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Rebuilding Trust in Society

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REBUILDING TRUST IN SOCIETY

BY JANE WALES

In 1990, an Egyptian Air Force commander told me he'd learned everything he needed to know about America at a baseball game. There, he saw a vendor going up and down the stadium steps selling hot dogs. A fan in the middle of a row called out his order and handed a $5 bill to strangers seated beside him; fellow fans formed a spontaneous bucket brigade to pass the bill to the vendor. "And no one pocketed the fiver!" The general was similarly impressed when those same strangers passed the hot dog back to the fan. "And no one took a bite! You can build all the bombers and missiles you like," he said, "but nothing will keep your country strong like the trust you have in the system you built and the trust you have in each other."

He was right. Trust is the societal glue on which our democracy depends. Yet today, 30 years later, trust is at an all-time low. And in poll after poll, Americans question whether the system we built works—or at least works for them. Sociologists and political scientists tell us that the current trust deficit corresponds with a decades-long decline in social connectedness and the social capital Americans build. They point to a pervasive sense of precarity and fear of lost identity as well as a loss of governing capacity during a period of unrelenting change.

Indeed, society has been buffeted by three unstoppable trends: the information revolution, economic globalization, and demographic change. Together they drive rapid—and for many, unwelcome—change. The information revolution decentralized decision-making and authority and gave rise to social media that drives untruths designed to divide. Globalization redistributed production and concentrated wealth, contributing to the shrinking of the American middle class. At the same time, demographic change prompted fears about the loss of majority status and the privilege—including political power and economic advantage—it confers.

These changes have created and exacerbated pressing social problems that no one sector can fully manage on its own: emerging infectious diseases, climate change, ever-widening disparities in income and assets, and searing divisions forming along educational, cultural, and partisan lines. Racial bias, having insinuated itself into choices made along the way—sometimes unconsciously, sometimes brazenly, and always unjustly—has been revealed in ways that cannot, must not be ignored.

And because our system has neither managed the changes nor addressed their consequences, it is not unreasonable for some to conclude that our system, no matter how elegantly described, is not up to the governance challenges posed. It has led to a decline of confidence and trust in our institutions.

But as daunting as these challenges are, the United States has a singular asset on which to draw, a unique form of self-governance in which the public, private, and social sectors each have a role to play. We experience it on the community level daily and acknowledge it occasionally and fitfully when the problem faced requires that systems be changed. It is time we lean into that asset. When the three sectors collaborate, each bringing its core competencies to the excercise, solutions are often found at the intersection of the three. I call that the "intersector," a term coined by investor and philanthropist Frank Weil.

BUILDING TRUST AT A COMMUNITY LEVEL

At the core of building a society that has a high level of trust is the engaged citizen, the everyday volunteers and givers who are active in community life. They join voluntary associations or support nonprofit organizations. They put coins in the collection plate and support the local women's shelter. They respond to the blood drive or volunteer for the PTA or fire brigade. They are business leaders, schoolteachers, software engineers, and homemakers. They vote.

Long a source of stability, optimism, and agency, people who are engaged take part in public forums for solving shared problems or stewarding community resources. The spaces they create and occupy are where democratic decision-making is practiced, collective action is taken, and literal and metaphorical bucket brigades are mobilized. The active participation of people in society builds trust, community, and the capacity to solve and self-govern.

Increasingly, community members have adopted a practice that is more structured and more sustained called "collective impact." It is reserved for those difficult problems—like how to improve educational outcomes—that require revisiting how the underlying system operates. The approach engages a cross section of the community, and requires that each participant park any preconceived notions or agendas at the door and be willing to set aside any hobby horse if doing so would allow for a breakthrough. With each collaboration, community members build their intersector muscle.

COVID SHOWS US WHAT IS POSSIBLE

The COVID-19 pandemic posed such a problem. It required a willingness to replace a social system that wasn't working with one that would. It involved people from business, philanthropy, and government working together and in new ways. It provides an example of what this new approach might look like when done at a large scale.

What allowed pharmaceutical companies to produce a vaccine in record time was not only the genius of their scientists and technologists, but also the systematic set of investments the Bill & Melinda Gates Foundation's Strategic Investment Fund had made in companies that explored messenger RNA (mRNA) technology as a platform for vaccines to inoculate against the diseases of the poor. While the solutions to HIV, tuberculosis, malaria, and other

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diseases ravaging the Global South are yet to be proven,[1] mRNA was the ideal platform for a COVID vaccine.

The Gates Foundation's strategy has been to harness the R&D capacity of the private sector to social goals that markets won't advance on their own. When it turned out that the country—and the world—faced shortages in tests and protective gear, the foundation used grants and loans to spur production, providing $20 million in loans to Abbott Laboratories to produce its antigen home testing kits.

Another intersector innovation at the ready was the earlier creation of Gavi, The Vaccine Alliance. This Geneva-based public-private partnership pools the contributions of governments, intergovernmental agencies, businesses, and foundations to finance the delivery of vaccines to the world's poor. Since its founding in 2000 it has vaccinated half of the world's children against childhood diseases, saving untold lives. It is now working to advance the regional production and equitable distribution of COVID vaccines. By focusing on increasing production of the vaccines in the Global South, it is not only addressing an immediate need, but also investing in the region's long-term capacity to prevent outbreaks and even epidemics.

A third intersector innovation was the development of immunization bonds, in which the investor buys the bonds based on the promise of future outlays by governments to purchase vaccines. This allows Gavi to front-load aid dollars to provide vaccines when they are needed, rather than wait for the annual budget and appropriation processes to play out while children die from preventable diseases.

The story of COVID vaccines—their development, production, distribution, and administration—has been truly an intersector story, for the vaccines were distributed and administered by retail pharmacy chains and nonprofit hospitals. Moreover, community foundations and nonprofit service providers reached out to vulnerable populations to reassure them that vaccines would prevent, rather than cause, illness. And while vaccine hesitancy[2] prevented us from reaching full herd immunity, the majority of eligible people did take advantage of the opportunity.

But pandemics are not only about health. They also have profound social and economic consequences and addressing them on this scale required new ways of thinking. Foundations significantly accelerated and increased their giving to nonprofit organizations to support the increase in demand for services that followed the outbreak of the pandemic. Two-thirds of foundations polled by Candid said they increased giving in 2020 and 2021. Some created funds within community foundations so that they would be deployed by those with deep and current knowledge about the needs on the ground. Candid surveys also show that community foundations increased their grant dollars in 2020 by 53 percent over the year before. And in 2021, increased their grant dollars by 20 percent over 2020.

But the scale of the problem went beyond what philanthropy could provide. A substantial infusion of public money was needed. This required Congress to think in new ways that rebalanced the social contract and changed the government's relationship to its citizens (at least in the short term). The resulting federal legislation—CARES Act, American Rescue Plan Act, and Family First Act—offered the most significant reform to federal child-welfare policy in decades.

Perhaps the most successful of these government innovations was the child tax credit, which is credited with cutting child poverty rates in half. While the program was not extended beyond its initial authorization, the knowledge that was generated from the program is there and it surely will be considered again.[3]

REIMAGINING THE ROLES OF BUSINESS AND PHILANTHROPY

For much of the 20th century, business saw its social role in narrow terms: That the pursuit of private profits for shareholders was the way to best provide for the public interest. But the sector's ongoing sense of its social role has grown significantly in recent years, largely in response to the evolving expectations of investors, customers, employees, and the communities they touch along their value chains.

In 2011, Harvard Business School professors Michael E. Porter and Mark R. Kramer spoke to this trend when they put forth their concept of "shared value."[4] They argued that when the advancement of the social good is intrinsic to a company's value chain (by creating green technologies or providing financial services to the poor, for example), companies can create social benefit in sustainable ways without sacrificing profits. In fact, they'll gain competitive advantage when it comes to attracting customers, employees, and investors.

In 2019, the Business Roundtable, a standard-setter for the sector, adopted an updated statement of the "purpose of a corporation" that expands a company's mission beyond adding value to shareholders. The new, broader purpose is that a corporation can add value for a broad array of stakeholders including its customers, employees, and the communities it interacts with. More recently, the idea that business should adhere to ESG (environmental, social, and governance) standards has been embraced by many companies and investors.

While businesses have moved much closer to the social sector when it comes to their purpose, the social sector has grown closer to the business world when it comes to its methods. It has adapted the financial tools developed and used in the private sector. As the Gates Foundation's approach to vaccine development suggests, foundations have embraced such financial tools as equity investments, social bonds, purchase guarantees, and loans.

The Ford Foundation, which invented program-related investments in the late 1960s, has been particularly forward-leaning when it comes to the new tools. In 2017 it designated $1 billion to be used for mission-related investments in companies that provide a social as well as a financial return. And in 2020 it floated a $1 billion impact bond so that it could front-load its grantmaking to address the pandemic and the racial reckoning. The Rockefeller Foundation, to cite another example, has been a leader in creating large-scale public private partnerships. It began with the Green Revolution in the 1960 and 1970s. More recently it helped create AGRA, the Alliance for a Green Revolution in Africa.

A growing number of leaders in businesses and philanthropy have come to believe that one sector's success in mitigating climate change, alleviating poverty, or curing a disease depends in large part on the success of the other. Collaborations and partnerships now figure in many of their respective strategies.

What we have seen in our efforts to control the COVID pandemic is that when the worlds of public policy, philanthropy, and markets come together and work toward a shared goal, social innovation can occur, and new approaches and solutions can be found. Society benefits from the attributes of each sector: the transparency and accountability of democratic governments, the efficiency and scale of business, the agility and responsiveness of nonprofit organizations, and the risk appetite and long view of philanthropy.

This intersector collaboration not only helps us tackle our pressing social problems, it also demonstrates the competency of our organizations and institutions and helps restore citizens' confidence and trust in them. While there are many other challenges we face as a society—such as combating racism and sexism, and reducing income and wealth inequality—rebuilding trust is one of those challenges, and a fundamental part of the process of creating the kind of society and world we want to live in. ●

Notes

1 A 2004 study showed that mRNA vaccines provided "modest but significant protection" against tuberculosis in mice. And a team from George Washington University reports they have developed two mRNA vaccine candidates for reducing malaria infection and transmission.

2 While some vaccine hesitancy was the result of manufactured distrust on the part of modern-day snake oil salesmen hoping to make a profit or opportunistic politicians hoping to make a name, some was the result either of religious concerns or—in the case of many Black Americans—the collective memory of unethical practices when it came to conducting clinical trials without the informed consent of the participants.

3 The Annie E. Casey Foundation has published data-rich annual reports on children's health and well-being, called KidsCount. It is often cited by Congressional Offices as a source of authoritative knowledge.

4 Michael E. Porter & Mark Kramer, "Creating Shared Value," *Harvard Business Review*, February 2011. Porter and Kramer also created a nonprofit consultancy, FSG, to advise on organizations on their strategy and practices. The author succeeded Porter as chair of FSG's board and remains in that position.

PRIORITIZING IMPACT MEASUREMENT IN THE FUNDING OF SOCIAL INNOVATION

BY LISA HEHENBERGER

A decade ago, I worked on impact-measurement guidelines for what was then called the venture philanthropy and social investment field in Europe. At the European Venture Philanthropy Association, we came up with five steps to measure impact for investors and support social enterprises.[1] One of the things we learned through that work is that it's more important to look at how an organization uses impact data in its management—for what purpose and for whom—than the specific data point that emerges from the analysis.

Since then, initiatives such as the Impact Management Project and the Operating Principles for Impact Management (OPIM) have successfully promoted the integration of data in impact-investing management processes so that investors can learn from it and make adjustments as needed. OPIM requires that investors provide independently verified disclosure statements, for example, to show that they are considering impact throughout the investment process, from deal screening through exit.

On the grantmaking side, from our work with foundations and discussions with people like Jeremy Nicholls, more foundations are acknowledging that positively impacting their target populations requires that they formalize processes for listening to beneficiaries, learning from mistakes, and implementing corrective actions.

While the field has become more sophisticated, it still has a long way to go in terms of transparency and accountability. Impact reporting still mainly displays aggregate output figures without explaining methodology or learnings. This contributes to a tension between the standardization of methodology, which enables the kind of benchmarking financial markets require, and generating opportunities for learning so that grant makers can take corrective actions. Both impact investors and grant makers have an opportunity to understand if they are channeling resources to organizations and projects that are tackling the most important problems and making a difference in the lives of beneficiaries. The two fields also stand to learn from each other.

DEVELOPING IMPACT ACCOUNTING AND SETTING NEW STANDARDS

While international accounting standards governing financial accounts dictate what the accounts should look like and how they should be audited, there aren't yet equivalent standards surrounding impact. This creates the impression that impact is subjective, hinders benchmarking and the use of impact data as a basis for decision-making. The International Sustainability Standards Board represents one positive development on this front. Its nonfinancial reporting standards aim to provide investors and other capital-market actors with rigorous and homogeneous information on sustainability risks and opportunities, and thus enable more informed decision-making. The standards make sustainability issues financially material so that shareholders can assess the potential consequences of sustainability decisions on companies' financial statements.

A parallel development is the Impact Economy Foundation's impact-weighted accounts framework, which incorporates the concept of "double materiality." The framework includes an integrated accounting system that considers both an organization's financial materiality and its effect on its environment and stakeholders[2] (essentially impact), and thus helps position finances and impact as integral components of management and corporate governance.

Meanwhile, the United Nations Development Programme has developed a set of internal decision-making standards that will include an assurance framework and a seal of approval. These Sustainable Development Goals (SDGs) Impact Standards aim to help enterprises, bond issuers and investors, and development finance institutions facilitate decision-making so that they can maximize their contributions toward the SDGs.

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The field may also take guidance from Europe, which is promoting environmental sustainability through policies like the European Green Deal. Approved in 2019, this policy includes incentives to promote investment in companies and activities that move Europe toward zero emissions while leaving no one behind. It also includes a taxonomy that clas-