

Insights Series:

How are International Non-Governmental Organisations Funded?

Ellen O'Connor



Introduction

The purpose of this report is to map the funding models and trends of International Non-Governmental Development Organisations (INGOs) in Ireland and to make comparisons to those in the United Kingdom and further afield. An increase of €109.8 million in Overseas Development Aid in Budget 2019 indicates a time of growth in statutory funding for the sector in Ireland. This, according to Dóchas Chief Executive, Suzanne Keating, is the credibility injection the sector has been seeking (Burns, 2018).

This report endeavours to support INGOs in making informed decisions regarding growth strategies, fundraising strategies and organisational development. State funding of INGOs is compared across Ireland, the UK, New Zealand and Australia. Due to limitations in publicly available information, case studies on selected organisations which operate across all respective jurisdictions are presented, in order to extract relevant learnings for INGOs more widely. As pointed out in Rogare's 2017 *Critical Fundraising Report*, there is, more broadly, a shortage of academic knowledge regarding fundraising in Ireland in comparison with other countries. This report, along with 2into3's other publications, seeks to bridge this evidence gap, thus enabling INGOs to effectively develop their funding models.

Methodology

Drawing from *The Irish Not-for-Profit Sector: Fundraising Performance Report 2017* and Bond's 2018 report, *Financial trends for UK-based INGOs*, this report provides a comprehensive, comparative view of Ireland and the UK, 2into3's figures were based on a sample of 25 INGOs, while Bond's report compiled its data from 305 member organisations. In order to provide direct comparisons, data from 2015 was used. More recent data is used where possible and further outlined below. It should also be noted that Bond's breakdown of income for INGOs was condensed into state, earned and fundraised income for consistency with 2into3's figures.

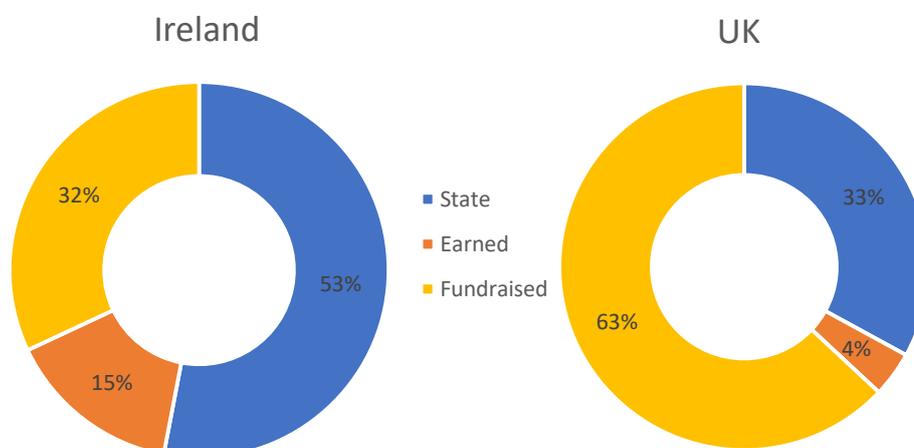
To provide a more detailed analysis on the INGO funding model and fundraising mix, 19 organisations were selected from Ireland and comparative countries. Comparative countries selected were the United Kingdom, Australia and New Zealand, with income figures from the years 2016-2017 captured. The UK was selected due to its proximity to Ireland. New Zealand as it resembles Ireland in terms of population size and GDP, while Australia was selected due to its cultural and physical proximity to New Zealand, similar to that of Ireland and the UK. It should also be noted that the findings are not representative but provide valuable insight into the funding model of INGOs.

Limitations exist regarding the breakdown of income by source. To overcome this, state funding figures for the Irish sample of INGOs are based on Irish Aid's Annual Reports as many charities did not individually distil sources state support. In the case of the countries mentioned above, annual reports were used to obtain total funding from the equivalent government programme of assistance to developing countries, in order to ensure comparability.

INGOS that operate in all four of the countries referenced above were selected as case study examples, based on their annual accounts. It should be noted, however, that it was not possible in all instances to directly compare methods of income as organisations' report in different ways.

Funding model (2015): Ireland vs. the UK

The below figures compare the funding models of Irish and UK INGOs for the year 2015 (2into3, 2017; Bond UK, 2018).



It is apparent from the above figures that Irish INGOs receive proportionately more state income than the UK; Irish INGOs received 53% of their income from the state in 2015, compared to 33% in the UK. This reflects a wider trend in the funding models of UK charities, as no subsector received more than half their income from government during this time period (UK Civil Society Almanac, 2018). In Ireland, earned income makes up a significant proportion of INGOs overall funding model at 15%, while this is only 4% in the UK. Philanthropy made up 63% of total income in the UK, almost twice that of Ireland. This is indicative of a broader trend, wherein the UK consistently gives more per capita than Ireland (2into3, 2014-2018).

Despite greater proportionate government funding in Ireland compared to the UK, recent public polling indicates that Irish INGOs face a positive fundraising environment. Dóchas, the Irish Association of Non-Governmental Development Organisations commissioned polling in April 2017, which found that 80% of Irish people believe the country should increase its overseas aid spending, indicating the public will of people living in Ireland to support overseas aid (Dóchas, 2017). Divergences were found in the UK, with 89% of the UK public stating that it is important to help people in developing countries (Eurobarometer, 2016) while the Daily Express found that 84% of the population are in favour of cutting the foreign aid budget in favour of spending on the NHS, adult services and social care. Furthermore, in the UK, INGO Bond members were discouraged from investing in fundraising due to a perceived increase in media scrutiny and project-based accountability. According to Hart and Robson (2017) charities with a national focus are trusted more than those focusing on international causes. This arguably reflects a challenge for INGOs internationally, in terms of making their causes relevant to the local population.

While Irish INGOs perhaps have the capacity to develop upon positive public attitudes to overseas aid, they also face broader sectoral challenges fundraising due to levels of public trust in charities; between 2014 and 2017 complete trust in charities remained at under 10% (Amárach Research, 2017). Charities in the UK face similar trust issues, with the Charity Commission for England and Wales' *Trust in Charities 2018* Report stating that the average level of trust in charities was 5.5 out of 10. To put these figures into greater context, New Zealand's Charities Services found that in 2016, public trust in charities was at 5.9 out of 10.

State Income

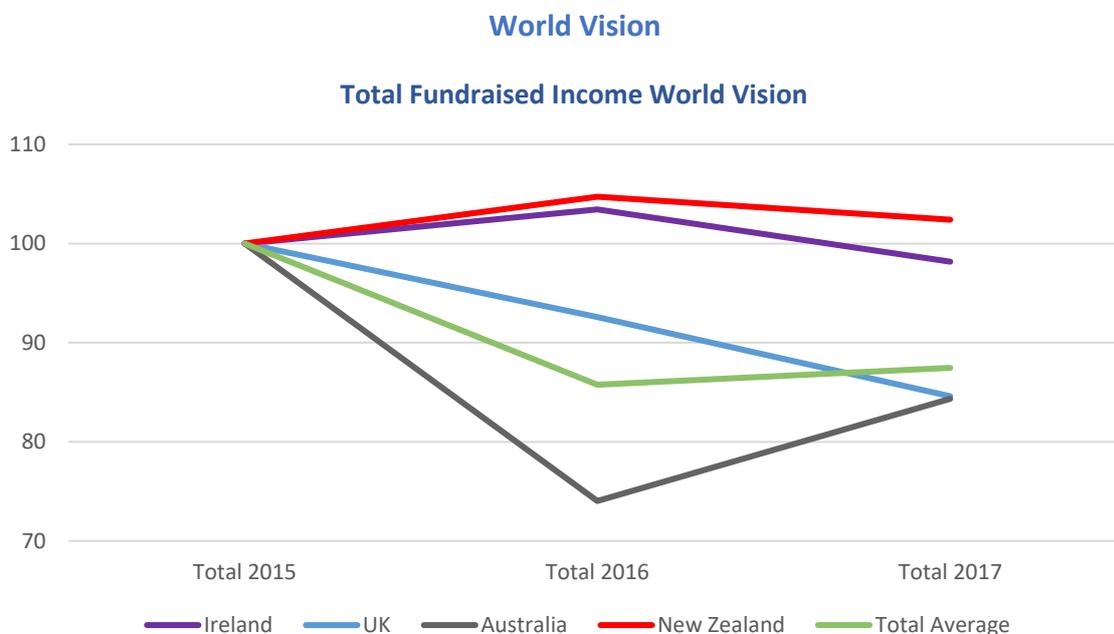
The average income of the sample of 19 Irish INGOs dropped by 14% between 2016 and 2017, compared to declines of 1% in Australia, 2% in New Zealand and 3% in the United Kingdom. In Ireland, the average state income given to INGOs rose by 6% and by 2% in New Zealand. In comparison, state income fell by 2% in Australia and 14% in the UK.

Australian Overseas Development Aid dropped by 16% between 2016 and 2017, whereas the UK's increased by 1.5% during the same period. The UK met the international target of Overseas Development Aid representing 0.7% of GNI in 2017, as it did in 2016. Ireland, however, did not meet its international target (Donor Tracker, 2018)

When considering the above figures, it is also worth noting that, according to a 2018 Lowry Institute Report, Australians have 'very inflated perceptions of the size of Australia's aid budget'; while overseas aid represents roughly 0.8% of the federal budget, this poll found that, on average, Australians think that this figure is 14%. This misconception is not limited to Australia; Dóchas' aforementioned 2017 polling also found that respondents thought the Irish Government spent an average of 8.46% of GNI on overseas aid, whereas in actuality it spent 0.32% of GNI for this purpose in 2016.

Case Studies

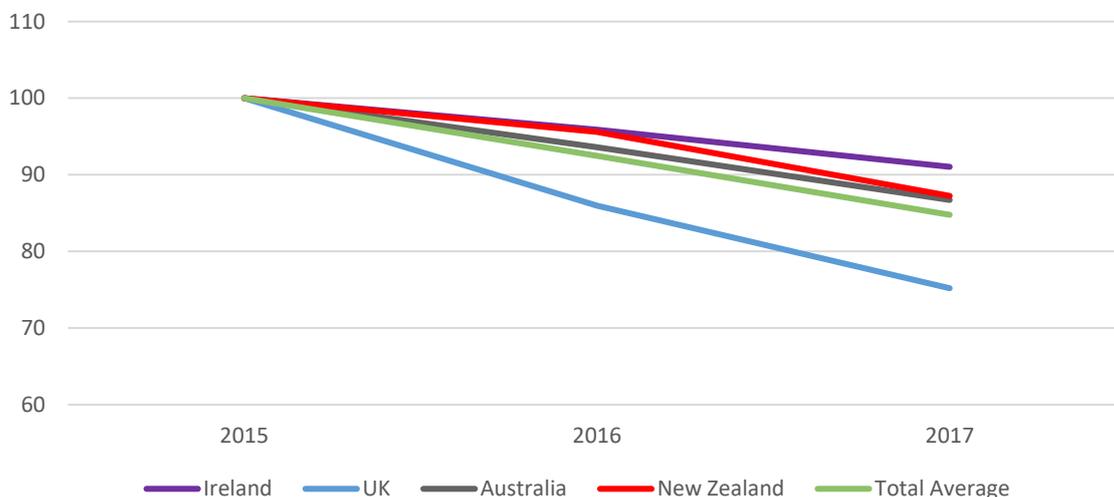
In order to gain deeper insight into the INGO fundraising mix, fundraised income data from three large INGOs that operate in Ireland, New Zealand, Australia and the UK were analysed. The below figures represent the respective organisations' figures between 2015 and 2017 and have been converted to Euro. For illustrative purposes, the experience of the organisations across the four countries is shown, with each country starting at the same base level, to reflect how fundraised income has changed by year since 2015.



In Ireland, fundraised income decreased by 2% between 2015 and 2017. Fundraised income in Australia fell by 19%, with the majority of this decrease was experienced between 2015 and 2016, though total fundraised income increased 12% in 2017, indicating a recovery. Whereas large

fluctuations in fundraised income were reported for World Vision Australia, the experience in New Zealand remained steady. Meanwhile, World Vision UK experienced a continuous decline, with fundraised income down 7% between 2015 and 2016 and a further 9% in 2017.

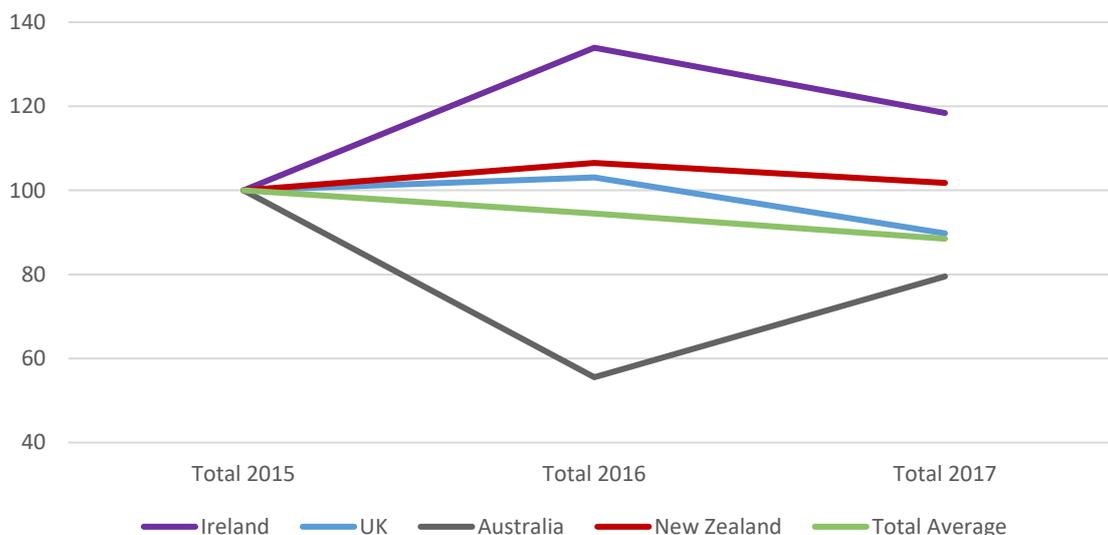
Regular Committed Giving for World Vision



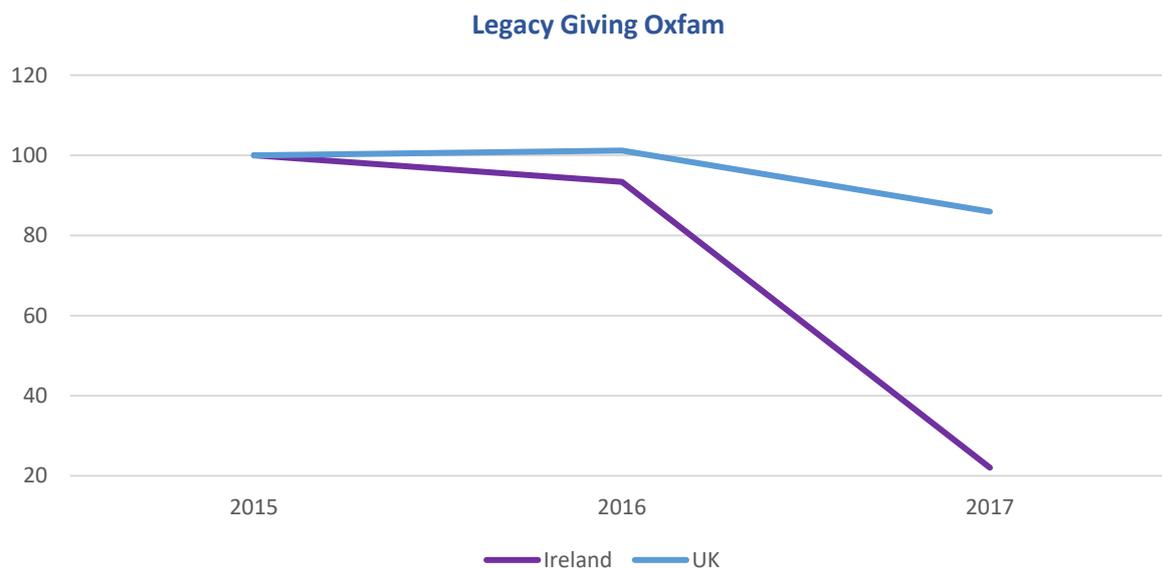
As shown above, there has been a steady drop in Regular/Committed Giving to World Vision in all four countries represented in this sample. While the average decrease between 2015 and 2017 was 18%, the UK experienced the largest decline, with income from this method decreasing by one third. New Zealand and Australia, at 15% respectively, experienced a less steep decline. This is also the case with Ireland, reporting a 10% drop in this method.

Oxfam

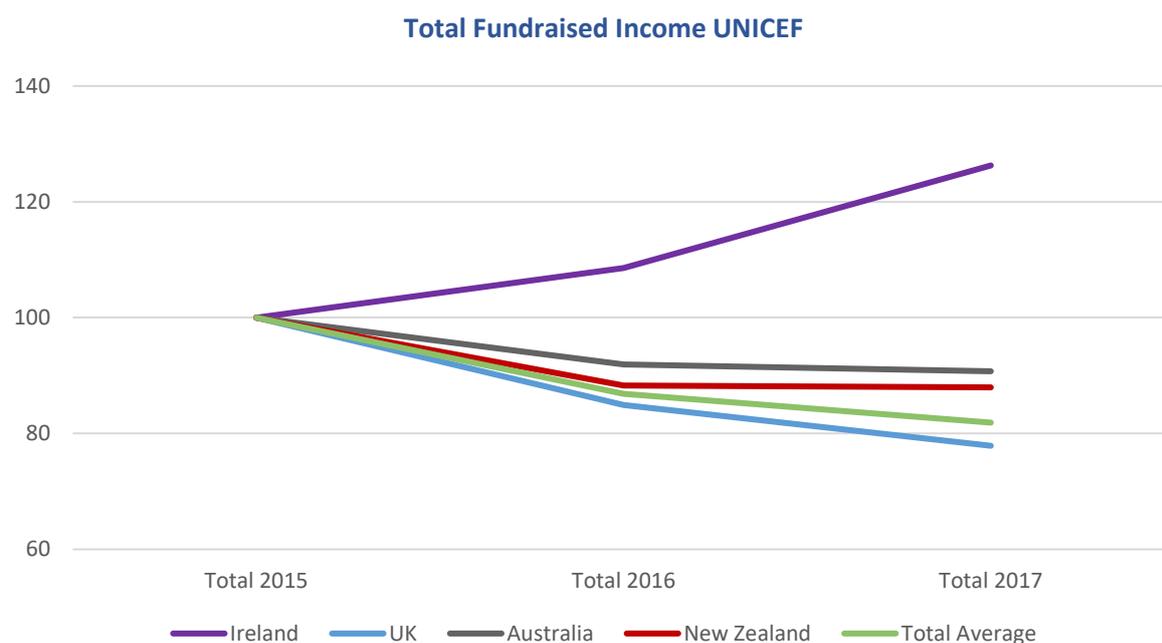
Total Fundraised Income Oxfam



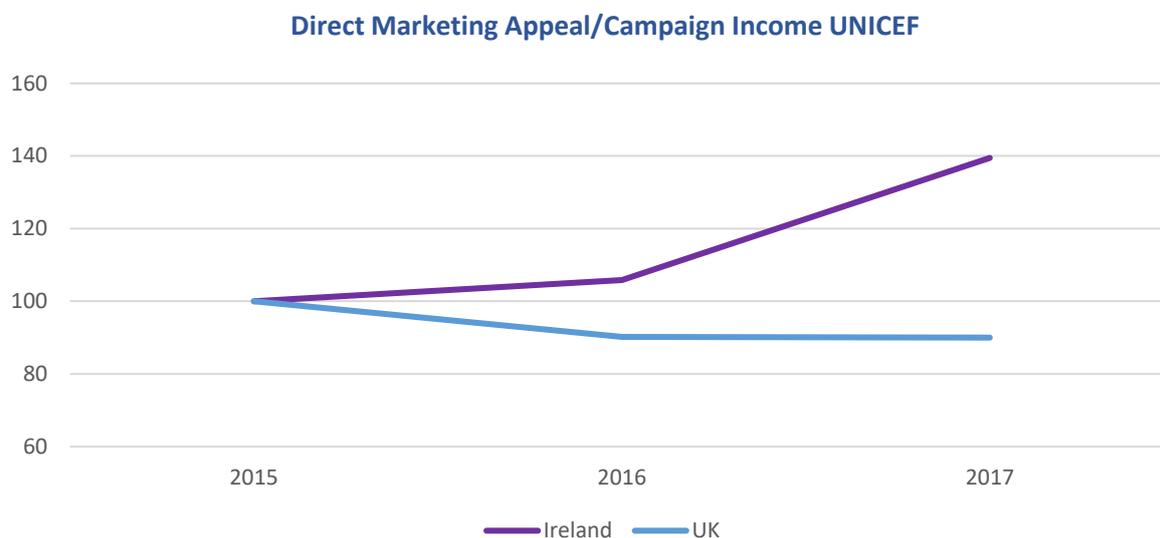
Between 2015 and 2017, there was an average decline of 13% in fundraised income for Oxfam in the four countries represented. Oxfam Ireland’s fundraised income increased by a third overall, decreasing by 12% from 2015 to 2016 but rising by 18% from 2016 to 2017. The UK experienced a 10% downward trend, with the majority of the decline occurring between 2016 and 2017, at 13%. Oxfam Australia’s fundraised income suffered the greatest, down 26%, while down 45% from 2015 to 2016 and decreasing 43% from 2016 to 2017. New Zealand, however, remained steady, with an increase of 2% overall.



Due to the availability of data, Oxfam’s legacy giving in Ireland and the UK were compared for the years 2015-2017. Both countries saw a drop off in legacy giving between the years of 2016 and 2017, though this downward trend was far more significant in Ireland, where legacy income saw a 76% decrease year-on-year. The UK also experienced a decline, though it was less dramatic, at 15% between 2016 and 2017. It should be noted that legacies are difficult to budget for and can be sporadic in nature, particularly in Ireland where this method is underdeveloped.



UNICEF experienced an average downward trend for fundraised income between the years 2015-2017, decreasing by 18%. Whereas Ireland’s fundraised income rose by 26% within this timeframe, with a 16% increase between 2016 and 2017, UNICEF in the UK, Australia, and New Zealand all saw fundraised income decrease, by 8%, 9% and 12% respectively. For each of the three countries, a greater decline occurred between 2015 and 2016, continuing at a lower rate between 2016 and 2017.



Observations were made on UNICEF’S income from Direct Marketing Appeals/Campaigns in Ireland and the UK, excluding Australia and New Zealand as these figures were unavailable in their annual accounts. Ireland and the UK had vastly different experiences between 2015 and 2017, with UNICEF Ireland seeing growth of this method of 39%, with an increase of 6% between 2015 and 2016, and of 32% between 2016 and 2017. Meanwhile, the UK experienced a 9% decrease in income, occurring mostly between 2015 and 2016.

Conclusion

The above research seeks to provide Irish INGOs with the insight to inform strategic growth and development. In Ireland, on average state funding represents over half of total income. This varies significantly when compared to the UK, with UK INGOs engaging in a wide range of fundraising methods and therefore a more diverse and resilient funding model. While the Irish Government has recently announced a substantial increase in Overseas Development Aid, there is no guarantee that this will continue in future Budgets.

From the analysis of a sample of 19 Irish INGOs, an average drop in total income of 14% was found, despite an increase in state support; this was a significant decrease when compared to the UK, Australia and New Zealand. However, as highlighted by Murphy (eds., 2017), the shortage of professional fundraisers in Ireland poses a challenge to diversification by way of fundraising. Furthermore, O’Conghaile (2017) argues that ‘without empirical evidence gathered across the sector we are left with a scattergun ‘spray and pray’ approach, which erodes the goodwill and general perception towards the fundraising sector.’ O’Conghaile calls for a collaborative effort and the sharing of information and insights between all members of the sector, in order to inform wider trends and promote learning regarding the diversification of funding models.

References

- 2into3, *The Irish Not-for-Profit Sector: Fundraising Performance Report 2017*.
- Amárach Research, *Charities 2037*, <https://static1.squarespace.com/static/57ff6b30beba9d10c7dcd/t/5b28ed2eaa4a996a288e8d9c/1529408815482/CII%2BCHARITIES%2B2037%2B%281%29.pdf>
- Bond UK, *Financial trends for UK-based INGOs*, 2018, https://www.bond.org.uk/sites/default/files/resource-documents/financial_trends_for_uk-based_ingos.pdf
- Bond UK, *Stats on international development: how did the UK spend aid in 2017?* <https://www.bond.org.uk/news/2018/11/stats-on-international-development-how-did-the-uk-spend-aid-in-2017>
- Brockington, Dan and Nicola Banks, *Changes in Expenditure, Income and Income Sources for Development NGOs based in the UK Final Report October 2017* https://www.sheffield.ac.uk/polopoly_fs/1.748112!/file/finalereport1.pdf
- Burns, S., Irish Times, 2018, *Overseas aid to rise to highest level in 10 years*. <https://www.irishtimes.com/news/politics/overseas-aid-to-rise-to-highest-level-in-10-years-1.3657687>
- Charities Services New Zealand, *Public trust and confidence in charities* <https://www.charities.govt.nz/charities-in-new-zealand/public-trust-and-confidence-in-charities/>
- DFA, *Tánaiste Welcomes Budget 2019 Allocations for Overseas Development Assistance* <https://www.dfa.ie/news-and-media/press-releases/press-release-archive/2018/october/tanaiste-welcomes-budget-2019-allocations-for-overseas-development-assistance.php>
- DFID response to Daily Express Overseas Aid poll, 9th January 2018: <https://dfidnews.blog.gov.uk/2018/01/09/the-daily-express-on-aid-spending-and-the-nhs/>
- Dóchas 2017 Poll: <https://dochas.ie/news/press-release-80-irish-people-think-ireland-should-spend-more-aid>
- Donor Tracker: <https://donortracker.org/about>
- *Irish Aid Annual Report 2016*
- *Irish Aid Annual Report 2017*
- List of Australian International NGOs Accredited by the Government: <https://dfat.gov.au/aid/who-we-work-with/ngos/Pages/list-of-australian-accredited-non-government-organisations.aspx>
- *Lowy Institute Poll 2018*, <https://www.lowyinstitute.org/publications/2018-lowy-institute-poll#sec35286>
- Murphy, G. (editor) (2017). *Critical Fundraising (Ireland) Report v1.1*. Plymouth: Rogare/Hartsook Centre for Sustainable Philanthropy.
- NCVO, *Civil Society Almanac 2018*
- O’Conghaile, S. (2017). ‘Lack of evidence and research about Irish fundraising and Irish giving.’ *Critical Fundraising (Ireland) Report v1.1*. Plymouth: Rogare/Hartsook Centre for Sustainable Philanthropy. The Charity Commission for England and Wales, *Trust in Charities, 2018* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/723566/Charity_Commission_-_Trust_in_Charities_2018_-_Report.pdf

About the Author

Ellen O’Connor is an Associate of 2into3, contributing to research on the sector. She has a background in public affairs and communications.

Ellen received a BA (Hons) in History from Trinity College Dublin, where she was involved in Young Fine Gael and the DU History Society. She is studying at King’s College London for an MA in International Affairs.

About 2into3

2into3 transforms not-for-profits through consulting, recruitment and research. Our team builds capacity through fundraising strategy development, organisational strategy development, talent acquisition, change management and evidence informed decision-making. See <http://www.2into3.com> for more information.

Complete List Sample of Organisations (State Income)

Ireland	New Zealand (continued)	Australia (continued)	UK (continued)
Trócaire	CBM	ADRA	Tearfund
Misean Cara	Childfund	ABM	WaterAid
GOAL	CWS	Anglican Overseas Aid	Habitat for Humanity
Gorta – Self Help Africa	Tearfund	Australian Red Cross	Practical Action
WorldVision Ireland	Caritas	CBM	HelpAge International
Oxfam Ireland	World Vision New Zealand	Childfund	UNICEF
Plan Ireland	The Leprosy Mission New Zealand	Habitat for Humanity Australia	Womankind International
Sight Savers Ireland	Fred Hollows Foundation	Oxfam Australia	International Institute for Environment and Development
Childfund Ireland	Habitat for Humanity	Save the Children Australia	International Rescue Committee UK
Aidlink	VSA	Tear Australia	Health Poverty Action
Comhlámh	Hagar	TLMA	Farm Africa
Vita	World Wildlife Fund	Union Aid Abroad	Plan International UK
VSO	Oxfam	WaterAid Australia	Save the Children UK
A Partnership With Africa	UNICEF	UNICEF Australia	Africa Direct Educational Trust
Serve in Solidarity	Amnesty International New Zealand	ActionAid Australia	Peace Direct
Suas Educational Development	New Zealand Red Cross Incorporated	ADFA	
Tearfund Ireland	Habitat for Humanity	United Kingdom	
Camara Education Ltd	Surfaid	ActionAid	
Habitat for Humanity Ireland	Australia	Christian Aid	
New Zealand	Action for Peace (NCCA)	Girl Effect	
ADRA	Action on Poverty	Oxfam	