Covid-19 is fundamentally changing the philanthropy landscape

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Despite the significant and widespread challenges, it created across global societies, in many ways the Covid-19 pandemic brought out the best in mankind. At the height of the pandemic, people and organisations demonstrated levels of care and empathy that exceeded anything we have witnessed in recent history.

Various banks operating across South Africa were integral to this outpouring of care and support, not only through the more than R50bn in financial relief offered to their clients, but also with the R300 million in direct financial contributions – much of it as part of their Corporate Social Investment Programmes - to assist vulnerable people and communities, provide essential support and protective equipment to frontline medical workers, bolster the Solidarity Fund, and minimise the disruption of studies as a result of the closure of school and tertiary learning institutions.

A significant component of FNB’s response involved partnering with RMB and the FirstRand Foundations in establishing, and contributing R100 million to the South African Pandemic Intervention and Relief Effort (Spire) fund, which aimed to accelerate the scaling of South Africa's Covid-19 critical care capacity in mitigating the impact of Covid-19.

Unfortunately, the national outpouring of financial support, vital as it has been, has largely been at the expense of existing philanthropic commitments and corporate social investment efforts. And while it’s understandable that money had to urgently be re-directed in order to provide essential support to the vulnerable and people on the frontline, the less desirable consequence of this is that many individual, family and corporate donors have had to either pause their previous philanthropic endeavours or rethink and reset their long-term giving strategy.
FNB has been seeing evidence of this ‘pause’ response in recent months, with many of our clients, business and individual, not considering new proposals or new applications for social support, or reducing the quantum or duration of funding that would otherwise have been committed for the long-term were it not for the Covid-19 scenario. At a business level, uncertainty regarding the global and domestic economic future has prompted many companies to cut their budgets significantly – and social investment has not escaped this “belt tightening” exercise.

Even the legislated giving landscape is changing. While the BBBEE compliance structures in South Africa dictate that businesses need to invest between 1% and 2% of Net Profit After Tax into socio-economic development projects, the majority of businesses are reporting massive reductions in profit margins, leaving little money for the long-term social development agenda. Those who still have available CSI budget are, in many instances, choosing to work with a small number of their existing cohort of social partners, as they believe that this is the best way to ensure that their giving delivers the maximum benefit.

And while the ‘pause’ strategy outlined earlier is a major short-term problem for many social upliftment projects and their beneficiaries, the fact that corporate clients are now also feeling the need to reassess their long-term CSI strategies is an even greater cause for concern.

For corporate clients, the Covid-19 crisis has been a reminder of the importance of aligning their CSI approach to their broader corporate strategies in order to maximise their social impact. These corporate clients are looking at CSI more closely and assessing how they can maximise delivery on their social contract, better serve the communities in which they operate, and fully integrate CSI into their business strategy as a whole. This is by no means a bad thing, particularly when it allows entire companies or groups to focus their support on clearly identified needs. But it has the potential to be catastrophic for social partners that don’t fit into that more focused CSI strategy.

A number of FNB clients are considering the establishment of an endowment fund as a key pillar of their CSI approach. While this is also not a bad idea – particularly given the cushion, it would provide
during times of uncertainty – it requires the repurposing of funding that would otherwise have been applied to support immediate social needs. Even those clients that already had endowment funds in place before Covid-19, depending on the investment strategies of the endowment, some of them now have less money to commit to social development projects in the coming months and years, because of the market conditions and the sluggish economic growth they now have to focus on replenishing those depleted endowments.

It is inevitable that the need for business and individual givers to pause or reset their philanthropic activities will almost certainly have a significant immediate impact on the social development and upliftment landscape. And while, in the long-term, the reset actions may very well result in more impactful giving over time, one can only hope that donors will remain aware of the short-term consequences of the changes they are making – and hopefully find a way to limit the ‘collateral damage’ that could be inflicted on many organisations and projects that are desperately trying to continue doing good work despite the immense financial hurdles they are facing.

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