



Summary of remarks made on April 21st, 2017 during the
International Conference of the Montreal Laboratory on Grantmaking Philanthropy

Socio-Economic and Environmental Crisis: Roles and Responsibilities of Granting Foundations: Reflection to action ...

Panel: Role and Function of Responsible Investment and Grant-Making Philanthropy in Social and Ecological Transition
by Nancy Neamtan¹

At a time when modern societies face enormous social and environmental challenges, the role and functions of granting philanthropy are on the agenda in Quebec as elsewhere. In a context where private foundations are increasingly present and interact more and more with other actors in society, it is useful to be able to identify the points of consensus as well as the points of debate with regards to their place and their actions towards a social and ecological transition.

The best starting point is no doubt the **identification of the consensus** that emerged from the discussions during this seminar. In the first place, the need to **carry out and even accelerate this social and ecological transition is unanimous**. Unless we are climate-skeptical and consciously blind to the dramatic and growing gaps between the rich and the poor, it is difficult to deny the need to move our societies towards a more inclusive sustainable development model and to recognize the urgent nature of this challenge. This is not just about making a choice or it being necessity, as this transition will happen either way, but it can be destructive, chaotic and authoritarian, or deliberate, orderly and democratic.

A consensus also emerges that **this transition cannot be the work of a single actor and that this transition will be complex, multi-dimensional and the result of the actions of many types of stakeholders**. This is an important issue that must be constantly reminded. Unfortunately, there are still too many working in a silo, or practitioners who lose sight of the fact that they are just one of many players and that the social and ecological transition can be neither the hunt nor the responsibility of a single actor, regardless of their strength, the size of their financial resources or the extent of their institutional or media influence. We cannot transform the world while being cut off from other social actors.

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For example, at the time of its founding, the *Chantier de l'économie sociale* (Site of Social Economy) had the mission of promoting and developing the social economy. It tackled this enthusiastically and its work led to positive results. Despite this, a few years ago, the *Chantier* General Assembly made an important clarification to this mission by adding that it was a question of promoting and developing the social economy as *part of a new development model*. With this addition, the members of the *Chantier* wanted to reiterate not only the necessity for a transformation of the model, but also the essential role of the State and the contribution of an aggregate of other actors in the emergence of a new way of living together.

How to arrive at this necessary social and ecological transition? Once again, there seems to be a consensus that recognizes that there is **not one single strategy or approach to base ourselves on**. The various stakeholders have all emphasized the importance of adopting **major public policies** and recognizing the major role of public authorities in favor of this transition. They also mentioned or implied the need to move towards a **more inclusive and sustainable economy** and the urgent need to see the required changes in business behavior. The logic based on maximizing financial returns to shareholders and the prioritization of profit over environmental and social issues are fundamental obstacles to this much needed and urgent transition. Even at the Davos Economic Forum, they are now talking about inclusive growth, and now recognize that climate change and social inequalities have become barriers to development and require immediate action.

Another element of consensus, and arguably the most complex challenge in arriving at this social and ecological transition, is that of **changing the behaviors and the human and institutional relationships** of change that take place at the local level while taking into account the entirety of ecosystems in which our societies evolve. Several speakers from the community and research sectors as well as the anti-discrimination movement reminded us of this. We must reinvent ways of doing and living together. Social innovation thus becomes a central theme and its importance is increasingly recognized. As Professor Benoit Lévesque emphasized in his presentation, technological innovations are often failures precisely because they have not been accompanied by social innovations. Thus, we must work with strength and determination in this continuous redefinition of relations between human beings, their formal and informal organizations and their way of living together in society and in relation to the environment.

How, then, can these transformations be brought about as much in public policies as in society and in the relationship between the economy and society? Professor Jean Marc Fontan reminded us in his remarks that **these processes cannot be imposed from top to bottom. This is not a moral issue. This is a question of efficiency or even of a condition for success**. Successful societal transformations in favor of the common good have never been the result of either an enlightened dictatorship, a dictatorship of the proletariat, or a dictatorship of any kind. They must be the work of all components of a society and it is in this context that the challenge of democracy and the strengthening of the democratic life of our societies become very important.

The type of democracy needed to create a social and ecological transition exceeds the action of voting and goes beyond representative democracy. **The type of democracy required is participation wherever decisions are made**. Citizen action must be placed at the heart of the economy, as is found in the social and solidarity economy. Citizen

action nourishes the development of the social domain through civil society organizations or the informal spaces that are living environments. Finally, it is vital that citizen action feeds plural and diversified voicings of opinions and serves as an intermediate with public authorities. These are all essential elements of the democratic life necessary for a social and ecological transition.

Thus, **in the ongoing debate about the role and mandates of private foundations in the social and ecological transition, we must include not only environmental, social or economic issues, but also that of democracy.** Democracy - and the strengthening of democratic life of our societies - is a central issue. Moreover, the impact of neglecting the constant and daily work necessary for a healthy democratic life, whether within organizations or at the societal level, is sooner or later counterproductive and even harmful. Proof in support, is the current rise of far-right populism in Western societies. Does this rise in populism not reveal the flaws and underinvestment in civic education, education of democracy and education in general, all essential elements for a living democracy? It is clear that this populism constitutes a major obstacle to a social and ecological transition in favor of the common good.

Faced with the challenge of strengthening democratic life, the role of foundations may seem problematic because, **by definition, private foundations are not democratic organizations in the classical sense of the term, as decisions are not taken by elected entities.** This is part of their reality, their basic DNA. However, **this reality does not detract from their ability to positively impact society or diminish their merit with respect to their potential contribution to society and democracy.** Still, the first condition for doing so is to recognize and fully acknowledge this reality and not to give oneself a legitimacy that goes beyond the strengths and weaknesses of what they are.

What are the roles and mandates of granting philanthropy in the social and ecological transition? Note that we are not referring here to individual philanthropy at the level of donations made by individuals. These are gestures that are and will always be noble and very useful. Neither is it a question of foundations whose missions are highly targeted, such as a hospital foundation or a foundation dedicated to research about a specific disease. Once again, these are important contributions that must be made for the benefit of all. **Our remarks are aimed primarily at the major granting foundations and more generally at the "community" constituted by these foundations.**

As a synthesis exercise, while recognizing that the list is probably not exhaustive, we propose **seven major roles** for foundations in the social and ecological transition. In each of these roles, **we also bring up pitfalls to avoid**, based on empirical experiences or observations and ongoing debates on this topic.

1. The first, and seemingly consensus-based role, is to **support initiatives that emerge from the community in response to individual and collective needs and aspirations.** This approach is the one currently favored by the CIP initiative (Collective Impact Project) under the coordination of Centraide of Greater Montreal and involving seven private foundations. Through a process of local mobilization, it is the neighborhood organizations that set goals and a plan that is subsequently supported by a group of foundations.

The trap to avoid, which has been well identified in the CIP's approach, is that of **substituting itself for the community by deciding what is good for it**. This is a well-known approach that for decades has resulted in standardized, donor-driven programs that have, almost consistently, demonstrated inefficiencies in social development and tend to distort and even crush any innovative initiative.

2. The second crucial role of foundations is to **contribute to the sharing and transfer of knowledge**. With their internal infrastructures and through the aggregate "community", foundations have access to an ensemble of information and knowledge of international experiences, data and methodologies that could benefit the greater population. There is an urgent need for this knowledge to be shared so that civil society actors, local communities that do not have these means available to them, can use this knowledge to improve their own practices and draw inspiration from it to initiate new approaches. It is therefore important for foundations to invest in the transfer of knowledge.

On the other hand, it is essential to avoid the trap of **substituting themselves for the communities or civil society organizations in the choice of practices they wish to be inspired by**. It is a matter of recognizing that the process of knowledge transfer should not result in the imposition of one type of practice, as each environment is unique and one best practice, in one particular context, is not necessarily appropriate to be fully replicated elsewhere. Thus we must make knowledge accessible, but we must not impose ready-made formulas.

3. The third crucial role for a foundation is to **support efforts to strengthen civil society and citizens in their ability to interact with the State**. It is thus a question of contributing to the strengthening of democracy and the capacity for people to fulfill their citizen duties and for organizations to be both in dialogue and in a process of co-production of policies and strategic actions with the State. The role of foundations, in such a context, can be very strategic, allowing civil society organizations to have the means to do citizen education, to strengthen places of deliberation and consultation and thus to build the capacity to act democratically.

On the other hand, foundations need to avoid the trap of **wanting to replace civil society and of acting as an intermediate between civil society and the State**. This is a slippery slope in the democratic life of a society. Some might even equate such behavior not with a positive contribution, but rather with a reinforcement of the dominant idea that power is money, and those, like big foundations, who hold significant capital, are better able to manage the social domain instead of the State. We must avoid any drifting that leads to the weakening of democratic processes and instead strengthen the establishment of constructive relations between citizens, civil society and public authorities.

4. A fourth role for foundations in a social and ecological transition is to **strongly support collective action or collective organizations in all spheres of society**. The culture of individual success is ubiquitous in our modern society. The business community and traditional institutions do not spare their efforts to praise and reward individual initiatives and maintain the image of individual saviors in all fields, including the economy, politics and the social. Become another Bill Gates, and with your personal fortune, you will be able to change the world! This is an approach favored by the discourse of some for whom the individual is the key to the improvement of society.

If we want to 'rebalance society', as Henry Mintzberg says in a recent book, the collective space in society (including the economy) must be strengthened and it must change scales. Foundations must help this rebalancing, a necessary condition for a successful social and ecological transition. It is not a question of denigrating the honest and commendable efforts of individuals or companies for whom social or environmental values are important. All the better. However, the means to support this approach are multiple, while collective action remains the poor parent of the donors and of both public and private investors. Foundations have a role and an opportunity to make a difference. Thus we must **avoid the trap of prioritizing individual action rather than collective action or collective organizations in the desire for a social and ecological transition.**

5. A fifth role for a foundation is, of course, to **foster social innovation over time.** Social innovation, the term currently used in all kinds of ways, cannot be enacted from the top, regardless of the definition. It emerges from the field, from action taken to respond to societal challenges in a new way. Social innovation is a 'learning by doing' process. It is thus impossible to be a guarantor of results and, although successes are the ideal outcome of these innovative approaches, it is also very important to learn from mistakes or initiatives that have not worked.

Then again, all of these processes take time. With the accelerated speed in the flow of information, each year we can observe the emergence of new styles, new vocabularies that attract the attention of foundations. Some donors always seem eager to switch to another style, to adopt a new "trend", to support another "innovation" without the steps being taken in the field have the time to succeed and without predicting the time to learn from and build on newly acquired knowledge. **The trap to avoid is not investing in the long term and therefore not allowing time for the structuring steps of social innovation rooted in the field to prove themselves.**

6. The second to last role that foundations can and should play is to **be an exemplary economic actor.** This is one of the most promising functions in terms of the potential contribution of foundations to social and ecological transition. And this is because foundations ARE economic actors. Like the *Caisse de dépôt et placement*, which manages large assets for retirees and future retirees, foundations manage large assets in order to finance the achievement of their respective missions. Today, whether it is the *Caisse de dépôt*, pension funds or individual investors, the "market" of impact investing and social finance, these markets are expanding and have a huge potential to make a difference in economic and social development. Foundations have even greater potential as, not only can they set an example by investing in the instruments of social finance, in keeping with their mission, but, foundations can act on the conditions of investment (rates, guarantees) by using the sums dedicated to their programs or their contributions as lever or as a compensatory fund.

However, it is not enough to want to invest differently for it to generate results. It must be ensured that the financial products offered by "impact" investors are relevant and useful to those on the ground who try every day to combine economic viability with social performance. Too often, finance experts, most of them good-willed, decide on investment terms alone and find themselves frustrated by "the lack of good projects". In fact, it is not the projects that are bad, but **the financial products that are poorly designed and not adapted to reality and real needs.** In some respects, it is a question

of replicating the relations present in the dominant economic model, a financialized economy. Those who hold financial power decide how economic development will take place.

The social and ecological transition requires a different approach, one in which those who do development can have access to capital that truly meets the needs and aspirations of communities. This is possible; the last decades of practices in the field of social finance have provided the proof. The key is in the involvement of all stakeholders in the conceptualization and deployment of investments. Thus, foundations need to **avoid the pitfall of designing and guiding the development of financial products and financing strategies without the active participation of stakeholders**. If big private banks can make agreements on infrastructure financing behind closed doors, in the context of public-private partnerships, it is unthinkable, from a social and ecological transition perspective, to imagine a similar procedure with regards to social infrastructure.

7. The last strategic role that foundations can play, and not the least, is that of **supporting the work of collaboration and consultation of a variety of actors in favor of a social and ecological transition**. The reason being, as I said at the beginning, that this transition is complex and involves a whole set of partners. Collaborations and concerted actions have immense value in the progress that can be made as a society. Foundations can play a strategic role by providing financial and other support for this work of co-creation and co-production between actors. For example, the Chagnon Foundation recently agreed to support a process of grouping together a set of community housing managers to see how to pool both their expertise and their assets to equip themselves with even more powerful tools for community housing development. Rather than putting forth the approach, this foundation supports the work of consultation and is part of the process as a potential investor. This type of development approach is generally difficult to finance. Even with small amounts, the financial contribution of this foundation makes all the difference. Once again, **the trap to avoid is to see oneself as the intermediary or mediator rather than a partner among others in the emergence of consensus and in concerted action**.

In this way, foundations can play an important role in the social and ecological transition, as much in the social, economic and ecological spheres as well as in strengthening democratic life. On the other hand, they must avoid replacing, at different levels, communities and civil society in general. They must support collective initiatives and long-term consultations and refrain from reproducing the dominant model in their operations.

In this way, they will be able to play an important role in the emergence and diffusion of social innovations capable of allowing the construction of a less unequal world and to initiate the necessary social and ecological transition.

It is clear that the analysis and the identified paths are one contribution amongst others in a discussion that must continue. The points of convergence are numerous, but both theoretically and practical divergences exist as well. The holding of this conference is a very interesting opportunity to expand our debates. I would like to thank the organizers for their initiative.

In the hopes of continuing the exchanges in the months and years to come.