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## A scam of planetary proportions?

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photo montage/The Fuge

### A scam of planetary proportions? *Inside the Planet Aid scandal*

By Craig Idlebrook

These days, the only thing related to Planet Aid that could outpace the spread of its bright yellow, used-clothing collection boxes is the growing number of media reports revealing the charity's dubious practices and ties to a shadowy global conglomerate whose leadership has been indicted for fraud and accused of running a secular cult.

Consider this article one more.

Founded in 1997, Massachusetts-based Planet Aid is a registered non-profit that purports to support education and development projects in third-world countries, primarily in Africa. It does so by selling used clothing and shoes collected from over 7,000 metallic boxes placed in the parking lots of supermarkets, convenience stores, laundromats and other locations in 19 states.

Planet Aid began placing boxes in southern Maine about five years ago; there are currently about 20 boxes in the greater Portland area, four or five in Portland proper. As the *Kennebec Journal* reported in January, Planet Aid has expanded much more aggressively in central and northern Maine, beginning last year. It opened a warehouse in Gardiner and has about 100 boxes in the region, one of the organization's managers told the paper.

Much of the negative press coverage Planet Aid has gotten from American media outlets was sparked by a 2006 report by the American Institute of Philanthropy (AIP), an independent, non-profit watchdog group based in Chicago. An examination of Planet Aid's 2004 tax filings revealed that it spent \$2 million on "International Aid," but \$6.6 million on expenses related to "Clothing collection."

AIP estimated that, overall, Planet Aid spent just 23 percent of its revenue that year on programs for the poor. The grade it gave the charity: F. (The institute believes non-profits should spend at least 60 percent of their revenue on charitable programs.)

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Put another way, if you drop four sweaters into a Planet Aid box, the proceeds from the sale of one of them would go to help fund a project in the developing world; the other three would be sold to help Planet Aid collect and sell more sweaters.

Planet Aid disputes AIP's assessment on grounds that the collection and resale of clothing is part of its charitable mission because recycling clothes benefits the environment (fewer items end up in landfills and incinerators, less energy is spent to manufacture textiles, etc.).

AIP president and founder Daniel Borochoff scoffed at that assertion in his report, saying it's "like Wal-Mart claiming that its main purpose is to help low-income people have a higher standard of living by selling them less expensive merchandise." He classified the collection and resale of used clothing as a fundraising expense, not the cost of doing environmental work, and called "any possible benefit to the environment ... incidental."

The Better Business Bureau agrees, and has refused to recognize Planet Aid as a charity.

To handle media inquiries and burnish its image, Planet Aid has retained the services of DBMediaStrategies, a public-relations firm based in Newton, Mass. that's run by Doug Bailey, who recently merged his firm with Portland-based Savvy Inc., owned by his twin brother, Dennis Bailey.

Doug Bailey said AIP and the Better Business Bureau don't understand how Planet Aid operates. He said it's unfair to compare Planet Aid to similar organizations with better giving-to-fundraising ratios, like the Salvation Army and Goodwill.

"We're more of an industrial organization," Bailey said. "We're never going to achieve the same [giving] ratios. We think we should be evaluated differently. ... We're so much smaller than them. We're just a flea on the elephant here."

### The real elephant

Planet Aid itself may be smaller than Goodwill and the Salvation Army, but it's also in partnership with a larger, international organization called Humana People to People, which itself is part of an even bigger global conglomerate called Tvind.

Tvind was founded in the early 1970s by a charismatic Danish schoolteacher named Morgens Amdi Pedersen (sometimes spelled Petersen), who originally formed it as a collective of traveling "folk high schools." Teachers and students would journey to third-world countries with the aim of establishing solidarity with the poor and helping them improve their lives.



Morgens Amdi Pedersen facing the media in Denmark. photo: via tvindalert.com

Pedersen's philosophy at the time is most commonly described as Maoist: revolutionary communism organized and enforced by dictatorial means. The group's cult-like behavior is related to that philosophy.

"Pedersen found ways to infiltrate the hearts of his followers and exert his control," the *Chicago Tribune* reported in an overview of Tvind published in 2004. "Sometimes he decided whether and when Tvind members might marry and have children. Sometimes he separated couples for the supposed good of the group."

Tvind grew substantially as the '70s progressed, attracting hundreds of idealistic student-volunteers and donors around the world. Clothes-recycling operations began during this period in Europe, as did the founding of special schools, or "institutes," to train students for charitable work abroad.

As the *Copenhagen Post* has noted, suspicions of fraud were swirling around Tvind by the late 1970s. Also during this time, according to freelance journalist Michael Durham, writing in the British newspaper *The Guardian*, Pedersen "became increasingly paranoid, claiming to be a target [of] the secret services and CIA, and one day in 1979, he disappeared."

A dark blue rectangular advertisement for Hampton by Hilton. At the top, the text "FROM \$99" is written in large, white, sans-serif font. Below this, on the left, is the Hampton by Hilton logo, which consists of a white hexagon with the word "Hampton" in a script font and "by HILTON" in a smaller sans-serif font below it. To the right of the logo is a red rectangular button with the white text "BOOK NOW".

Pedersen would not be seen again until early 2002, when F.B.I. agents arrested him at Los Angeles International Airport to face charges in Denmark that he and other Tvind leaders had embezzled \$9 million and illegally evaded \$11 million in taxes.

During his two decades underground, Danish and American prosecutors allege Pedersen masterminded a global expansion of Tvind that included both non-profits like Planet Aid and for-profit enterprises that now collectively number around 150, with hundreds of millions of dollars in total assets. Prosecutors further allege that funds have been illegally transferred between Tvind's non-profit and for-profit entities, which often share board members and corporate officers.

Pedersen's aversion to capitalism clearly waned during his time underground. When he was apprehended at LAX, he had been living in a multi-million-dollar pad on an island off the coast of Florida, sailing a \$5 million yacht named the *Butterfly McQueen*. In court in L.A., the *Chicago Tribune* reported that Pedersen initially requested a public defender, claiming he had only \$2,000 to his name because, as part of a "communal group," he owned no property and lacked even a bank account.

Yet "somehow," the *Tribune* wrote, "Pedersen found the cash to hire Robert Shapiro, the swashbuckling Hollywood attorney who defended O.J. Simpson."

Shapiro was unable to stop Pedersen's extradition to Denmark, where he and six co-defendants endured a lengthy trial. A Danish court acquitted five of the six in the summer of 2006 (Sten Byrner, Tvind's financial director, was found guilty).

Prosecutors appealed the verdict and are said to have additional evidence of fraud, but Pedersen and four co-defendants fled Denmark before they could be served court papers again. They are still at large, reportedly being sought by both Danish authorities and the international police organization Interpol.

Danish authorities were able to detain a top Tvind leader named Poul Jørgensen, a lawyer who had served as the group's unofficial spokesman and created and led, or helped lead, a number of its companies and trusts. This past January, Jørgensen was convicted of fraud in a case based on the original charges of embezzlement and tax evasion. He was sentenced to two-and-a-half years in prison for his part in setting up a humanitarian foundation that channeled money to Tvind's for-profit businesses, according to the *Copenhagen Post*.

#### **"The people I do business with"**

In theory, Planet Aid could improve its image and dispel suspicions by simply severing its ties to the Tvind-controlled organization Humana People to People and donating proceeds from used-clothing sales to a different charity.

Bailey said that's not going to happen. Repeating what he called a quote from a "Las Vegas businessman," he responded to the idea by saying, "I only do business with the people I do business with. If I did business with somebody else, then the people I do business with wouldn't do business with me."

Losing his cool as the phone interview progressed, Bailey vehemently defended the entity known as the Teachers Group. As detailed on the watchdog Web site tvindalert.com, the Teachers Group is a "club" or "secret association" of top Tvind operatives, headed by Pedersen, that "runs an extensive portfolio of profit-oriented companies, farms, forestry and real estate with no connection to foreign aid or charity, managed through a network of offshore funds."

Bailey said such criticism of The Teachers Group is "bigoted, it's ignorant, and it borders on racism" — that is, racism aimed at people of Danish descent. The racism assertion seems odd in light of the fact that, as *The Sacramento Bee* reported in 2006, "[t]he collective financing and strict hierarchy of Tvind's inner circle — called the Teachers Group — led Danish prosecutors to label the group as a secular cult."

The Teachers Group is not "an organized group," Bailey said. "It's a confederacy, at best." Bailey sought to distance Planet Aid from the group, stressing that the two entities have no formal ties. But they are clearly linked in other ways.

For example, in a 2007 article, the *Scranton Times-Tribune* interviewed Jay Allen, then-operations manager for Planet Aid New England. "I have met and worked with dozens of members of the Teachers Group, and I can assure you it is not a cult," Allen told the paper. He added that many of the programs Planet Aid gives money to have ties to the Teachers Group.



Images of the Teachers Group's new Mexican retreat. photos: courtesy tvindalert.com

In addition to being tied to an alleged cult, there's evidence many of the programs Planet Aid supports are ineffective.

Zahara Heckscher attended one of Tvind's training "institutes" in the late '80s to prepare for a trip to Africa. The group was originally supposed to work in Tanzania, but visa problems arose — reportedly a common occurrence on such trips — so they went to Zambia, a country no one in the group was familiar with.

Local farmers told them Humana had stolen their land for the tree-planting project the volunteers were assigned to undertake, she said. The group spent three months on the project, but the trees it planted were unsuited to the climate. While visiting the area years later, Heckscher said she saw that all the trees had died.

Heckscher also spent time sorting used clothes at Humana's facilities in Zambia. "The clothing from [Planet Aid's] donation boxes is not going to poor people for free — they are sold in Africa and in Eastern Europe for lots of money," she told the *Baltimore City Paper* in 2004. "In Zambia there is a huge market for used clothes. The really poor people couldn't even afford to buy the clothes we were selling."

Heckscher told *The Bollard* that Humana's projects are often poorly planned, poorly executed, and double-funded by other charitable organizations. Even the most highly regarded aid organizations have

projects that fail, she conceded, but with Humana, “the difference is the scale,” the high number of projects that do no good.

Between 2004 and 2007, Planet Aid grew from an \$8 million to a \$30 million enterprise, according to tax documents, but its giving-to-fundraising ratios have not appreciably improved. The Planet Aid-Humana arrangement is lucrative because both the items Planet Aid sells (donated clothing) and the labor Humana employs (volunteers) are free.

As has been widely reported, students who attend one of Tvind’s training schools pay over \$3,000 in tuition and then must raise an additional \$7,000 — usually by street canvassing — to pay for their trip overseas. Accounts of cult-like control measures have also been reported at the schools.

“I would consider it a financial shell game,” Heckscher said. “It’s a multinational corporation that is trying to use cheap labor to make a dollar.”

Numerous European countries — including France, the Netherlands and the United Kingdom — have stripped Tvind-backed “charities” of their charitable status because of opaque or suspicious financial activities. In February, a branch of the German government denied Humana People to People Deutschland the right to participate in a new program that sends young people to work with charitable organizations in third-world nations. Humana Deutschland was the only one of 193 organizations that applied to be denied, according to tvindalert.com.

News reports and word-of-mouth will never be enough to ensure Tvind-associated charities are on the up-and-up, said Heckscher, an author and activist who gives presentations on Tvind and helps maintain tvindalert.com. “I think it will take some government intervention,” she said.

Here in the U.S., federal officials have scrutinized Planet Aid’s finances and taken action accordingly — by giving Planet Aid an estimated \$33.8 million worth of wheat.

In the waning days of the Bush administration, the U.S. Department of Agriculture awarded Planet Aid a three-year commodities grant to sell the grain in order to finance programs in Malawi — part of the USDA’s Food for Progress program. That most recent \$24.7 million grant follows a previous USDA grant for a project in Mozambique that will give Planet Aid \$9 million worth of grain this year.

“One of the reasons Planet Aid was chosen was based on, as they say in Hollywood, the body of work,” Charles Rush, a USDA agricultural attaché, says without irony in a Planet Aid promotional video on YouTube.

USDA spokesperson Linda Habenstreit said the department learned of the failing grade Planet Aid received from AIP after the most recent grant was announced. But after a subsequent review of Planet Aid’s records, Habenstreit said the department determined the organization’s administrative expenses were in line with those of comparable organizations.

## **The local impact**

Local governments have shown the same willingness to accommodate Planet Aid — and the same disinclination to research the charity beforehand.

Planet Aid had boxes at municipal recycling centers in Scarborough, Freeport, and Portland. Officials and private contractors who manage the facilities said they were unaware of the controversy surrounding Planet Aid when they agreed to let the charity put boxes on public property.

But as they learn more about the organization, that’s changing.

Following an inquiry by *The Ballard*, Nicole Clegg, the city of Portland’s director of communications, did her own research on Planet Aid. After consulting with City Manager Joe Gray, Clegg said a decision was made to have the box removed.

“Enough questions have been raised” to warrant the box’s removal, she said. “We feel that there are a number of local non-profit and charitable organizations that people can bring their used clothing to.”

The private sector tends to eye Planet Aid more warily. Wal-Mart spokeswoman Alexandra Serra told *The Ballard* the corporation recently ended its partnership with Planet Aid and has chosen to work with a different charity. She said the Planet Aid box at the Wal-Mart in Scarborough will be removed.

Shawn Boulet, an agent with Green Tree Realty in Portland, said he was unaware of Planet Aid before a representative of the group approached him seeking permission to place a box behind Green Tree’s office on Washington Avenue. The meeting left him with the impression the clothes were donated directly to the poor, so he agreed. (Labels on Planet Aid’s boxes explicitly say the clothing is sold and the proceeds used for charitable programs.)

Three months went by before the box arrived, and by that time the representative was no longer with Planet Aid. “I started to not get a good vibe,” Boulet said.

But once the box was placed there, Planet Aid serviced it promptly and left the area around it tidy. Although Boulet donates clothing to the Salvation Army, he encouraged family and friends to drop off clothing for Planet Aid. News of the charity’s controversial history has dampened the vibes again. “That definitely wasn’t part of the sales pitch,” he said, chuckling in disbelief.

Planet Aid’s entrance into an area tends to negatively impact donations to similar charities, like the Salvation Army and Goodwill. Captain Mark Unruh, chief administrator of Portland’s Salvation Army Adult Rehabilitation Center, said all the center’s funding comes directly from the sale of used clothing collected at Salvation Army boxes in Portland. Since Planet Aid came to town, Unruh said donation revenue has dropped by 10-to-15 percent.

Unruh, himself a graduate of the rehab center's program, said the Salvation Army plans to increase the number of boxes it places around town. If that doesn't work, he isn't sure how the center will absorb an ongoing drop in revenue. "We're operating pretty much at a minimum right now," he said. "I'm not going to cut back on feeding my guys."

Neither Goodwill Industries of Northern New England nor the Good Cause Thrift Shop in Portland report similar decreases in donations.

At least, not yet.

Goodwill locations in other cities have reported drops in donations coinciding with Planet Aid's arrival. "We are struggling to maintain our historical level of donations," a Goodwill employee told a Philadelphia TV station two years ago.

"They do have an impact, no doubt about it," a Goodwill employee in Chicago told the *Tribune* in an article about an affiliated used-clothing collection outfit called Gaia-Movement Living Earth Green World Action Inc.. (A Gaia representative told the *Tribune* its organization was launched with the help of a \$60,000 unsecured loan from the Massachusetts Planet Aid; the *Tribune* reported that memos obtained by Danish police show the \$60,000 was transferred to Gaia by Tvind leaders who were subsequently indicted for fraud.)

Bailey dismissed such accounts by fellow charities as sour grapes. "Goodwill drops a dime on us because we eat their lunch," he said. The Teachers Group and Planet Aid are being "persecuted" for being too successful, he added.

The watchdog Web site tvindalert.com recently reported that the Teachers Group opened a \$10 million private retreat in the Mexican desert last year called TG Pacifico. "It includes an Olympic-sized swimming pool, a cathedral-like meeting hall, library, gymnasium, and helipad," read the item, which includes a link to a slideshow of pictures of the posh facility.

Maybe Bailey's right: they are *too successful*.

*Craig Idlebrook is a freelance journalist in Ellsworth. His work has appeared in over 25 publications, including The Working Waterfront, Mothering, and Bangor Metro.*

*Bollard editor Chris Busby contributed reporting to this article.*

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