



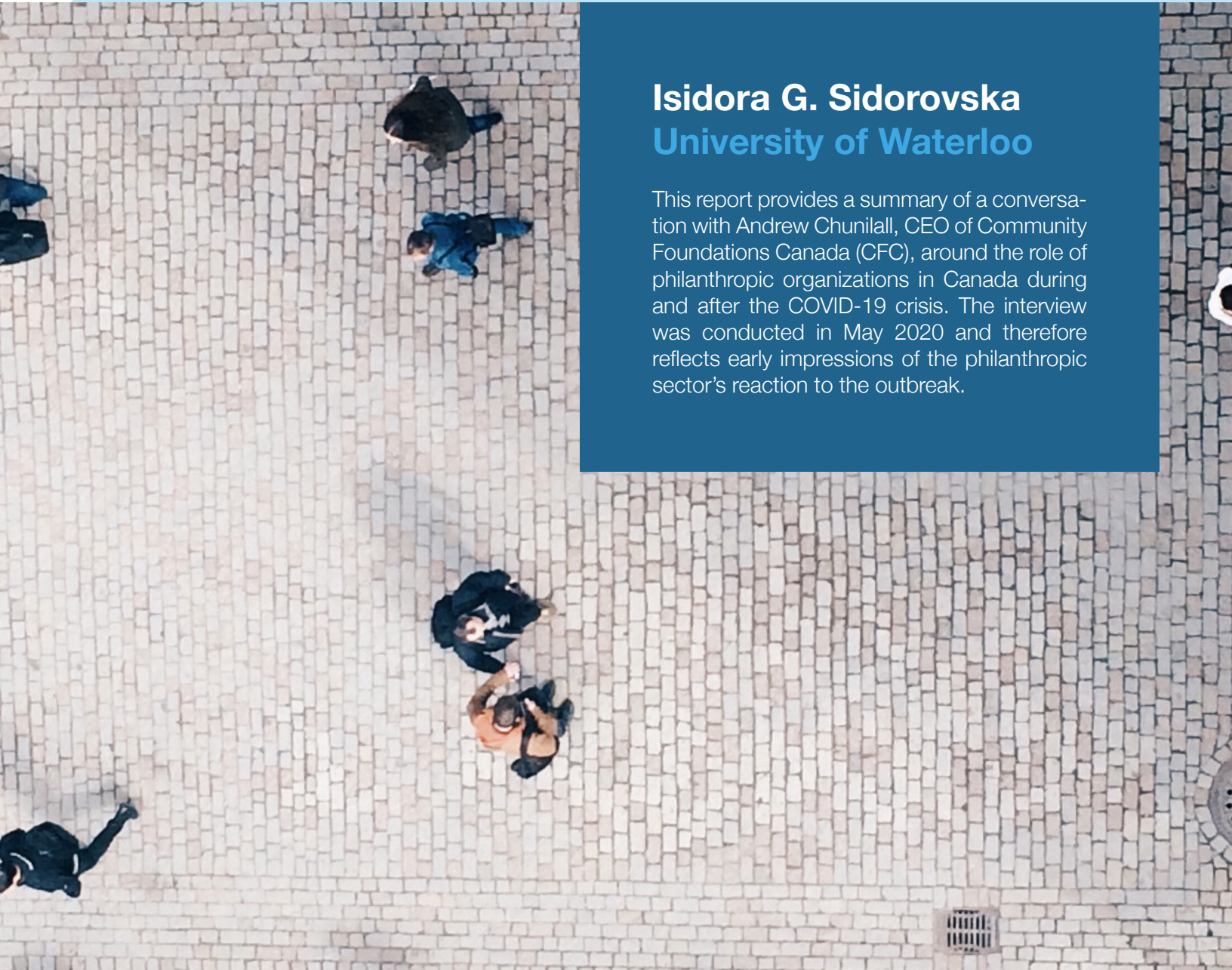
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Philanthropic Responses to COVID-19: Re-Examining the Role of Grantmaking Foundations in a Changing Society August 2020

Isidora G. Sidorovska
University of Waterloo

This report provides a summary of a conversation with Andrew Chunilall, CEO of Community Foundations Canada (CFC), around the role of philanthropic organizations in Canada during and after the COVID-19 crisis. The interview was conducted in May 2020 and therefore reflects early impressions of the philanthropic sector's reaction to the outbreak.



Introduction

This interview was initiated with the purpose of exploring a specific collaboration between a private foundation and a community foundation, in order to learn whether such collaborations are becoming prevalent in the wake of COVID-19. However, our conversation quickly showed that collaborations between private and community foundations are only one of many philanthropic sector responses to the current crisis. Therefore, the topic of discussion quickly shifted to broader sector-specific issues that are challenging the traditional role and approach of grantmaking foundations, especially in the face of the ongoing pandemic. These larger debates are particularly relevant in the current climate, as the pandemic has inspired a widespread conversation around what a more sustainable and just future would look like.

The report is organized into two parts. Part one summarizes key insights from our conversation with Andrew Chunilall, CEO of CFC, including the immediate response of philanthropic organizations to the COVID-19 crisis, as well broader constraints that hinder the ability of grantmaking foundations to contribute to the pandemic response.

Part two builds on these ideas to identify three directions for rethinking the approach of philanthropic organizations post COVID-19 crisis:

- Re-examining the role of philanthropic institutions in a changing society;
- Realigning the philanthropic business model with the social functions of philanthropy;
- Immediate and strategic contributions of foundations in rebuilding the third sector.



Philanthropic Responses

1. COVID-19 and Philanthropy: Responses to the Current Crisis

Andrew Chunilall notes several factors that have shaped how grantmaking foundations have responded to the pandemic. These include:

- a greater reliance on grantees including increased flexibility in the implementation of funds;
- a clear focus on ensuring prompt and uninterrupted cash flow and reduced application and reporting requirements;
- increased collaborations to achieve impact and scale.

An example of this flexibility is a joint statement between Philanthropic Foundations Canada, Environment Funders Canada, Community Foundations of Canada, and The Circle on Philanthropy and Aboriginal Peoples in Canada that provides grantmaking foundations with key guiding principles for engaging with new and existing grantees throughout, and beyond, the crisis.

Mr. Chunilall notes that the current crisis has also resulted in increased collaborations, especially among private and community foundations which, despite having similar objectives, did not regularly engage in joint initiatives before the current outbreak. However, the COVID-19 crisis has allowed them to rethink some of these practices and has emphasized the importance of achieving impact and scale. This means that there are currently several projects that bring private and community foundations together.

A good example of the trends mentioned above is the Indigenous Peoples Resilience Fund (IPRF). The IPRF has assembled several community and private foundations to support a fully Indigenous-led initiative, where a grantee's advisory group has full authority to define both the priorities, as well as operating procedures, of a fund. This marks a shift to a model of philanthropy that is grantee-led—where foundations abandon predetermined approaches and objectives and rely on local groups and communities to decide what is best

for them. Such an approach goes beyond simply prioritizing local knowledge to speed up the distribution of funds to local communities; the IPRF is a starting point in building Indigenous philanthropic infrastructure. Another thing that Mr. Chunilall notes is that, in spite of the underlying awareness that many of these changes were needed, they were only made possible as a result of COVID-19:

[The IPRF] is something we would not have contemplated 12 weeks ago, even though it was as wanted, as needed, and as urgent then as it is now. But a pandemic just gives you permission and eases the political pressure within our networks to get things done.

What is common is wanting to do something and seeing that something needs to be done. The challenge lies in power, however, seeing that Indigenous groups would prefer to go to a philanthropic infrastructure that is Indigenous-led and Indigenous-governed to support their own communities... The question is, do we have the responsibility, with our resources and our money to make those infrastructure plays possible, and how do we do that without imposing our own culture and values on another culture. This means that we need to give our money, and social, and political capital to another group of people and say this is now your responsibility... It is a reverse of the colonial thinking, which is we will come in with our money and tell you based on what we have done, how things should be done.



During our conversation, it became clear that private and community foundations have advocated for flexibility and the importance of local leadership in tackling the current crisis. They have moved from insisting on close guidance and oversight over fund disbursement to more flexible and locally guided approaches. They have increased cash flow in the sector, while decreasing application and reporting requirements and, in this way, ensured prompt support for community-led initiatives. As several of our small case-studies point out, foundations have also shown a tendency to combine resources to fund different initiatives. These steps have laid the groundwork for rethinking the dominant model of grantmaking operations and, in the case of IPRF, reconsidering how foundations can make more sustainable contributions to combatting inequality.

All of this considered, we asked our respondent if foundations have risen to the occasion when it comes to handling the current crisis. The answer, he explains, is complicated: *“When it comes to the foundations ability to be adaptive during a pandemic, we have done an OK job, but we need to do better.”*

On the one hand, there has been a prompt response throughout the sector. On the other hand, foundations have prioritized the protection of their assets. And while this approach may be a natural response for profitable businesses, it goes against the basic social function of philanthropic institutions. Mr. Chunilall further warns that the sector’s response needs to be assessed in the context of the crisis we are currently confronting.

The bottom line is that, while the response of foundations has been reasonable and well executed, it has not been sufficient for the scale of the emergency we are currently facing.

That is what the challenge now is for philanthropy, to do something that is extraordinary so that it matches the magnitude of what we are currently facing. We are sitting on billions of dollars and do we mobilize those resources now, even when the restrictions of trust laws are taken away? Culturally as accumulators we cannot do it. This is why I say we have lost ourselves in capitalism, we were supposed to be wealth distributors, we are wealth accumulators now.

It is this core tension between wealth accumulation and wealth distribution that shapes the possibilities and limits of how philanthropy can respond to COVID-19. Philanthropic foundations have done well by repurposing funds, increasing cash flow, and loosening application and reporting requirements. They have placed more power in the hands of grantees to allow for a more effective response to the crisis. But could they have done more?



There is no board in this country that runs a private or community philanthropy that does not write on the dashboard what the total asset is month by month, and if that number goes down for six consecutive quarters of what their average is, there is panic. That's the mentality: we are asset accumulators, we are not redistributors anymore. We were meant to be, but we have lost our way.

- Andrew Chunilall

2. The Role of Philanthropy: Limitations and Underlying Paradoxes

This section explores broader issues that have limited the ability of foundations to devise a more substantial response to the current crisis.

2.1 Underlying Paradoxes: Business Model vs. Social Function

The ability of grantmaking foundations to fulfill their societal function is constrained by the attention they must place on protecting their assets. This rationale is justified by an underlying belief that they must exist to perform philanthropic grantmaking in perpetuity.

Our interviewee further sees the accumulator mindset as an outcome of a fundamental paradox between the societal function of foundations and their predominant “business model”.

In summary, there is a tension between philanthropy’s “business model” that relies on the accumulation of wealth and its social function of wealth distribution. Foundations are meant to address wealth inequality, yet at the same time they rely on accumulating wealth to sustain their own existence which essentially undermines their philanthropic mandate. The impact of this friction, according to Mr. Chunilall, can be seen in the discrepancy between financial and social investment returns.

This tension is present in recent calls to review how foundations use the totality of their assets to achieve social impact, as well as concerns regarding the currently prescribed minimum of 3.5% of total assets that foundations are required to distribute annually. These questions have become mainstreamed through movements such as the Give5 and the #Other95. The first one calls for a review of the above-mentioned disbursement quota, while the latter asks for a more general examination of how foundations can better use

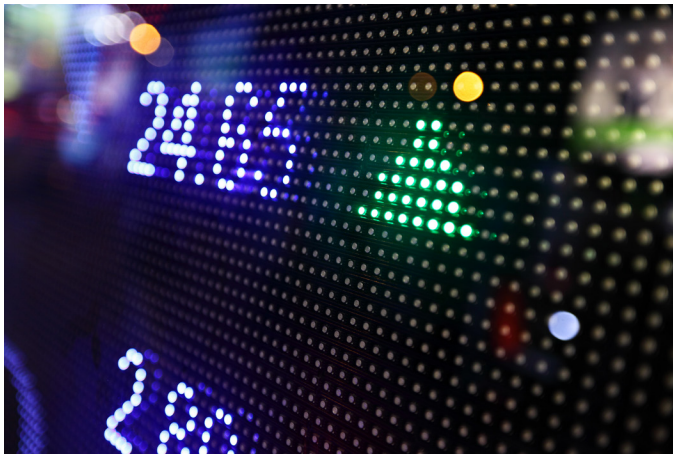
the totality of their assets to achieve social impact. Despite increased public discourse, these conversations have had no tangible outcome as of yet. What concerns our respondent even more is the reluctance of foundations to engage in an open conversation that will explore these paradoxes.

Discussions surrounding novel approaches and models that would ensure foundations provide a greater contribution to society is not new. But these conversations have gained a new sense of urgency in the current crisis. According to our interviewee, it is important to sustain the momentum behind these conversations, as we work to rebuild the sector not to what once was, but rather to what we want it to be.

2.2 Blurred Boundaries and the Changing Roles of the Private and Public Sectors

Another aspect to consider when rethinking grantmaking foundations is how changes in the private and public sectors may affect the role and function of foundations.

Andrew Chunilall spoke about the changing relationship between business and society. As consumers become more informed, attentive, and aware, they expand their purchasing criteria to also include business externalities. The business sector is therefore forced to rethink the concept of business value and ensure that it considers its wider impact on the environment and people in addition to profit. A variety of concepts such as sustainable businesses, triple bottom line accounting, and shared value are used to emphasize a commitment by businesses to provide value not only to the company’s shareholders, but to all relevant stakeholders. As businesses start adopting mechanisms to minimize and address their own externalities, they begin to integrate some elements of the mandate of philanthropic institutions into their frameworks. Mr. Chunilall notes the concept of “stakeholder capitalism” as a recent example of these changes.



2.3 Durability in the Face of an Economic Downturn

The COVID-19 outbreak and the ensuing economic downturn adds an additional layer to conversations around the role of foundations moving forward. The current economic environment impacts foundations' ability to deploy funding, as their financial sustainability is highly dependent on positive financial returns on investments. Our interviewee notes that a recessionary environment will require innovative approaches by foundations to ensure social impact:

As we move forward, an important concern will be philanthropic organizations' capacity to fulfill their role even as their assets start to shrink, especially as we move away from emergency responses to broader sector restructuring. Mr. Chunilall further emphasizes the importance of foundations' responses considering the key role they need to play in reorganizing and reimagining the third sector:

Looking at the sector, we are the capital holders, so how do you move liquidity in the system to ensure stabilization? But implicit in stabilization is actually maintaining the status quo. It is about ensuring that what was before we entered the pandemic will be what we get out to ... that language is now obsolete... We learned that this is the new normal and therefore we cannot be in stabilization anymore because maintenance will not take us where we need to go. We now need to restructure and retool and make investments that are not about status quo and maintenance, and this requires different types of investment.

To summarize, the imminent economic downturn threatens the sustainability of the predominant business model of foundations, as this model relies on positive financial returns as a precondition for the deployment of funds to communities. Sustaining foundations' ability to invest in communities will therefore require a move from the traditional reliance on grant-making to new and innovative models of community support. These questions become even more important when we consider the key role of foundations in guiding the development and restructuring of the third sector in the time to come.

As businesses strive to create value for various interest groups beyond their shareholders, philanthropic institutions must think about how to follow suit. This includes efforts to ensure that their total assets are more effectively used to make a meaningful contribution to their social role and mission.

The changes in the private sector are followed by ongoing modifications in the implementation of various public services as a result of the current outbreak, some of which may remain in place even after the immediate crisis is over. However, there is also an understanding that the pandemic has exposed and exacerbated a multiplicity of issues already present in our society that cannot be fully addressed through these individual policy modifications, and might require a more systemic solution.

Mr. Chunilall finds it plausible that one of the outcomes of the crisis will be a call for re-examining how we address systemic inequalities in Canada, as well as a more comprehensive review of the key pillars of the welfare state. He further spoke of a small group of leaders within the Canadian philanthropic community that have already started these conversations.

For our respondent, the purpose of these conversations is to explore more just and sustainable ways forward and to use this time of rapid change to make long-term solutions that will be the basis for a more equitable and just society.

What is important for philanthropic institutions is to anticipate the incoming changes to the ways the public and private sectors operate, especially considering the rapid adjustments that are happening as result of the pandemic. This will allow them to better adjust the models of operation to new realities and find effective ways to deliver their mandate and perform their social function.

Discussion and Conclusions: Rethinking Philanthropy

This section briefly summarizes some of the key interview findings and identifies three important trends that influence the role of philanthropic institutions going forward:

1. The tension between a foundation's business model and mandate;
2. Changing mandates for public, private, and third-sector organizations;
3. The role of foundations in rebuilding the third sector given their defining role in allocating sector resources.



Trend 1: Tensions Between Model and Mandate

Our interview flags important tensions between the model and social mandate of foundations. For one, it emphasizes the paradox between a business model based on wealth accumulation and a mandate of wealth distribution. As foundations work to protect and grow their assets, do they produce instead of reduce inequality?

Currently, foundations are required to disburse 3.5% of their total assets annually towards their social mission. In return, the totality of their assets and revenue is untaxed while placing no further restriction on how the rest of their assets are used. The question is, can we make sure that the entirety of foundations assets is used more to effectively contribute to their social mandate and achieve social impact?

These issues are further complicated by an imminent economic crisis that will limit the ability of foundations to ensure financial returns that can be distributed to society. This means that in the short-term, foundations are faced with the task of devising innovative and creative operating models to continue to achieve social impact despite limited financial returns. In the long-term, it becomes increasingly important the foundations rethink their dominant operating models and explore new avenues to achieve greater social impact and contribute to their social mission.

Trend 2: New Roles for Philanthropic Institutions in a Changing Society

The COVID-19 pandemic has exposed and further aggravated a multiplicity of issues prevalent within Canadian society, including climate change and environmental injustice, social and economic disparities, and systematic exclusion based on race, gender, and class. The current crisis has also demanded that we abandon some well-established models of conducting life and business and has led to changes in how core social services are organized. For some, it has also been an opportunity to call for a move from partial remedies to rethinking the very organization of our society. Our interview informed us on ongoing conversations within the philanthropic sector around the need for a new social contract, as well as the presence of a small group of individuals in the sector who are already exploring what such a social contract for Canada should entail. This is just one of many such conversations taking place across sectors—from education, to child rearing and healthcare—on how we can use the disruptive capacity of the current crisis to rethink ways forward.

At the same time, the business sector has already been engaged in an intensive process of rethinking how it organizes its contributions to society. By taking steps to revise its mandate and integrate a commitment to bringing value beyond shareholder profit, it affects the distribution of roles between the three sectors. For foundations, this raises questions on their own mandate and the ways in which they create value for their own stakeholders and the communities they serve.

A change in each sector will inevitably trigger a change in the other two sectors. Therefore, it becomes essential for philanthropic institutions to contribute to these conversations as a long-term investment in achieving social, economic, and environmental justice.



Trend 3: The Influence of Foundations in Rebuilding the Third Sector

As foundations control a large portion of the resources underpinning the third sector, they will play an important function in rethinking and restructuring the sector in the time to come. Foundations outline the conditions by which charitable organizations access resources. In this way, they have an essential role in defining a future vision of the sector and the steps required to achieve such a vision.

Examples from philanthropic responses to the current crisis have shown us that foundations are trying to place more power in the hands of their grantees. They allowed and called for greater flexibility in granting procedures, expanded support for organizational needs, and increased the autonomy of community partners in fund allocation. As the outcomes from these changed practices unfold, it is essential that foundations recognize and build on the empowerment and learning that comes as result.

Conclusion

The purpose of this analysis is to provide a starting point for some of the conversations that will take place as we navigate the philanthropic sector post-COVID 19. It warns against sliding back to the already established ways of conducting life and work, and using this opportunity to engage in conversations about shifting the roles and approaches of philanthropic institutions to ensure their mission and mandate is met more effectively, especially considering the ongoing changes in the business and public sectors.

The crisis has provided an opportunity to test new models of collaboration with grantees, reinvigorated debate regarding how foundations work with the totality of their assets and demanded innovative approaches to sustain philanthropic investments despite an economic downturn. The implications of these changes need to be considered as we develop a vision and roadmap for rebuilding the sector post-COVID-19.



Acknowledgements

Earlier versions of this report have benefited from insightful comments and suggestions made by Adam Saifer, UQAM. The report is part of a PhiLab study on COVID-19 responses in Canada's Philanthropic Community led by Jean-Marc Fontan, UQAM and Manuel Litalien, Nipissing University.