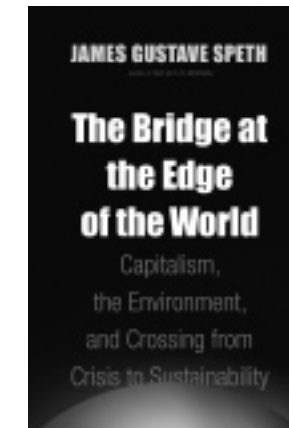
# Transforming Contemporary Capitalism

*The Bridge at the Edge of the World: Capitalism, the Environment, and Crossing from Crisis to Sustainability*

By James Gustave Speth

Yale University Press, 2008. 320 pages

BY STUART A. CLARKE, TOWN CREEK FOUNDATION



Gus Speth, Dean of Yale University's School of Forestry and Environmental Studies, has written a valuable book that seeks to introduce "the mainstream environmental movement" to the contextual forces that circumscribe its effectiveness.

Dean Speth's environmental resume is substantial. A co-founder of both the Natural Resources Defense Council and the World Resources Institute, he served as chair of the Council on Environmental Quality under President Jimmy Carter, and as administrator of the UN Development Program under Secretary General Boutros Boutros – Ghali.

In framing his intentions in this book, Speth evokes the late economist Milton Friedman's view that "only a crisis...produces real change...when that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes the politically inevitable."

With the threats of global environmental collapse looming, Speth has synthesized a number of important ideas that have been "lying around" outside the typical range of vision of the environmental movement. Through this volume, we surmise, he aims to help keep those ideas alive and available. For the general public, to be sure, but most especially, one imagines, for present and future environmental leadership.

### Systemic Failures

Speth's central argument is that "most environmental deterioration is a result of systemic failures of the capitalism that we have today and... long-term solutions must seek transformative change in the key

features of this contemporary capitalism." In its reliance on regulation and policy reform to address the excesses of capitalism, mainstream environmentalism has proven insufficient to deal with current environmental challenges and is "not up to coping" with the larger challenges that lie ahead. Despite these limitations, Speth hastens to add, the regulation and policy reform approach remains essential. It badly needs, however, to be complemented by or supplanted with a "new environmental politics."

### Broadening the Environmental Agenda

This new environmental politics will have a much broader agenda, including a full range of issues that are relevant to the structure and function of our economic and political systems. This agenda will run from issues that are currently seen as either just inside or just outside of the environmental mainstream (e.g. commercialism, consumerism and challenging market logic and market failure) to issues that are generally thought of as well outside of the scope of environmental concerns (human rights, growing inequality, redefining the corporation and its goals, reforming democracy). This new politics will also be much more intently focused on building political power and joining forces with a wide array of other, non-environmental advocacy communities and constituencies. In Speth's view, the environmental movement can only achieve its deepest goals in a radically transformed world in which economic and political power are exercised in fundamentally different ways than at present. The environmental movement must therefore be fully engaged in the fight for that world.

*The Bridge at the Edge of the World* is a valuable work in a variety of ways. A good portion of it details the most pressing global environmental threats, and relates them to the "operating system" of modern capitalism. Speth proposes policy suggestions for transforming key elements of the structure and ideological underpinnings of that system (structure and function of corporations; functioning of markets, market fundamentalism, growth

continued on page 26

## Do Unto Other Species....

*Sustaining Life: How Human Health Depends on Biodiversity*

By Eric Chivian and Aaron Bernstein

Oxford University Press, 2008. 568 pages

BY MARJORIE ROSWELL, ELIZABETH B. AND ARTHUR E. ROSWELL FOUNDATION



For an Earth Day celebration this year, two friends and I rehearsed for weeks to master the complex harmonies of a song with words by Chief Seattle. Thankfully, we learned our parts, and sang, “Whatever we do to the web we do to ourselves.”

The book *Sustaining Life: How Human Health Depends on Biodiversity* details that web’s connecting strands.

In the foreword, renowned ecologist Edward O. Wilson describes the book as “masterful” and reminds us of the proverbial canary in the coal mine. A prologue by former UN Secretary General Kofi Annan signals the book’s global importance. It is dedicated “to the millions of plant, animal, and microbial species we share this small planet with, and to our own species, *Homo sapiens*....”

The book contains expert-reviewed essays by a combined 16 authors and 64 reviewers. We learn that almost a third of known primate species are considered to be endangered. This statistic appears in the longest chapter, “Threatened Groups of Organisms Valuable to Medicine.” Even if we didn’t infect and kill primates in the name of research on human health (and I mostly wish we didn’t) I’d be deeply moved, realizing that if primates are heading toward extinction, it doesn’t bode well for humans.

Editors Eric Chivian and Aaron Bernstein, from Harvard Medical School, wrote some of the chap-

ters, and sprinkled others with special editors’ notes (“boxes”). One fascinating box includes five full pages on “microbial ecology.” Humans have co-evolved with the microbial world. Our skin, hair, mouth, and intestines are habitat for bacteria, fungi, mites, algae, protozoa, and viruses. Only a small number of these microbes are pathogenic, while many provide known benefits, such as producing vitamins.

The book closes with a chapter on “What Individuals Can Do to Help Conserve Biodiversity.” Recommendations include the familiar (recycle, turn off lights), and the less familiar (do not buy new items made from gold, for gold mining destroys habitats). Especially apropos: Support organizations that preserve biodiversity.

This book can be read from cover to cover, or used as a reference. Next time you’re preparing for a conference on the cone snail—or on sharks, genetically modified organisms, pesticides, livestock, Ebola, etc.—check out *Sustaining Life* first: you’ll find something worthy of note. (My only complaint about the book is its heft: At nearly 600 pages, it’s literally weighty, so it’s inconvenient to carry around. This volume is the sort you’ll want to dwell over while sitting at a table.)

*Sustaining Life* was first conceived in 1992 at the Earth Summit in Rio de Janeiro. Since then, creatures including a snake, a moth, a snail, an ibex, a dolphin, and a rhinoceros have been lost. At our Earth Day celebration, my songwriting colleague, John Seay, sang a second song: “Last Species Standing.” It’s a happy-sounding tune—until you pay attention to the distressing words. I invite you to do two things: Give his wonderful song a listen (<http://friendlycoffeehouse.org/john-seay>) and read *Sustaining Life* for the details. ■

## CALL FOR PARTICIPANTS!

*EGA Journal* wants you to join our conversation! Pick the level of participation that suits your interests and schedule. We are seeking:

**Letters to the editor:** Send them to [editor@ega.org](mailto:editor@ega.org); please limit to 250 words.

**Article submissions:** Proposals for the Spring 2009 issue will be due this fall. Check the EGA website and listserv for the Call for Submissions.

**Book reviewers** to write short reviews of books, reports, and other worthy reading for *EGA Journal's* "Words for Thought" department

**Editorial Committee members** to help plan issue contents, identify writers, and contribute articles. Previous experience in publishing or communications highly desirable.

For more information or to volunteer, contact Dana Lanza at [dlanza@ega.org](mailto:dlanza@ega.org) (for committee work) or [editor@ega.org](mailto:editor@ega.org) (for reviews and written submissions).



---

ENVIRONMENTAL  
GRANTMAKERS ASSOCIATION

55 Exchange Place, Suite 405  
New York, NY 10005-1965 USA

---

Presorted  
Standard  
US Postage  
PAID  
Oakland, CA  
Permit 2508