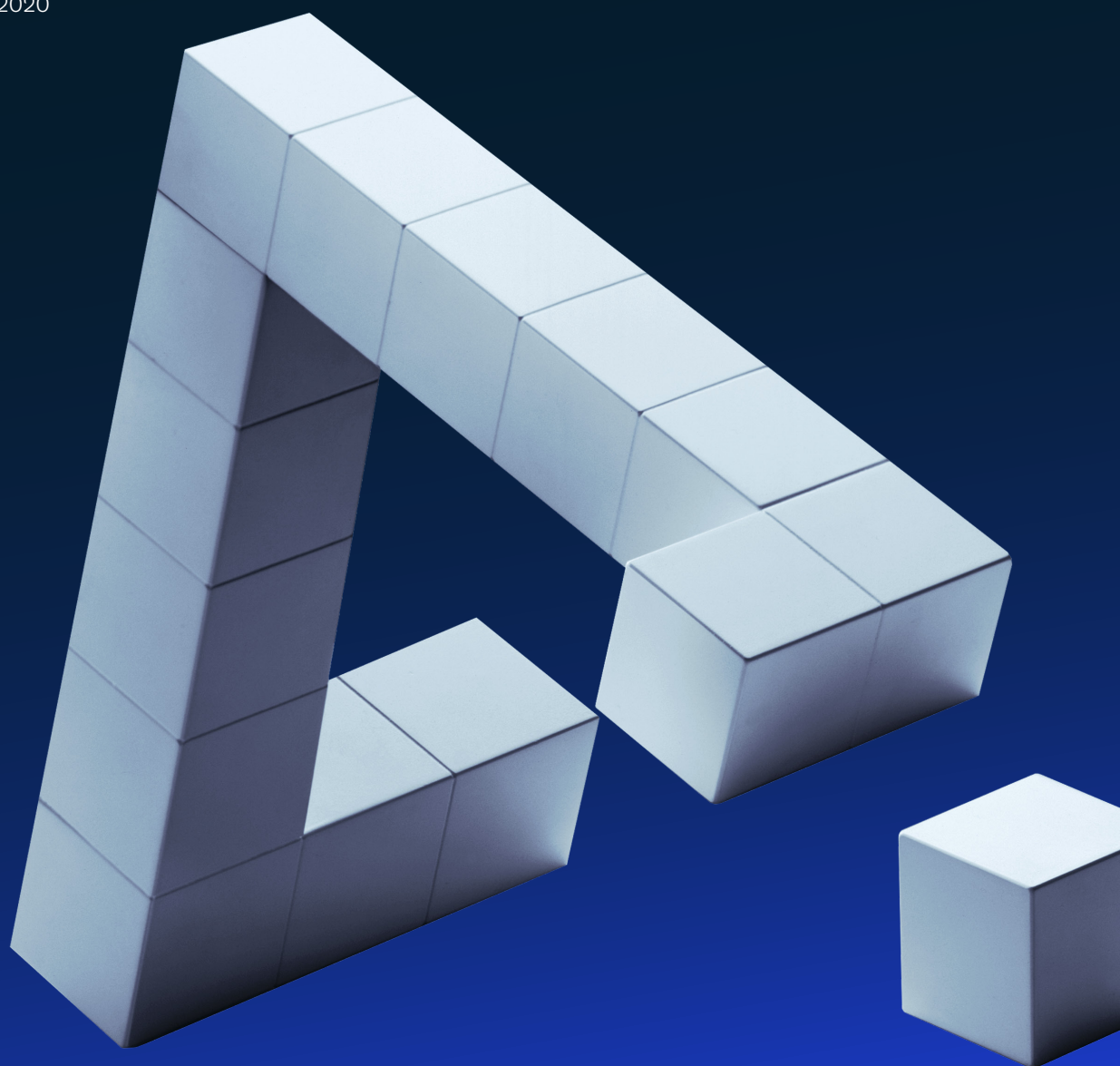McKinsey
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Reimagining European philanthropy

European philanthropic foundations have an opportunity to step up and address the needs arising from or exacerbated by coronavirus.

Executive summary | June 2020

Reimagining European philanthropy

by Michael Conway, Karen Hadem, and Nina Probst

We are facing an irreversible humanitarian and economic crisis that will permanently change our world. As societies around the world near a standstill, the COVID-19 pandemic has magnified the preexisting vulnerabilities and inequalities of our social systems. Although governments have put a sweeping range of policies and programs in place to combat the pandemic's impact on public health and the economy, the scale of the challenge requires more.

The coronavirus crisis has mobilized an unprecedented response by the philanthropic community. Our analysis identified combined commitments by European philanthropy of more than €1.1 billion by May 2020, most geared toward emergency relief to the healthcare crisis as well as general support for struggling nonprofit partners. Now, with the number of acute cases of COVID-19 going down, focus is shifting to the secondary effects of the crisis on the other programmatic areas of foundations.

Now is when we need the greatest possible support and a concerted effort by all actors in society to ensure we not only survive but emerge stronger and better from this crisis. European foundations have a unique window of opportunity to step up their actions and play an essential role in the rebuilding and recovery efforts of our countries.

Foundations' areas of work are undergoing fundamental changes

As key players of recovery efforts, foundations need to create and continuously update their knowledge base on the changing environment they operate in. To provide foundation leaders with a starting point, we have analyzed the underlying challenges and changes brought about by COVID-19 in six exemplary program areas. We offer some key insights here.

+1.9 million
people dependent on food banks in Europe

Basic needs
Despite having relatively extensive and well-functioning public-safety nets in place, Europe faces growing issues with universal access to basic needs such as housing, food, and personal safety. Even before the COVID-19 crisis, more than 9.3 million people depended on food banks. Organizations across Europe have reported an increase in demand for food support since the pandemic began—by 20 to 25 percent on a national level and by 30 to 40 percent in some urban centers (such as Amsterdam, Geneva, and Madrid).

>40%
youth in Europe affected by jobs at risk

Livelihoods
The looming economic crisis will only worsen the basic-needs emergency in the longer term by threatening the livelihoods of many European families. Almost 59 million people in Europe are at risk of unemployment, with single parents being three to four times more likely to lose their jobs. Overall unemployment in Europe could almost double to 11 percent.

98%
of students in Europe have access to internet

Primary and secondary education
Seventy million primary- and secondary-school students in Europe have been affected by school closures and interruptions. Although most teachers expect learning loss to be limited, some vulnerable students will fall further behind as home schooling amplifies social disadvantages.

40%

of students in Europe have teachers with necessary skills to integrate digital devices

While student access to digital devices and internet is a matter of public debate, data shows that 98 percent of students have access to the internet at home, and 90 percent of European students have access to a computer they can use for schoolwork. The crisis reveals that teachers are, in fact, the biggest bottleneck to using digital learning, with around 60 percent of European students attending schools whose teachers do not have the necessary technical and pedagogical skills to integrate digital devices in instruction.

50%

of frontline healthcare workers suffer from PTSD

Mental health

Once the need for intensive-care-unit beds, ventilators, and protective equipment subsides, another health crisis will take center: caring for the European population suffering from mental-health issues. Half of frontline healthcare workers are already experiencing PTSD symptoms, and more than 63 percent of the general population report feeling depressed or anxious because of COVID-19. The pandemic will significantly increase the prevalence of mental disorders, from the current rate of 12 percent of the European population.

+2.4 million

additional children in developing countries could die annually from preventable diseases

International development

While the effects of COVID-19 on Europe are daunting, the international impact could be devastating. A total of 55 percent of the global population lacks access to any social safety net. Jobs and incomes of 150 million Africans and 30 million Indians are vulnerable in the crisis. Already-fragile healthcare systems could collapse from the stress of treating COVID-19 patients and diverting scarce health resources away from other issues, such as malaria and HIV treatment. The result could be the death of an additional 2.4 million children (below the age of five) to preventable diseases.

8%

reduction in 2020 GHG emissions

Sustainability

Climate change and the environmental crisis is and will remain an emergency for humanity to address. The coronavirus crisis has shown us the scale of the response needed to address climate change: the slowdown in activity could reduce global greenhouse-gas emissions by 8 percent in 2020, in line with the annual reduction of 7.6 percent required for the next ten years to keep temperature increases under 1.5°C by 2050. While the positive effects on emissions will be temporary and have come at an unsustainably high cost to societies, the more than $11 trillion of stimulus measures announced by governments across the world represent a unique window of opportunity to promote green measures in the economic recovery.

This high-level analysis already shows that foundations are facing significant challenges in all the areas they traditionally work in. Now more than ever, society needs innovation, risk-taking, unconditional funding, and fast deployment of private philanthropic resources. Decisive and bold initiatives for systematic change by foundations could turn this crisis into an opportunity.

Foundations need to reevaluate their portfolio of initiatives

Foundations should critically review their individual initiatives on how well-suited each is to implement the foundation's overall mission in the current environment. Such an assessment can serve as a forward-looking exercise for the foundation's new grants or projects, though some ongoing grants could shift in mutual agreement with the grantee. By reevaluating their portfolio of initiatives, foundations can focus their future resources toward the endeavors with the greatest impact in our changing world—taking into account the feasibility and relevance of their projects in light of the new circumstances (exhibit). The initiatives could then be grouped into the following categories:

— *Prioritize*. When initiatives respond to the needs of the moment and are highly feasible, they will naturally become a priority. Foundations should strongly push the scale of these activities.

— *Adapt*. When an initiative can have high tangible impact for communities yet presents logistical or capacity challenges, foundations should try to adapt the delivery model, where possible, to overcome obstacles.

— *Examine*. Once preexisting contractual obligations have ceased, initiatives that may now have lower potential impact can be postponed or redirected in mutual agreement with the implementing partner.

Exhibit

Foundations should reevaluate their portfolios according to changing needs.
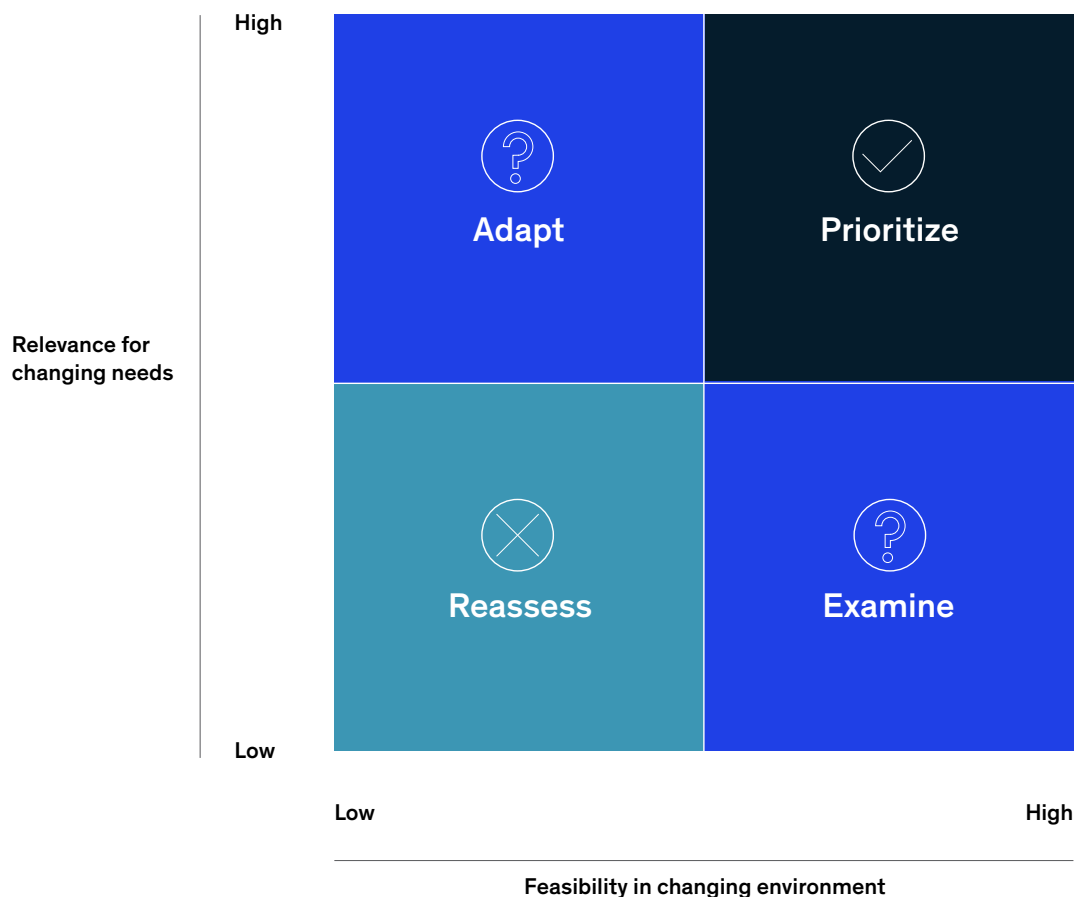
— *Reassess*. Some initiatives might be less relevant for current needs as well as technically difficult to accomplish. In future rounds of grant making and contract renewals, foundations need to question any additional attention and resources invested in these activities.

We hope to see more signature initiatives being rolled out broadly to address some of the emerging opportunities.

Foundations can reimagine their future work, now

Foundations need a higher level of flexibility and speed to respond to the ongoing shifts and challenges in their programmatic areas. Our interviews with 26 foundation executives across eight European countries confirmed their organizations have fundamentally changed their internal operations since March 2020. All 26 shifted their entire office staff to remote work—several adopted work-from-home policies for the first time ever. Many more foundations implemented new ways of working during the crisis,[1] including reducing the burden of and increasing flexibility for implementing partners and accelerating the pace of giving. Several foundations also deployed rapid-response grants that cut the approval-process time, in some cases from several months to less than a day. The universal feedback from our interviews was that foundation leaders across Europe clearly understand the need to be nimble in a time of crisis and are planning to sustain some of that newfound flexibility and decision-making speed in the future.

Several foundations have already decided to keep some level of remote or flexible work arrangements as well as reduce their travel and in-person meetings to an essential level—even when restrictions are lifted. The outlook around grant making and project management is less clear. While many foundation executives state a desire to maintain the new agility, they also voice questions on how to reconcile this approach with the necessary rigor to review projects and provide stability to their implementing partners.

Lessons from agile transformations can help foundations find the right balance. Our experience and research demonstrate that truly agile organizations master an apparent paradox—they are simultaneously stable (resilient, reliable, and efficient) and dynamic (fast, nimble, and adaptive). Foundations could react quickly to new information, adapt their approach in real time, and multiply their impact to secure a more stable future by implementing these three agile principles:

— *Break down core processes* into smaller increments over two- to four-week sprints, and involve the end user in the development process early and frequently. Foundations can segment the grant-making or project-development processes that focus on achieving the outlined end product (for example, an assessment of the implementing partner or a "user test" of the proposed method). Trying out several small, experimental grants while also investigating the issue landscape before committing to the full desired scope can also enhance speed and accuracy. Agile organizations couple these shorter-term actions with more frequent and formalized feedback loops with partners on the ground to incorporate new learnings in the overall program road map.

— *Deploy flexible teams* that cut across formal structures and can form, dissolve, and reform in response to market demands. In the context of the COVID-19 pandemic, some philanthropic foundations have already used "tiger teams" to manage the crisis response.[2] Going forward, this approach means supplementing the traditional structure of programmatic areas and functional focus with agile teams that bring together people with relevant expertise from across the foundation and its partners to collaborate on specific tasks for a short time.

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[1] Tracy Nowski, Maisie O'Flanagan, and Lynn Taliento, "A transformative moment for philanthropy," May 2020, McKinsey.com.
[2] The term "tiger team" describes a specialized, cross-functional team brought together to solve or investigate a specific problem or critical issue.

— *Delegate and expedite decision making* as close to the front line as possible, and adapt to changing circumstances. For foundations, this entails giving more autonomy and flexibility in both decision making and resource allocation to their implementing partners on the ground (just as they did in their emergency operating response)—as well as ensuring a rapid-response mechanism to escalate quick but far-reaching decisions on additional resources to the board level.

We believe that the current landscape represents a unique opportunity for philanthropic foundations in Europe to take a more proactive stance in addressing the challenges arising due to COVID-19—and to promote a better and more equitable future for all of us.

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