



The Challenge of Change

The State of New Zealand's International Aid Sector

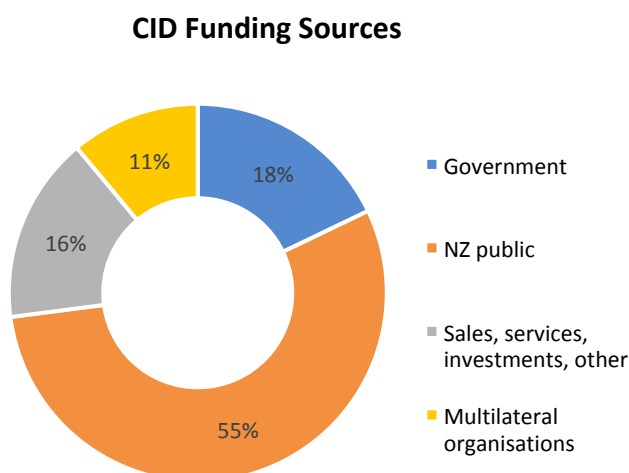
FINANCIAL SUMMARY

CID Member Survey 2017



SECTION ONE: FINANCIAL STATE OF THE SECTOR

In 2017, CID members generated roughly \$215 million, up from \$182 million in 2016,¹ and translated it into development and humanitarian work in 70 countries. Health and education remain the key areas of attention, followed by children and youth (an increased focus compared to 2016), decent work and economic development, and humanitarian interventions (for example community resilience and disaster response). There is a slight decrease in work focused on water and sanitation.

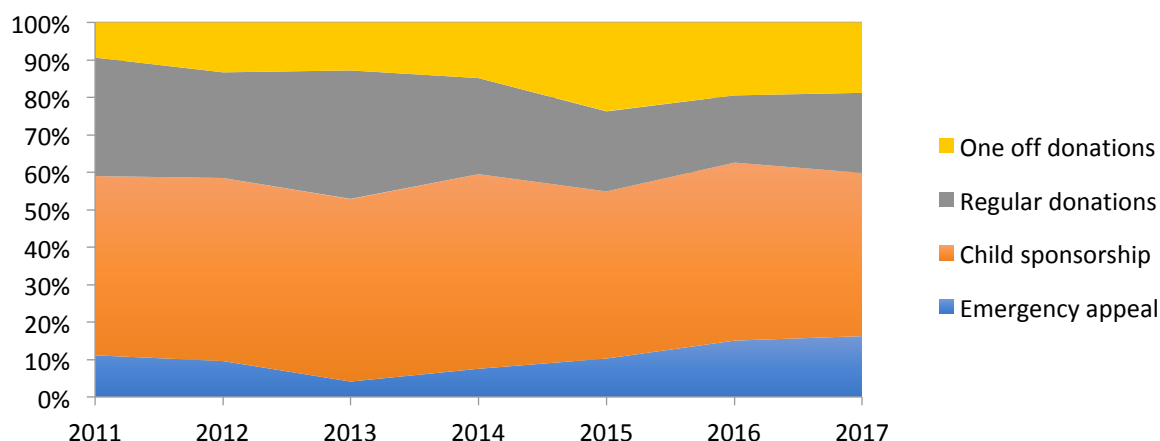


While the financial health of the sector remains robust - and confidence in this regard has strengthened - a number of funding challenges remain, causing some disruption in the sector. Decisive action around structural changes to business models is becoming increasingly urgent, and the results indicate CID members are actively seeking guidance in this area from a number of sources.

Public funding

The New Zealand public continues to be the principal source of support for CID members, providing 55% of respondents' revenues in 2017. While this is only a minor change from 2016, adjusting revenue for inflation reveals an ongoing downward trend in the real (versus nominal) levels of public

CID Funding Sources (Public)



¹ Some of this increase is due to relatively large new or returning members signing up for CID membership in 2017

and government support over the past decade. Taking into consideration slight increases in incomes over this period, public support is still nearly 15% lower than it was a decade ago.

This decline does not appear to be driven by a decline in public generosity or empathy for those living in extreme poverty or suffering as a result of a disaster or conflict. Rather there is a decline in trust in some traditional establishments, including NGOs and charities which in the past have attracted high levels of trust (trust in NGOs globally has dropped from 75% in 2001 to less than 50% today).² This appears to be driven by the growing sense of disillusionment with globalisation and inequality which has created a backlash against foreign aid more generally.³

While New Zealanders demonstrate above-average trust in their NGOs compared to other countries,⁴ New Zealand NGOs are less trusted today than they were last year.⁵

This is accompanied by a marked increase in the use of digital platforms and the rise of crowdfunding⁶ which suggests rapidly changing behaviour in how people want to give. Digital technology offers new means of collecting donations and connecting with supporters and donors and is changing the giving landscape. Funding volumes for donation-based crowdfunding worldwide grew by 45% in 2014.⁷ In the 3 years to 2017, the value of crowdfunding has almost doubled, set at some \$34 billion globally, \$68.8 million of which comes from Oceania.⁸ Furthermore, approximately \$5.5 billion of global crowdfunding revenue comes from 'Reward and Donation Crowdfunding', used to pay for 'life events, causes, and more'.

Though New Zealand has dropped from second to fourth most charitable country in the world between 2001 and 2017,⁹ the increasing popularity of donation-based crowdfunding coupled with the decline in public support within the NGO sector suggests an organisational issue: a collective 'missing of the mark' when it comes to both inspiring and harnessing New Zealander's generosity.

Declines can be seen in regular and one-off donations (a continued decline of over \$12 million since 2014). In 2017 one-off donations continued to drop from 24% in 2016 to 19% of revenue in 2017.

Following the trend identified since its peak in 2010 (at \$54.4 million) child sponsorship has also continued to decline over this year. As a source of revenue for a significant proportion of CID members – some 33% - this represents a serious point of attention for the sector going forward.

Results show that New Zealanders do remain willing to give more towards humanitarian emergencies in our region and around the world, indicating that it is possible to grow public support through well-communicated emergency appeals. Revenue raised from emergency appeals has increased again this year, from 10% in 2015 to 16% today.

² The [2017](#) Edelman Trust Barometer found that public trust in NGOs has declined globally.

³ See Ronalds, P. (2010). *The Change Imperative: Creating a Next Generation NGO*. Kumarian Press, Bloomfield; Ronalds, P. (2013) "Reconceptualising International Aid and Development NGOs", in Kingsbury, D. *Rethinking Development*, Palgrave Macmillan, London

⁴ Charity Services, 'Survey of Public Trust and Confidence in Charities'. Sourced [online](#). Accessed 6 February 2018. Referenced against Edelman Trust Barometer (53% is the global average).

⁵ The [2018](#) Edelman Trust Barometer.

⁶ Forbes, 'Trends show crowdfunding to surpass VC in 2016'. Sourced [online](#). Accessed 6 February 2018.

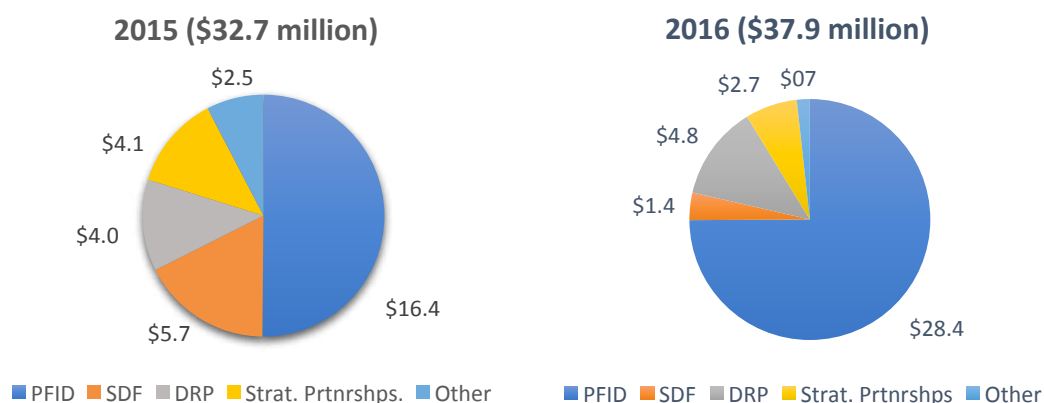
⁷ Give a Little, 'Give a Little Insight: The Rise of Digital Charity'. Sourced [online](#). Accessed 8 February 2018.

⁸ Fundly, 'Crowdfunding Statistics'. Sourced [online](#). Accessed 8 February 2018.

⁹ CAF, 'World Giving Index'. Sourced [online](#). Accessed 8 February 2018.

Ministry of Foreign Affairs and the New Zealand Aid Programme

The Ministry of Foreign Affairs and Trade (MFAT) continues to be an important funding partner for CID members, with support from the MFAT-managed New Zealand Aid Programme remaining unchanged from 2016 at 18% of respondents' revenue.¹⁰ While in real terms government funding to New Zealand international NGOs has declined over the past decade, assistance through the aid programme has provided significant stability since 2012, and continues as a crucial element of financial predictability for the sector.



There has been a considerable increase in funding from the MFAT Partnerships for International Development (PfiD) Fund, from \$16.4 million last year to \$28.4 million this year. This is partly explained by a transition away from the Sustainable Development Fund (SDF), and more partnership activities and programmes becoming available (via PfiD). The New Zealand Disaster Response Partnership (DRP) funding for emergencies has increased slightly (from \$4 million in 2016, increasing to \$4.8 in 2017), while funding for Strategic Partnerships and other MFAT funds has almost halved.¹¹

Other funding streams

Roughly 11% of CID members' revenue is generated from multilateral organisations.

Revenue from sales, goods, services and investment remains strong, but is largely driven by the business model of one large member – Trade Aid. Despite an overall drop since last year (from 26% in 2016 to 16% in 2017), this remains a strong source of revenue and of innovation. As the trends of exploiting alternative funding streams continues to grow, it shows one of the potential avenues for growth for all CID members looking to increase and diversify their funding sources and manage the risk from changes to traditional funding sources. Bequests were also highlighted as an emerging preferred method of public support, and many CID members are looking to increase corporate philanthropy in their partnerships with the private sector as another avenue for potential revenue growth.

Increased confidence about the future

CID members are weathering these changes in the funding landscape with confidence.

¹⁰ Without World Vision data MFAT's support would be higher (closer to 25%).

¹¹ Diff – timeframes -

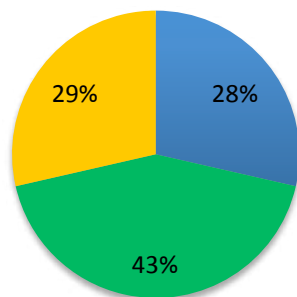
Expectations for future growth prospects in NGOs and the sector as a whole are more robust than recent years, with 78% of CID members anticipating revenue to increase or remain the same in the future (up from 70% last year). In other words, perceived insecurity has decreased by 8%. This is likely to be a reflection of a greater willingness to embrace shifting patterns of funding and respond with new ways of working, including developing new partnerships and deepening existing ones. The sector is showing itself willing to re-imagine funding models.

Commenting on their confidence, respondents cited greater awareness and recognition of achievements in projects in-country, more focused fundraising efforts including developing multi-platform marketing strategies, and targeted investment in strengthening systems and staff and establishing a stable foundation on which to build future income.

Member direction for 2017 largely involved building partnerships, expanding programmes, and developing campaigns centred on regular giving and corporate support. In comparison to 2016, where comments were overwhelmingly focused on grant applications, bequests, partnership funds, MFAT contracts and multilateral funding as both sources of revenue increase and reasons for insecurity, this indicates a new robustness in line with the changes identified for the sector.

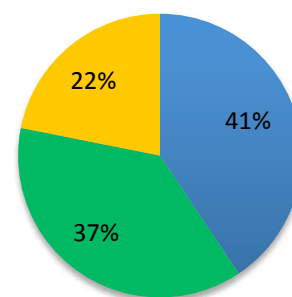
2016 Revenue Expectations

■ Remain the Same ■ Increase ■ Decrease



2017 Revenue Expectations

■ Remain the Same ■ Increase ■ Decrease



Deeper, broader collaborations in a changing world

The sector is showing a continued willingness to embrace new partnerships, collaborate with each other, the private sector and others, and to explore new business models.

NGO partnerships

CID members continue to work closely together. Although the 2017 survey appears to show a drop in partnerships between CID members (50%, down from 63% in 2016), further analysis reveals relationships are perceived to be of higher value: longer, more concentrated, and operating across a broader spectrum of engagement.

Numbers of partnerships remain similar between NGOs, but there is a marked increase in types of activities within established networks of relationships being reported. CID members are sustaining existing partnerships for longer periods and working to develop relationships further by digging deeper and focussing more on shared value. This reveals a willingness to innovate, drawing on already-established frames of engagement to create greater efficiency and therefore higher impact.

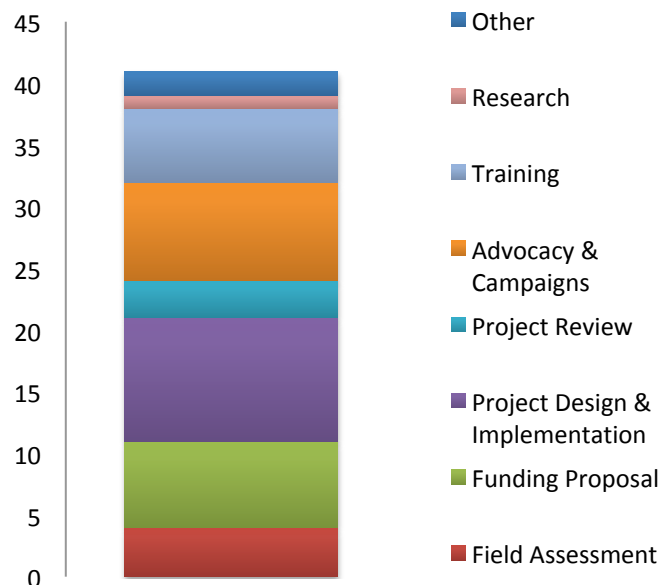
There is a drop in research-based partnership, while other types of engagement - training, advocacy, project design and implementation and funding proposals – are occurring more often. Again, this movement is contextually positive: international research shows that demographic shifts are changing the focus of some NGOs. Millennials, who are increasingly the target base for charitable action, engage differently with charities, bringing new expectations and valuing new and different kinds of information from organisations. Charitable-giving statistics and the focused, long-term data of *The Millennial Impact Report* emphasise that attachment to particular organisations or institutions does not drive Millennials. Rather, they are passionate about specific causes and helping identifiable people. They seek out direct and tangible connections supported by concrete evidence that their giving has an impact; they want regular updates about successful projects and programmes; and they want to know who they helped.¹²

This apparent shift in energy within NGO partnerships - from formulating theory, to activities that support delivery - points toward a more agile business model responding to this demand.

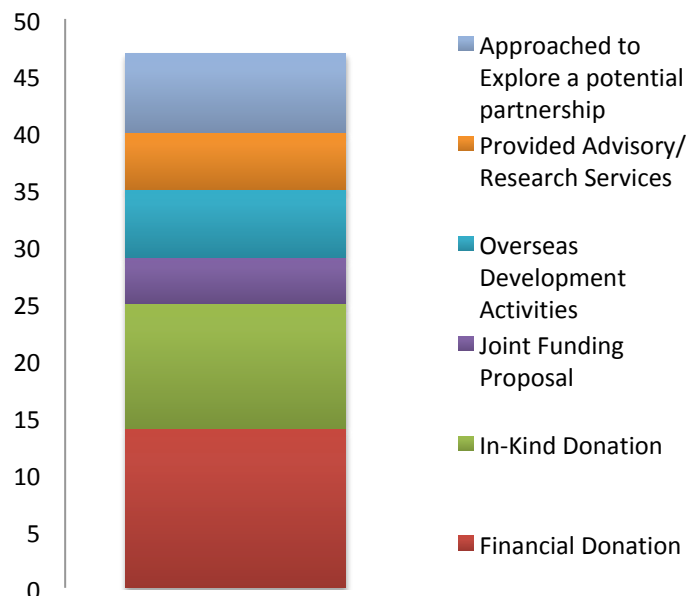
Private sector partnerships

Partnerships with the private sector continue to grow, with roughly 70% of respondents reporting some kind of partnership, in the form of financial or

NGO partnerships 2016-17



Private sector partnerships 2016-17



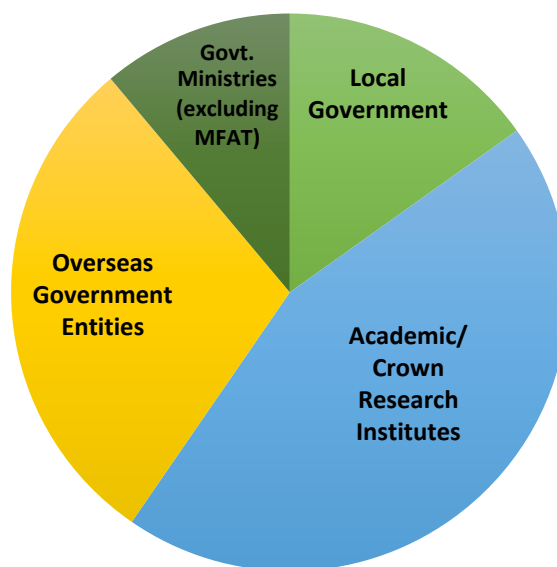
¹² Bradley Depew, the balance. 'How Millennials Have Disrupted Traditional Giving'. Sourced [online](#). Accessed 6 February, 2018. Also see Achieve 'The Millennial Impact Report'. Sourced [online](#). Accessed 6 February, 2018.

in-kind funding, joint design or delivery of overseas projects. The private sector also draws on CID member expertise, the sector’s deep local networks, advice and research. Increasingly, the focus is on ‘shared-value’ rather than corporate social responsibility. Private sector partners are more likely than in past years to be actively involved in design and implementation of development activities, rather than simply passive funders. These new types of more active partnership, while still emerging, point towards new models for the future.

Public sector partnerships

New data collected in 2017 reveals an exciting range of new public sector partners for CID members, beyond the strong relationship with MFAT. Excluding MFAT, 11% of CID members are partnering with another government department; 15% with local government in New Zealand; 29% directly with an overseas government; and a surprising 44% of members partner with a Crown Research Institute or an academic institution.

Public partners: an overview



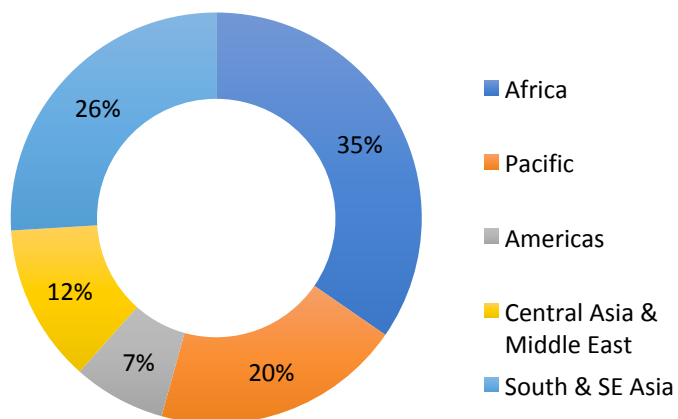
This reveals a sector embracing innovative partnerships and new types of relationships. There is an increasing willingness to partner with new organisations and collaborate not only with a broader range of public sector bodies in New Zealand, but also in-country local partners and even overseas government entities.

Regional focus

CID members continue to demonstrate diverse regional engagement and are engaged in seventy developing countries around the world (up from sixty in 2016).

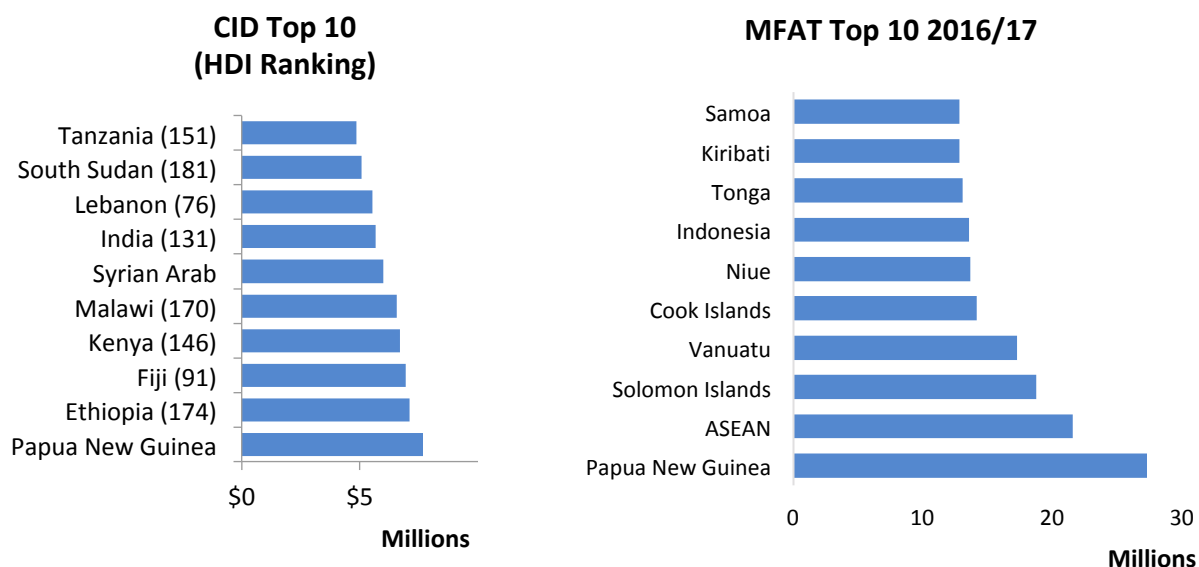
The regional breakdown has not changed significantly, although there is a slight decrease in activity in the Pacific - from 27% in 2016 to 20% today - and almost double the activity in Central Asia and the Middle East at 12%, up from 6% in 2016 (rounded).

CID in the World



CID members tend to respond to communities or countries with the greatest need in some of the most challenging regions, including Sub-Saharan Africa, South East Asia, the Pacific and the Middle East. For example, 60% of the top 10 largest countries of CID engagement are amongst the world's least developed, according to the latest UN Human Development Index.¹³

For the first time Fiji is in CID's top ten, reflecting the growing development needs in Fiji post Cyclone Winston and the pressure on Fiji as Pacific communities relocate there as a result of climate change. Vanuatu has dropped out of the top ten, as CID members have focused more of their activities in Papua New Guinea.



In terms of expenditure, CID members have been most active in three countries: Papua New Guinea, Ethiopia and Fiji, which replaces Vanuatu from 2016.

This compares with MFAT's much tighter focus on the Pacific region as recipients of New Zealand official aid programme, where eight out of the New Zealand Aid Programme's top ten countries of expenditure are located.¹⁴

While the Pacific is likely to remain a strategic focus for New Zealand's official aid, as the region where New Zealand can have the most direct impact, the active presence of New Zealand's international NGOs in Africa, the Middle East and South East Asia provide a balance and make it possible for 'New Zealand Inc.' to have a positive impact beyond the Pacific.

Primary Sectors of Work and the SDGs

Members were asked to identify the primary sectors for the work they support in each country. As with last year's report, these themes are now organised around the Sustainable Development Goals (SDGs) - seventeen development priorities and related indicators of progress, agreed to by donor and developing country governments, UN agencies, development banks, an increasing number of private sector organisations, and NGOs.¹⁵

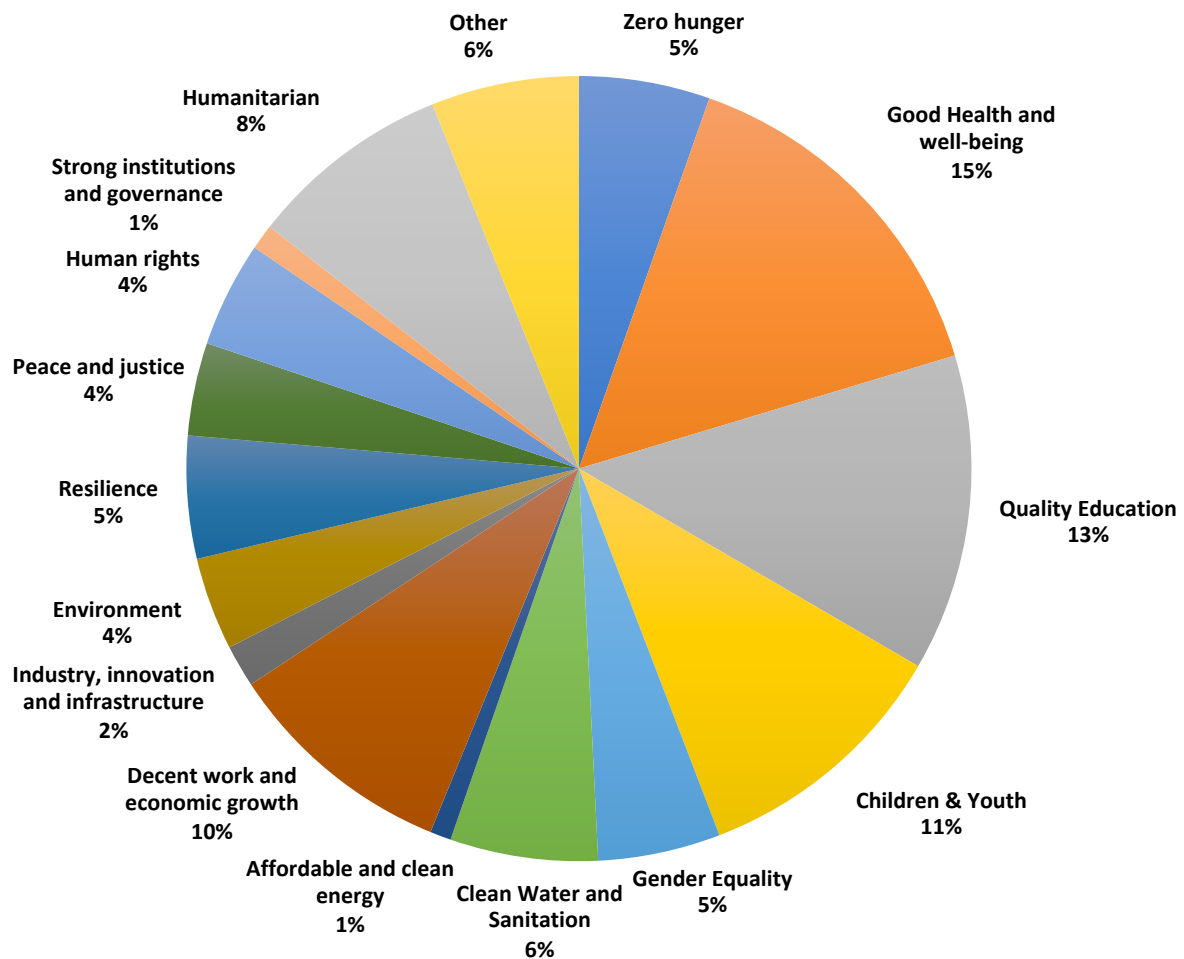
¹³ UN HDI, sourced [here](#). Accessed 10 February 2018

¹⁴ MFAT, 'Our planned aid expenditure'. Sourced [online](#). Accessed 12 February 2018. Source data for graph (allocated programme spend).

¹⁵ UN [Sustainable Development Goals](#)

Results indicate a sector that is as thematically diverse as it is geographically. The five most active areas of engagement included Good Health and Well-being (15%), Education (13%), Children and Youth (11%), Decent Work and Economic growth (10%), and Humanitarian (8%). The sector's engagement with the SDGs has jumped from 77% to 87% over the 2017 year, indicating that the SDG framework is increasing in importance as a tool for reporting impact.

CID MEMBER THEMATIC PRIORITIES (BY SDG)

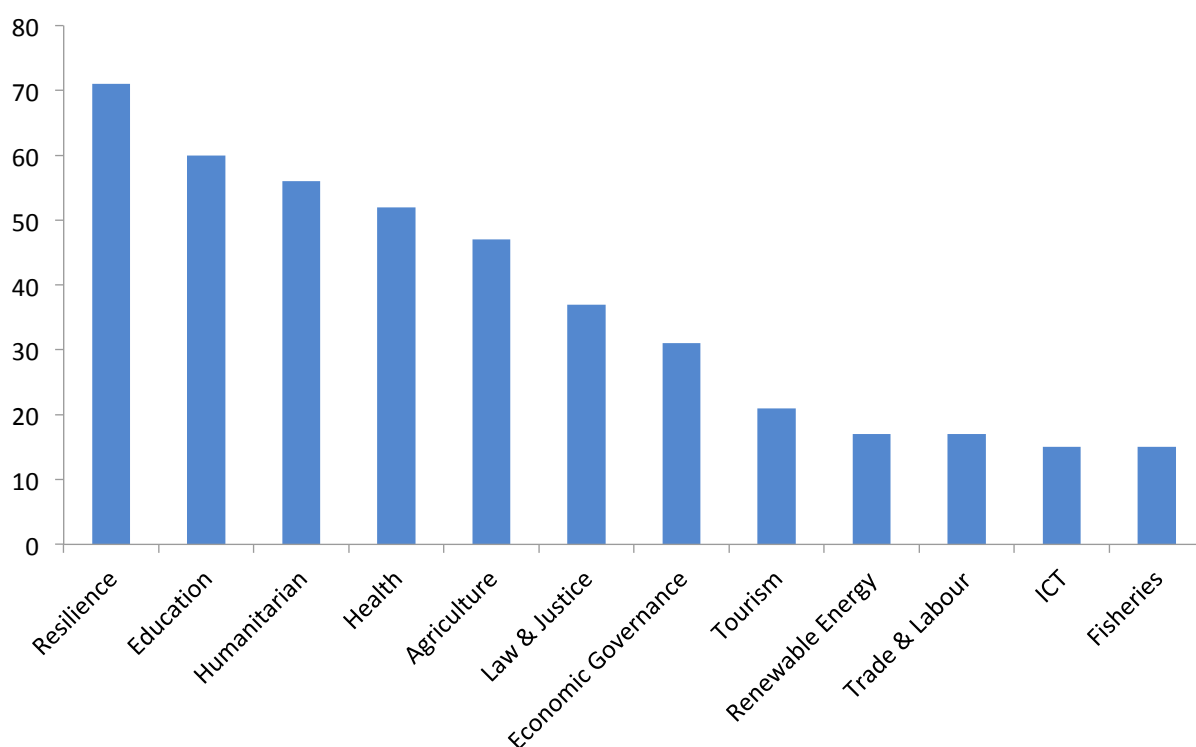


The 2017 evaluations of the New Zealand Aid Programme's twelve investment priorities and their relevance to CID members (where members identify five priorities that most resemble their own) reveal both a reflexive awareness of development needs around the world, and a closer alignment of government and NGO objectives in this space. The five priorities represented as having the most relevance to CID members remain consistent with 2016, but 'Resilience' jumps as the priority with primary relevance to the work of CID members, while 'Education' and 'Humanitarian Response' move up as a shared focus. 'Law and Justice', 'Economic Governance' and 'Tourism' are also points of increased interest in this trend.

Agriculture is not included as an explicit SDG in its own right. However, as in 2016, 'Agriculture' is a key sector of focus for many of CID's 'Decent Work' activities, which explains why 'Agriculture' is identified as an MFAT priority of high relevance for CID members.

These results reflect the sector's increased focus on climate change resilience in the Pacific, and on humanitarian interventions across the world. The higher rates for areas traditionally seen as having low levels of activity for CID member work, such as tourism and renewable energy, likely reflect the breadth of new partnerships, both in the public and private sectors.

Relevance of MFAT Priorities (weighted ranking)



Perceived relevance of MFAT priorities has increased overall by up to 14% compared to last year, with the most relevant policy in 2016 – 'Education' – coming in with a weighted ranking of 57, compared to 71 ('Resilience') this year. Even the priority believed to be the least relevant to the sector – 'Fisheries' – has increased threefold in relevance to CID members, from a ranking of 5 to 15. The steep drop in the perceived relevance of the Aid Programme's market-focused sectoral priorities observed last year has also flattened, indicating greater understanding of this as part of changing business models.

Satisfaction with the New Zealand Aid Programme is subsequently greater, although the question of how organisational priorities align with those of MFAT both thematically and geographically, remains the most mixed in terms of views on the relationship as a whole.

Sector Finances Conclusion

CID members are feeling confident about the future, and willing to embrace change and partner with an increasingly diverse range of organisations in the public and private sectors, including directly with organisations and government entities in partner countries.

However, there is growing concern about the sustainability of funding, particularly donations from the public, and a sense of urgency about identifying the new business models and skills required to capitalise on this changing environment.

Traditional channels of public support are not as reliable as they once were, but the sector is adapting to behaviour changes amongst the public. There is an increased willingness to embrace change and reposition organisations to be more effective in this shifting global landscape.

Partnership behaviour in particular reveal emerging models, where increasing diversity of partnerships across the public and private sectors is complemented by the deepening of existing relationships in high-value networks to streamline delivery. Growing recognition of New Zealand NGOs as reliable, first-rate organisations internationally is clear in the increased reports of direct affiliations with development bodies and local governments in countries of operation.

Challenges remain. The sense of urgency to identify new business models is matched by uncertainty about the new skills required to manage new models. Collaborations with other NGOs and with the private sector are often ad hoc and limited to personal connections across organisations. There remains a limited knowledge of what principles to apply to partnerships with the private sector; and there is concern about the capacity for some local partners to deliver, as the localisation agenda expands.

Some CID members are actively considering 'soft mergers' to share costs and improve their impact. With 30,000 charities in a small country like New Zealand, there is a recognition that the sector is ripe for full or partial mergers.

There is also a growing recognition of the need to promote the benefits of good development to the public in order to grow the social license to do more, even if the approaches to fund-raising change. Part of this is about promoting the CID Code of Conduct to the public as a 'qualmark' of professionalism so that donors can trust those CID members who are Code signatories. More needs to be done to tell the story of the sector's willingness to collaborate and work differently in order to draw even greater benefits from every dollar raised.

Following the trend of recent years, the 2017 year shows marked growth in public engagement and awareness of humanitarian emergencies, demonstrating that New Zealanders continued to engage in the world and are motivated to be good global citizens in an emergency.

It is clear that CID has a crucial role to play in supporting the sector to identify new business models, provide research and analysis on professional skills and standards, and bring its members together to encourage more collaboration with each other and with a growing number of public and private partners, both in New Zealand and in other countries.

Recommendation:

CID to set up a private sector network to facilitate more effective partnerships and increase development impact.

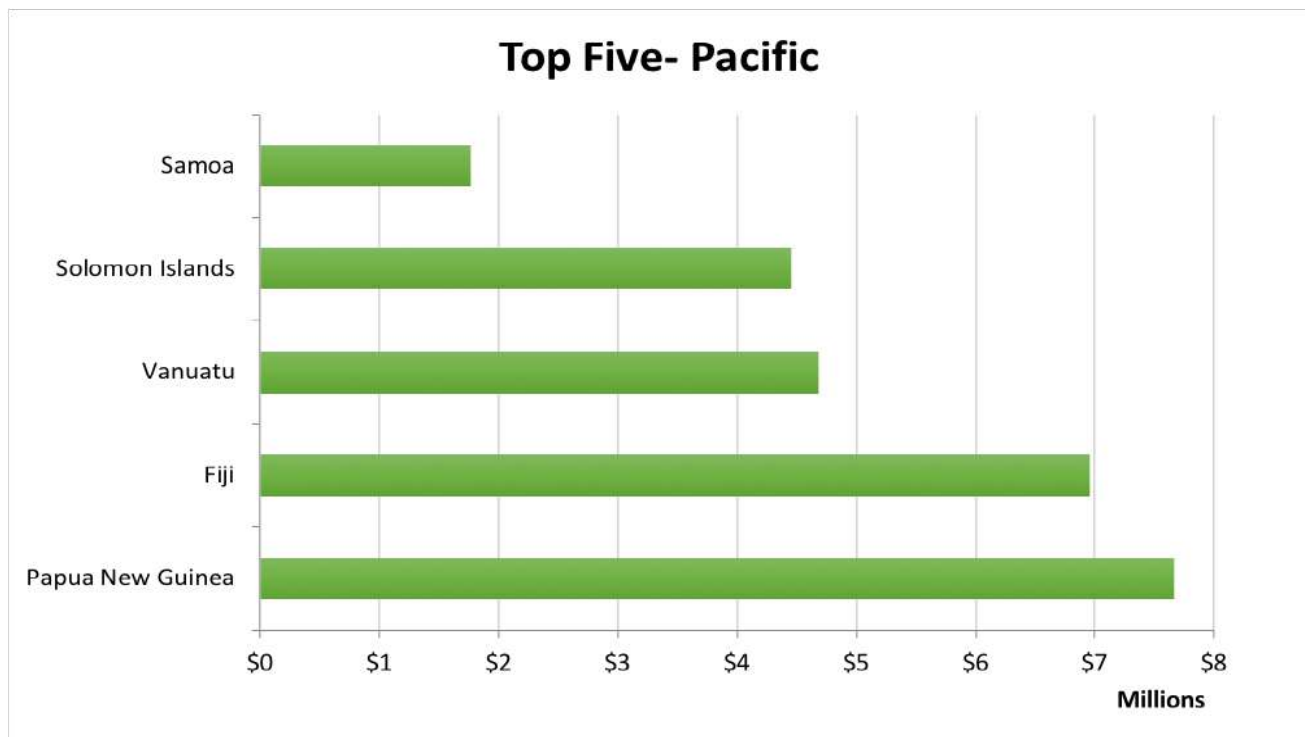
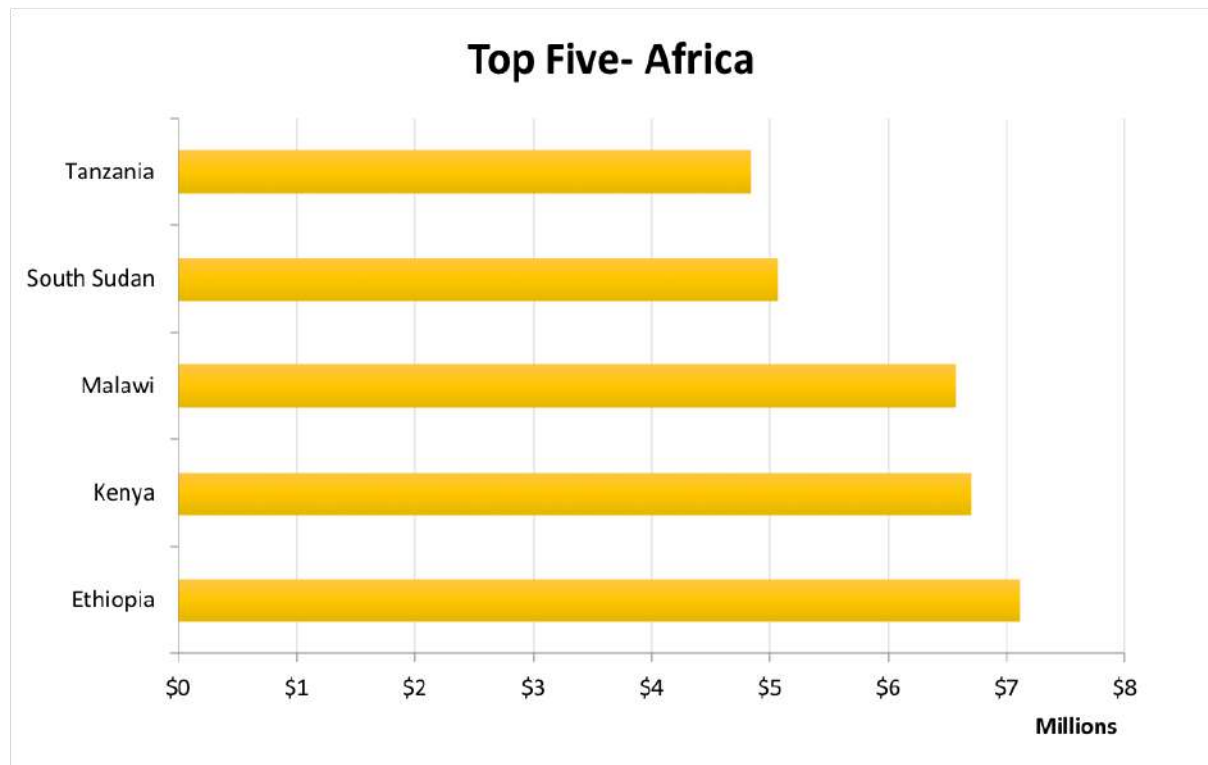
Recommendation:

CID to host workshops, research and training on key issues facing the sector, including identifying new business models; localisation, what it means and how best to devolve delivery of programmes to local partners in-country; measuring impact; and the most effective approaches to safeguarding, core standards and keeping vulnerable people safe.

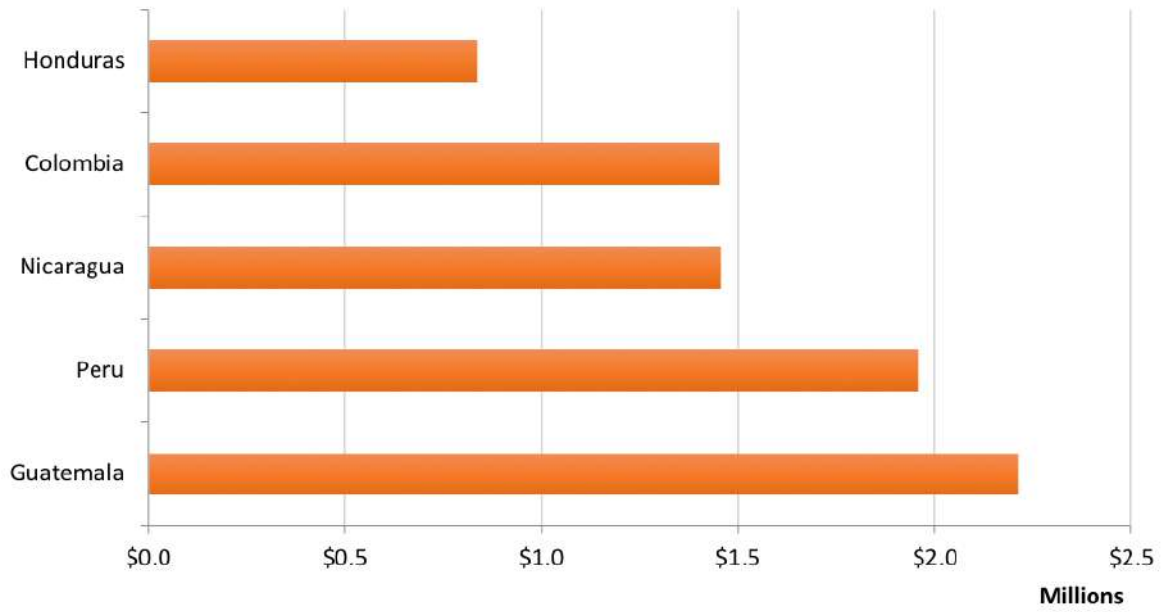
Recommendation:

MFAT and CID to work together on how to more effectively inform the public about New Zealand's development impact.

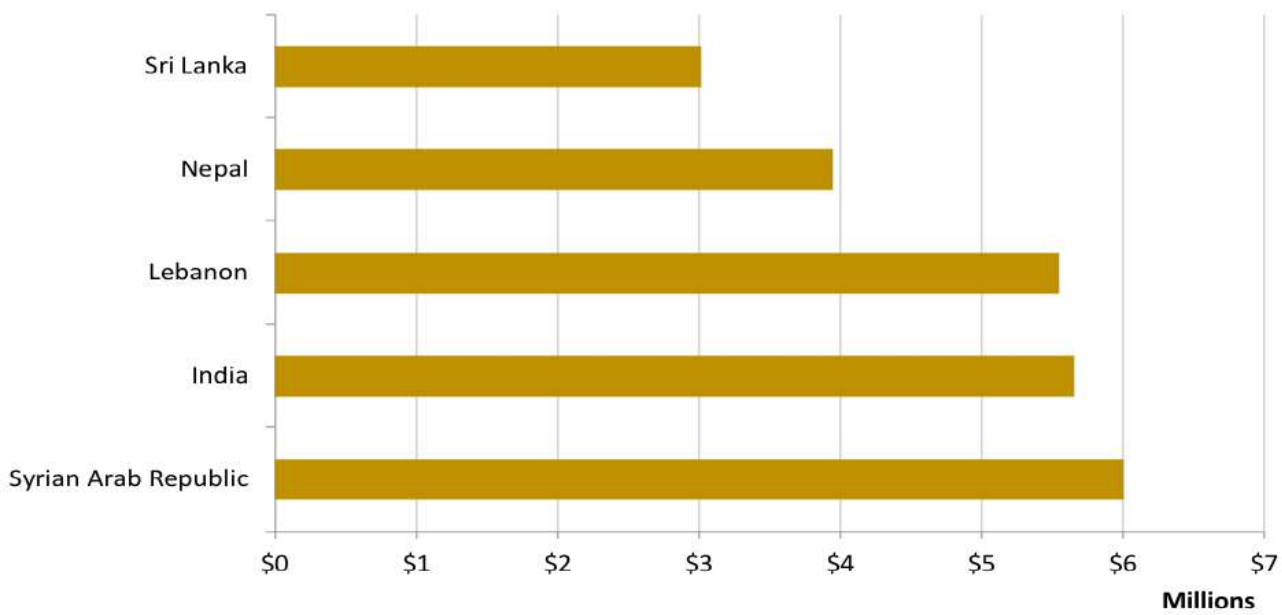
Annex 1: Regional breakdown of CID member investments



Top Five- Americas



Top Five- Central Asia & Middle East



Top Five- Southeast Asia

