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Crisis philanthropy: Forging a new social contract

The global community of philanthropists has steadily grown in size and influence over the past two decades. This expansive reach and status has made philanthropy an essential ally in the fight to tackle Covid-19 and its aftermath. But wealthy individuals should not limit themselves to pilot projects and programmes. As the pandemic has shown, there are deep inequities in our society, which lead the less advantaged to be systematically marginalised. Can philanthropists contribute to the social contract to create a fair society for all?

WRITTEN BY The Economist INTELLIGENCE UNIT

Introduction

After a period of optimism at the turn of the millennium, disaffection with the economic and political status quo —of globalisation, free markets and even democracy itself— has bubbled over in the past half-decade, as evidenced in growing support for more extreme political parties and movements. Rising inequality and stagnant income growth are drivers of today's malaise. The ongoing Covid-19 pandemic has deepened already-existing fractures, disproportionately affecting the vulnerable in terms of both their risk of infection from the virus and their economic pain.

The ultra-wealthy have, by and large, been beneficiaries of the past three decades of globalisation—as well as the technology-driven boom of the past decade, which has created a new generation of multi-millionaires and billionaires. Increasingly, there are expectations that these ultra-high-net-worth individuals (UHNWIs) must give back to their communities. While many have engaged actively in giving and philanthropic activity, to what extent are they focusing on reducing fractures in society, as opposed to isolated projects and initiatives?

As UHNWIs face increasing pressure to give more in their lifetime, and in a transparent way, there is a need for a new social contract, complementing the historical contract between society and governments, that would allow efficient co-operation for the creation of lasting social and economic benefits. This report, written by The Economist Intelligence Unit and drawing from the contributions of experts across three continents, looks at how the Covid-19 pandemic provides an opportunity to create a new social contract between UHNWIs and civil-society stakeholders.

Gathering steam: giving by the global ultra-wealthy

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The scale of philanthropic giving globally is impressive—it had reached US$153bn per year in 2018. North America dominates in terms of donations, contributing US$75bn in 2018.[1] European philanthropists contributed nearly a third of the total, while Asia accounted for 12%.

Despite the East's modest share of the overall pie, all the signs point to growth from a low base. By 2016, for instance, giving from the top 100 philanthropists in China amounted to US$4.6bn, three times the level seen in 2010.[2] There is also a lesser-reported philanthropy in other fast-growing emerging economies, from Thailand and the Philippines to Sub-Saharan Africa.

"In the past, philanthropy was transfer of resources from the Global North to the South, but now you have a rise of givers from the latter," says Alison Powell, partner at Bridgespan, a global non-profit that advises philanthropists.

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Partner,
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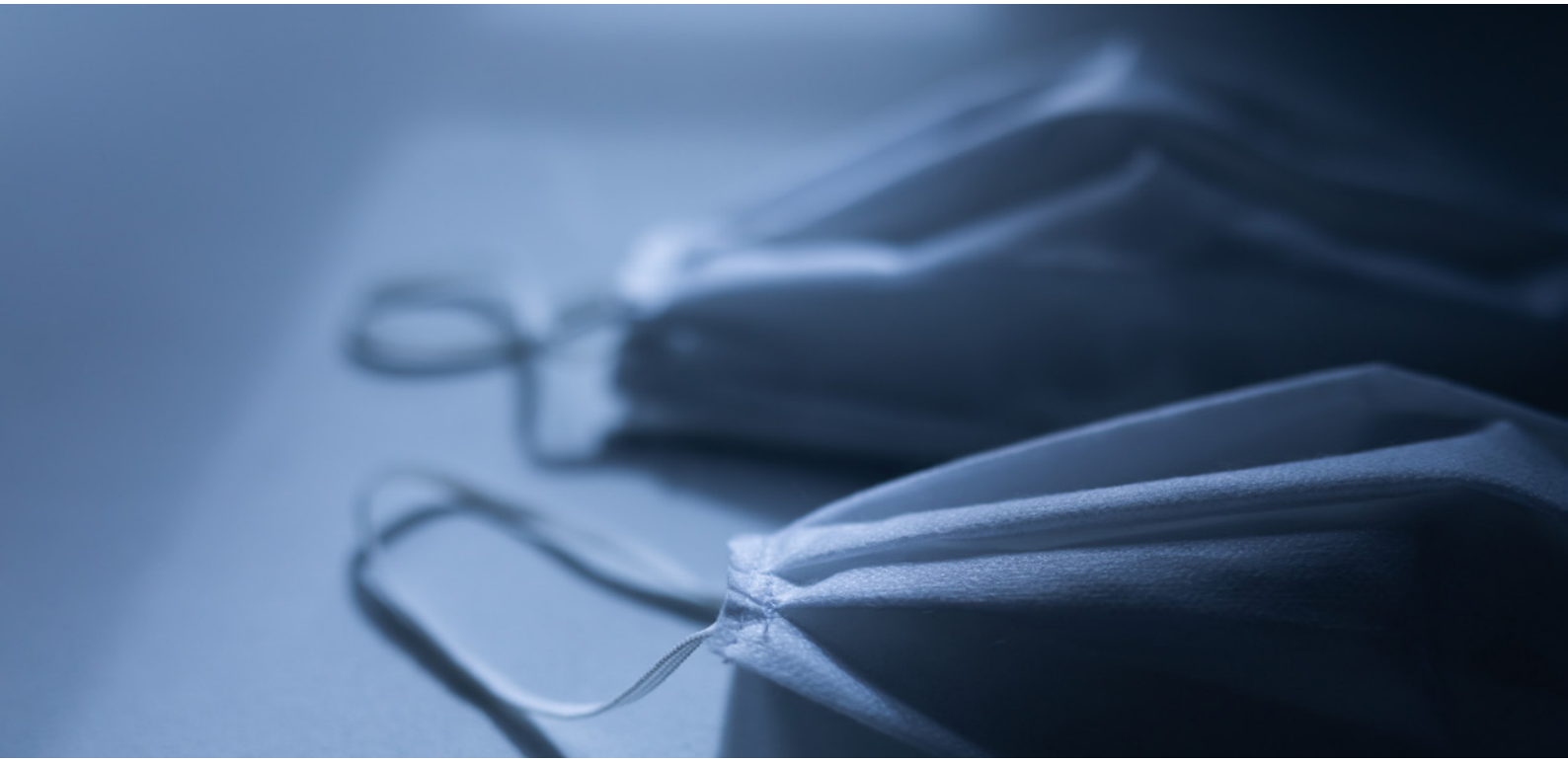
Along with a rise in size and diversity, there has been a refinement in tools and tactics. In a data-saturated world, and with many philanthropists acquiring their wealth in the tech sector, there is a growing emphasis on rigorous metrics as part of a shift towards more effective altruism. New models are emerging too, including a growing use of collaborative structures to pool expertise and resources.

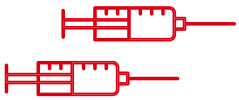
"Traditionally there was a one-to-one relationship between grantor and grantee, and we're seeing a shift to collaboration and co-ordination to find efficiencies, and towards a "many-to-many" relationship," says Melissa Stevens, executive director of the Milken Institute Center for Strategic Philanthropy. Co-Impact is one such model; with engagement from donors including Bill and Melinda Gates, Rohini and Nandan Nilekani, and Mackenzie Scott (formerly Bezos), Co-Impact provides a platform that convenes not just capital but shared expertise, networks and ideas.

Platforms have emerged specifically to measure philanthropic impact for both individuals and institutions. For example, GuideStar Platinum collects data on long-term goals (for instance, an investment in education measured by graduation rates). ImpactMatters, part of charity assessment organisation Charity Navigator, creates "impact audits" to measure non-profits' results and develops standards that others can mimic.

There is also a rise in "venture philanthropy" which combines the social mission of giving with the deeper levels of engagement typical of the venture capital world, such as rigorous due diligence, a focus on high-reward projects and closer participation over long-periods, ranging from sitting on boards and management committees through to coaching.[3] Venture philanthropists are looking at scalable investments much as they would in the commercial world, but the metric is social benefit rather than financial profit.[4]



Hour of need



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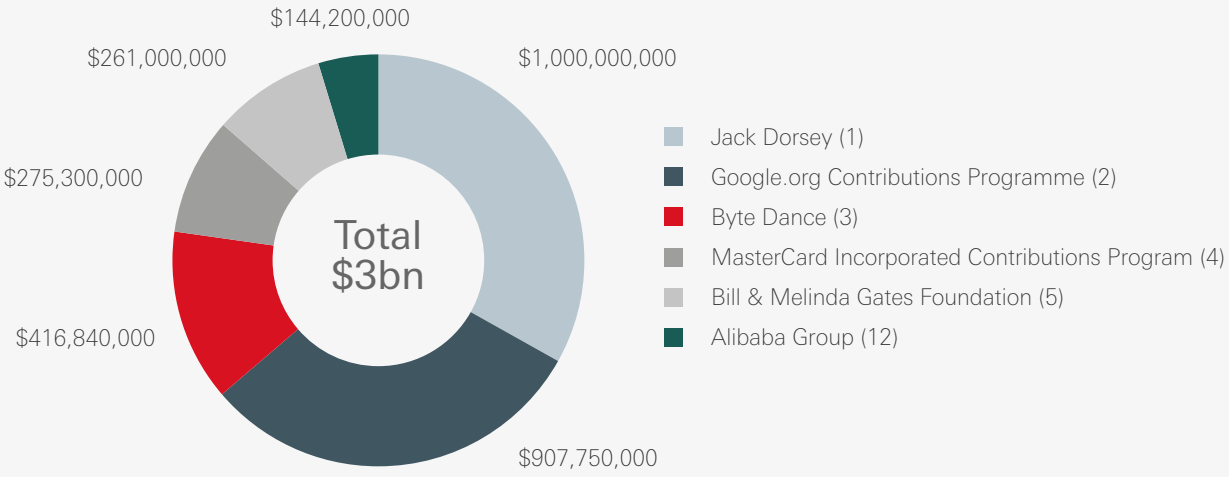
The growth of philanthropic giving is a welcome trend given the scale of need created by the Coronavirus pandemic. Huge sums have been released in fast and flexible ways. The Bill and Melinda Gates Foundation has committed over US$350m, including US$100m to support vaccine development mechanisms that could be useful for other disease outbreaks in the future. In April, the CEO of Twitter and Square, Jack Dorsey, pledged US$1bn of equity in the latter, a digital payments platform, equating to 28% of his net worth.[6] As notable as the sum was the transparency of delivery —Dorsey tweeted access to a Google spreadsheet allowing anyone to track the flow of funds.

In Asia, the Alibaba cofounder, Jack Ma, through his eponymous foundation and the Alibaba Foundation, has airlifted medical supplies to over 150 countries. Many philanthropists have made a difference in their home nations: Filipino tycoon Ramon Ang, for instance, made personal and corporate donations totalling US$16m for food, hand sanitiser and personal protective equipment.[7]

The world's top coronavirus financial donors



Source: Candid[8]

Disasters have often drawn generosity from the ultra-wealthy; they attract attention and concern, and the needs that they create are more tangible than long-term challenges like climate change. But this can result in a focus on short-term measures that leaves underlying causes of poverty and marginalisation unaddressed. Covid-19 has clearly revealed many deep flaws in our societies that were present before the virus struck.

"This pandemic has laid bare global inequities and pulled back the curtain on broken systems, from health to education, the economy, criminal justice, food and environment, and we don't have the luxury of looking the other way," says Ms Stevens, highlighting the urgent need for a new social contract allowing resilience and growth. "There's an opportunity for philanthropy to contribute to a world where these systems work for everyone."

Inequality has grown as a result of the pandemic, as reflected by a range of factors, from higher infection risk among the disadvantaged to greater economic impacts on those in informal work or precarious employment. Billionaires' wealth grew by 27.5% between April and July, even as millions of people

were plunged into poverty and food shortages.[9] The decade-long growth in the UHNWI cohort dove-tailed with a period in which progress to eliminate world poverty slowed.[10]

Poverty levels in even high-income countries have become apparent. Feeding America, a US-based hunger-relief foundation, reported a 70% increase in those seeking food during the pandemic, with 40% first time visitors.[11] In the UK, approximately 1.9m people used a foodbank between April 2019 and March 2020, an increase of 18% from the previous year.[12]

"Disasters have a disproportionate impact on people who are low income, and people of colour. They tend to become additionally disenfranchised," says Regine Webster, vice president of the Center for Disaster Philanthropy. She cites an example of a leak in a benzene plant following Hurricane Harvey, which struck the US in August 2017, as a sign of how extreme events intersect with inequities in areas such as housing and environmental health. In Hong Kong, ethnic minorities—one in four of whom live in poverty—have reportedly struggled to gain access to masks, hygiene products and information resources.[13,14]

Inequality is a more nebulous problem to solve than, say, distributing mosquito nets or shipping hand sanitiser. But philanthropists can use capital to address cultural and social barriers that marginalise some groups more than others. According to Niloufer Memon, a manager in Bridgespan's Mumbai office, while vertical sectors like health and education are still popular focal points, there has been a rise in focus on horizontal and cross-cutting issues, such as gender equality, and civic and financial inclusion. In some contexts, notably in the US and the UK, philanthropists are tackling core political issues such as democratic deepening, racism and criminal justice.

"We are seeing more contributions in areas like safeguarding the vote, racial equality and justice reform [in the US]," says Andrew Watson-Hogan, senior director and global head of non-profits and education at Wealth-X, a consulting and data analytics firm.

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The new social contract in Asia

The degree to which the wealthy support explicitly political causes such as civil and economic rights—political in the sense of requiring not just technical aid but changes to policy, law and culture—does vary by context. In India, for instance, "you need to work closely with the government, which makes it difficult to influence policy", says Ms Memon. "There are social justice areas which cannot be as deeply influenced by philanthropy here compared with the US. You have to lean to the government's position, and it's hard to move ahead if you don't partner with them".

But this does not mean that philanthropy cannot contribute to the social contract. One area of concern, for instance, is the need to build societal resilience in a region highly exposed to disasters in which the more vulnerable are more at risk.

Only 10%

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"Economic considerations have prompted the end of lockdowns in India, which has led philanthropists and stakeholders to pivot towards thinking about recovery and resilience," says Ms Memon.

Ms Stevens says that Asian philanthropists have demonstrated "a recognition that the most vulnerable and overlooked populations are even more vulnerable and more overlooked now. It has underscored the need for change around poverty alleviation and mental health, which were already areas of interest in the region pre-Covid."

This is manifesting in giving patterns. In Thailand, for instance, Dhanin Chearavanont, chairman of Charoen Pokphand Group, one of the world's largest producers of animal feed and livestock, has combined immediate relief spending with longer-term donations in water-source development, farmer livelihoods and online learning.[15]

Philanthropists may be better positioned than governments to support specific groups not captured by society-wide disaster support measures, such as LGBTQ people or women, says Soumitra Pandey, head of Bridgespan's Mumbai office. For instance, Sundar Pichai, CEO of Google, personally donated Rs50m (US$670,000) to GiveIndia, a non-profit organisation that has focused its COVID giving specifically towards daily wages of migrant workers. An Indonesian businessman, Sukanto Tanoto, has concentrated his philanthropic giving towards more vulnerable populations and filling the gaps left by government aid; he has provided funds through his foundation to distribute food for disabled people in the capital, Jakarta, as well as donating to charities supporting migrant workers in Singapore.

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Milken Institute Center
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However, there is much more to be done in order to focus on prevention, not just relief. "Every year, we have floods here in India and Bangladesh, and all the relief organisations go and do great work, but the focus on prevention is missing. There is an opportunity for philanthropists to focus more on the prevention phase," says Mr Pandey. This is not straightforward to do, of course, since prevention measures often touch on complex bureaucratic structures and decision-making processes, such as infrastructure development and the related permits and zoning approvals.

UHNWIs can also maintain a focus on society-wide issues by considering how their own giving practices might inadvertently reinforce inequalities. "Philanthropy has an opportunity and obligation to listen to and lift up leadership from communities, particularly BIPOC [Black, Indigenous, and People of Colour] communities. These communities have been hardest hit by the pandemic and they're on the front lines, but only 10% of philanthropy actually goes to organisations that are led by people of colour," says Ms Stevens. This may not reflect any explicit bias on the part of grant-givers but rather a wider structural issue around diversity in the charitable sector that must be tackled by all stakeholders.

One recent Bridgespan report argued that race is an important factor to consider in determining what issues to focus on, meaning that even efforts to be "colour-blind" in philanthropy may, in reality, reinforce the problem of certain issues being neglected.[16] "This requires philanthropists to reach outside of their comfort zone to find organisations and leaders of colour to really empower them and to take forward solutions", says Ms Stevens. Indeed, seeking out and supporting grassroot organisations will be key in building the capacities and connections needed to address social issues successfully.

Philanthropy scorecard

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Senior director and global head of non-profits and education, Wealth-X

Although philanthropic capital can help with both short- and long-term disaster recovery, experts argue that the wealthy can also support social change in more ways than just spending. Along with financial capital are their networks, their public following and "brand", and their corporate assets, such as volunteering initiatives among their staff or availing corporate assets to recovery efforts. "Each of these—money, time, brand equity—can move us closer to the world that we want," says Ms Stevens.

"It is more stimulating and exciting for individuals to sit on a board, to involve friends and family, colleagues and associates, bring others to the table and create a snowball effect," adds Mr Watson-Hogan.

UHNWIs, along with other well-known individuals and influencers in society, can also shape the public conversation in progressive ways, including by drawing attention to neglected issues, as with Indian Bollywood actor Deepika Padukone's

67%

of countries report disruption to counselling and psychological support services

open communication about her own battles with mental health, an issue with continuing stigma.[17]

Philanthropists could provide greater overall support to issues around mental health, an area that has long been underfunded and has greatly worsened owing to the pandemic. According to a global survey by the World Health Organisation (WHO), 67% of countries report disruption to counselling and psychological support services and 65% to critical harm reduction services.[18]The negative effects of quarantine and isolation include post-traumatic stress disorder (PTSD) and increased anxiety; some researchers have even suggested that there will be long-lasting impacts related to mental health, such as alcoholism and dependency.[19]

Similar dynamics have been evidenced in other crises, such as Ebola, whose survivors face mental and physical health issues long after recovery; a long-term care programme exists to alleviate suffering and stigma, including through regular check-ups and counselling.[20]

Collaborative, resilience-based prevention, which acknowledges the importance of housing, employment and intertwining support factors, is rising, with initiatives such as "Trauma-Informed Communities" in the US (a response to the opioid epidemic), and the new Government Drug Strategy in the UK.[21,22]

Conclusion

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THIS CAPITAL IS NEEDED TO MAKE A DENT IN THE CHALLENGES THE WORLD IS FACING, AND THERE IS REAL OPPORTUNITY RIGHT NOW TO MAKE A DIFFERENCE.

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For decades, disasters have been localised, with earthquakes, extreme weather or wars (in large part) hitting specific countries and regions while the rest of the world watches on. Covid-19 is a truly global crisis. The global philanthropy community, which has steadily grown in size, stature and influence over the past two decades, is an essential ally in attempts to not only place a safety net under the most vulnerable, but to also break down the barriers that hold too many people back and make them disproportionately vulnerable in the first place.

Although short-term giving amid the Covid-19 pandemic has demonstrated impressive scale and speed, in the process supporting people's access to income, food and medical help at a time when governments have been stretched to their limits, an opportunity has also arisen to address the deep-seated social inequalities that the pandemic has spotlighted. This requires philanthropists to think strategically about how to contribute to the new social contract and build more inclusive and fair societies for all.

"The personal wealth of the world's richest is still accumulating faster than philanthropic capital is being deployed," says Ms Stevens. "This capital is needed to make a dent in the challenges the world is facing, and there is real opportunity right now to make a difference."

Endnotes

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