

# Covid-19 A Catalyst for change in Foundation practice?

Lessons and hopes from European leading national players investing *for* impact

Covid-19 has changed everything, calling into question accepted norms in all walks of life, and placed huge pressure on those engaged in frontline delivery, responding to accelerating social needs. Those investors *for* impact looking to support these organisations have been forced to act quickly and on an unprecedented scale. This crisis has provoked innovation and positive internal change within a sector often seen as traditional, slow to change. The question is how to effectively build on this.

We have seen fantastic examples of flexibility, speed and size in the response of foundations. Emergency relief funds, such as the 2.2€ million allocated by Oranje Fonds deploying 290 grants, or the 6.4€ million emergency fund set up by Fundação Calouste Gulbenkian, were matched by the speed of DOEN Foundation deploying 2.5€ million almost immediately to support their portfolio organisations with a redesigned application process to be able to deploy funds quicker if necessary. Fondazione Cariplo has also promptly reacted to help the hardest hit communities and population groups committing 15€ million to the emergency and re-shaping priorities to boost crisis response allocating 60€ million to emerging needs. Flexibility was also key from the rainy-day fund of Fondazione Compagnia di San Paolo, to the work of Fondazione CRT leveraging its local and international network to build a hospital.

The examples have been awe inspiring and the scale unprecedented (over \$10 billion in the US alone deployed in emergency response over three short months in 2020) – a timely reminder of the impact that foundations have in our society. That is not to say it has not been without challenges. Examples such as foundation support often being directed to existing

portfolio organisations focussed on solving pre-covid problems with pre-covid methods, have resulted in new left behind groups and gaps in support.

At this point there is a need to stock take, share experiences, and also start to question how we can use the reactions to Covid-19 as a catalyst rather than a hinderance, to build both on what works and on approaches that are more likely to be future proof.

For this reason, EFC & EVPA over two virtual sessions (itself the most visible symbol of the change Covid-19 has brought) held in early summer last year, looked to deep dive with its 'Foundations Along the Spectrum of Capital' working group. Nine foundations from six countries in Europe, national scale players, all of whom have directly responded to the crisis in their own ways. Alongside a safe sharing and thinking space, the question was what could be learnt from shared experiences and potentially be of value for a wider social sector audience. The outcome was different. Rather than focussing on what has happened, all were keen to ensure that the positive internal changes created in reaction to emergency remain. The appetite was for identifying how we avoid going back to 'business as usual'.

Foundation after foundation shared stories of emergency funding, providing liquidity to grant and investment recipients. Multi-million euro funds providing relief were quickly founded, and grants distributed in numerous countries. After sharing inspiring stories of how this group had responded to crisis, utilising quicker and more responsive grant making and other tools, working closely to support, and engaging with existing partners, the group turned to the challenge they were all facing.

Having responded quickly, what was the future direction to build on learnings and respond to uncertainty? Despite the human compulsion to make order, imposing a linear Survival, Revival and Rebuild phraseology to this crisis was difficult. Whilst this structuring was recognised by the majority, it was not used by the majority. Rather it was clear that, whilst this had value in a general sense, subsystem patterns are not linear and did not conform so neatly. What is clear is that we are living in changed world. To paraphrase the famous quote, the pre-covid era is a foreign country where people did things differently. Looking forwards, 100% of the group saw themselves coming out of this crisis doing “something new, behaving differently” rather than “going back to normal”. Something that will reach to their grantee relationships, with only 20% predicting their relationship with grantees “getting back to normal after the survival phase”.

Rather they saw their funding approaches having changed for the future (80%) with increased flexibility and unrestricted finance as key factors. Some highlighted a positive change in their relationships with grantees, which have deepened during this crisis. Indeed looking forwards 80% stated “they were going to collaborate with existing partner more and the crisis has deepened existing relationships”.

Whilst this result is a promising sign, on the other hand it can be seen as a challenge to exploring collaboration with new partners. However, all foundations mentioned openness to trying new things and exploring building new collaborations. This collaboration is happening but needs to be balanced with bringing the expertise of others around the table to ensure those that are driving this collaboration do not tend too far from the needs and knowledge on the ground. Further actions could be undertaken to engage with all audiences.

This collaboration also needs to be amongst equals, which in terms of some relationships will require a focus on changing power dynamics. Alongside working harder to ensure diversity and access for new solutions and new recipients of support, foundations themselves need to be confident in the new change in their own relative value with stakeholders. The voices, from Italy in particular but elsewhere, pointed to a slowly changing relationship with local (regional

and national) government. An opportunity and desire from foundations was clear: being brought to the table earlier for ideas and intelligence when dealing with social issues. They are willing to co-create solutions rather than to ‘fix’ problems or unintended consequences of earlier policy decisions made without their voice. Seeing their value, their depth of engagement and connections into the community during this time of crisis, should result in their inclusion in proactive conversations about how to pre-empt potential negative outcomes of government action.

This need for a change in power dynamics was not however limited to tilting the balance with others to increase that of foundations. Reflecting on their own position, attendees were clear that, even during this period of upheaval, foundations are fortunate to still have the resources and capability to choose their own path.

***“Foundations are the privileged of the privileged in the not-for-profit sector.”***

The relationship between investor and investee, grantor and grantee starts from a position of imbalance, and this needs to be recognised. Just as foundations are looking to be involved and valued by other actors, so they need to pay this along to those organisations they fund and support. In line with principle 2 of the [EVPA Charter of Investors for impact](#), which is about putting final beneficiaries at the centre of the solution, foundations should listen to stakeholders, organisations and associations that are working in the field, as they know better what is needed and how to intervene. Moreover, taking hold of issues that are difficult to solve, both listening to beneficiaries and amplifying their voices for others to hear should be on foundations agendas. Solutions such as participatory grant-making were discussed as potential levers to help shift this implicit power imbalance.

This change in power dynamics crystallised the clear feeling amongst this group that whilst a huge challenge for society, this crisis also provided an opportunity for bold and strategic thinking and action, as highlighted by the group (85%). When looking forwards, 71% of the group declared to be willing to take that opportunity.

However, participants were clear that being bold does not necessarily mean expanding bandwidth, but also rethinking current strategies. For instance, including preventative approaches or re-channelling funding to gaps where it can have the most impact are needed steps. Overall, whilst change can happen in instruments used, timing or money allocation, the need to go to the root causes of problems and adopt a longer-term approach remain at the core.

This requires long-term impact focus thinking, as also stated in the pre-covid launched [EVPA Charter of Investors for Impact](#). Investments with longer time horizons, ensuring foundations are doing what others can't, rather than replacing mainstream capital. Providing flexibility in approach, constantly driving to review agendas until the real issues appear all the while not losing sight of a longer-term vision.

***“Where do we want to arrive in 2050? We are always stuck at 2-3 year programs. Whilst trying to enforce a long-term view, being bold means not expecting concrete results every year.”***

To embrace this change, the group was clear that all options needed to be considered, ranging from committing higher percentages of assets to social purposes, to longer term commitments alongside new and/or closer collaborations.

Foundations are in a unique space, often having lived through larger crisis. They have longer term time horizons and the luxury to be able to look up and forwards. This role is for them to play, maximising short term practical gains (e.g. shared due diligence, easier grant procedures), building on medium term improvements (e.g. through shared learnings and experimenting), whilst providing the long-term vision and voice.

#### AUTHORS NOTE

The above is opinion based on the authors' attendance at and reporting of the conversations held in two sessions convened by EFC & EVPA of their joint Foundations Along the Spectrum of Capital Initiative. This group is collection of leading Foundations across Europe exploring the new roles for Foundations to deploy their capital for impact.

This article has been co-authored by Peter Cafferkey, Gianluca Gaggiotti and Alessia Gianoncelli from EVPA.

Statistics mentioned reflect the output of polls conducted at these two sessions.

#### Group members include:

- DOEN Participaties (The Netherlands)
- Fondation Botnar (Switzerland)
- Fondazione Cariplo (Italy)
- Fondazione Compagnia di San Paolo (Italy)
- Fondazione Sviluppo E Crescita CRT (Italy)
- Fundação Calouste Gulbenkian (Portugal)
- King Baudouin Foundation (Belgium)
- Oranje Fonds (The Netherlands)
- Robert Bosch Stiftung (Germany)

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