

CID Annual Conference 2017

Thursday 16 November

Wellington, New Zealand

The End of the Golden Age

Thank you very much for the invitation to speak to you today.

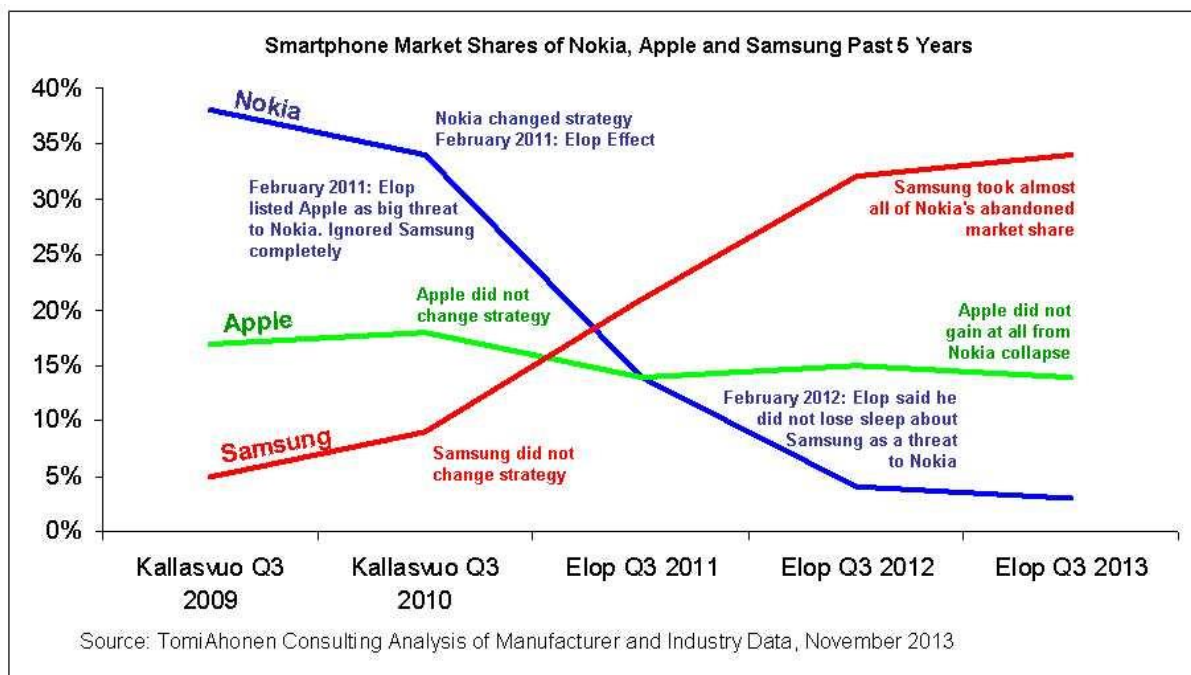
How many of you here once had a Nokia phone? How many still use a Nokia phone?

At one point [slightly over half of the world's mobile phones](#) were made by Nokia! They dominated the fast-growing mobile phone market.

However, by September 2013, Nokia's CEO, Stephen Elop, was facing the press to announce that the smartphone division had just been sold to Microsoft.

In the space of just a few years, Nokia's market share had fallen from more than 50% to barely 3%.

Nokia's CEO ended his speech claiming they "didn't do anything wrong, but somehow, we lost". At this point Stephen and his management team became visibly upset.



So what happened?

Elop and his management team failed to understand the dramatic changes impacting their business.

As late as Feb 2012, **just 18 months before the sale to Microsoft**, Elop was claiming that he did not lose sleep about the impact of Samsung on their business.

Yet at that time, Nokia's market share was falling at the same rate as Samsung's was growing.

There are many other examples of organisations, or whole industries, who failed to understand the implications of the social, economic or technological changes that were impacting on their industry: Kodak, Encyclopaedia Britannica, the entire taxi industry, newspapers etc.

Despite these examples, and the challenges we face, my impression when I speak to some NGO leaders is that they think our sector is somehow immune.

Today, I want to argue we are not.

New technologies, increasing stakeholder expectations and changing business models create, I believe, the perfect storm.

And just like Nokia, if we are not prepared to address these challenges we too will go out of business.

Today, I want to make three simple points:

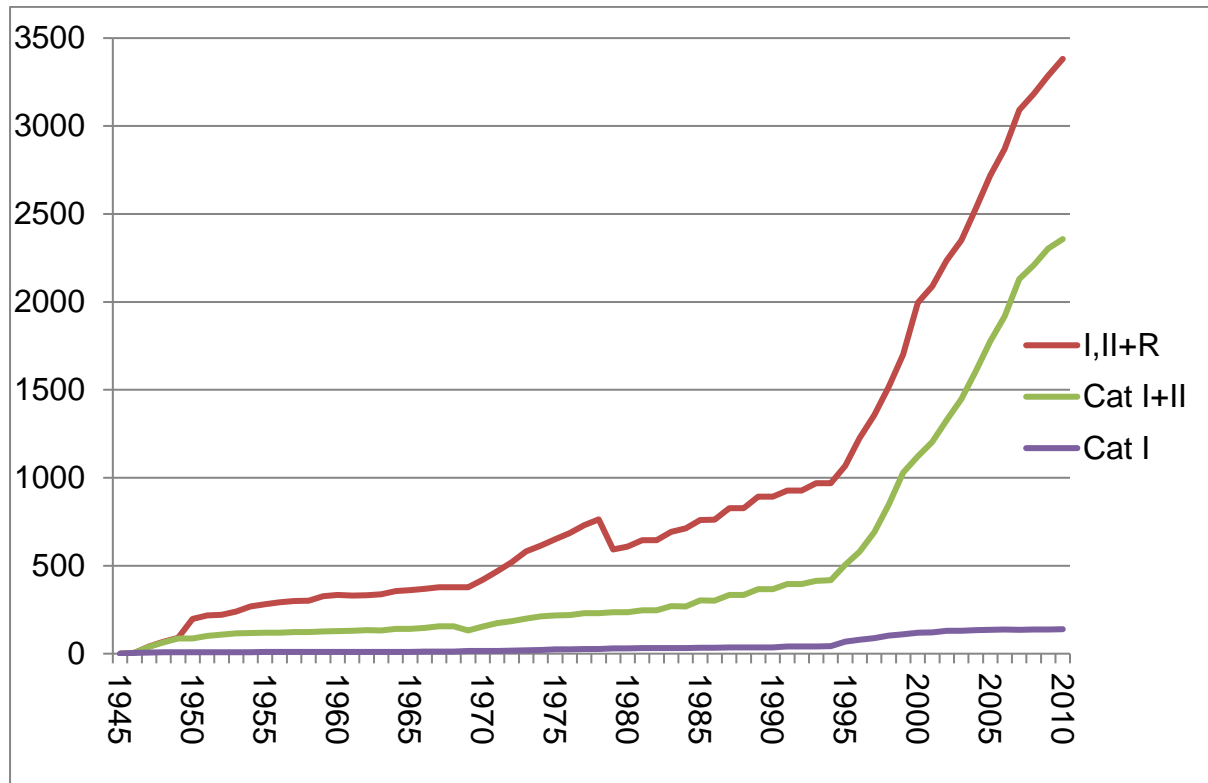
1. The 1990s and early 2000s were a 'Golden Age' for INGOs
2. This Golden Age has ended
3. Only those INGOs prepared and able to undertake significant change will survive

Let me begin with a little recent history.

The end of the Cold War and the apparent triumph of Western liberalism led to a 'Golden Age' for INGOs.

They were described as the ‘magic bullet’ for solving global poverty and the ‘favoured child’ of international donors.¹

This belief in the power of international civil society to do good led to an explosion in the number and size of international NGOs.²



The growth in resources was quickly accompanied by a commensurate increase in their domestic and international political influence.

The high point in influence was probably the mobilisation of 11 million people in approximately 800 cities on 15 February 2003 in protest at the possibility of war with Iraq.

This prompted the *New York Times* to describe global civil society as the ‘second superpower’ and Jonathan Schell to write a cover story in "The Nation" magazine titled "The Other Superpower".

¹ Vivian, J. (1994) NGOs and Sustainable Change in Zimbabwe. *Development and Change*: 25: 181-209; Hulme D, and Edwards M. (eds). (1997) *Too Close for Comfort? NGOs, States and Donors*. London: Macmillan.

² 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.

Although, within weeks the United States, Britain and Australia had nonetheless gone to war, the phrase was adopted by people like former UN Secretary General Kofi Annan in speeches.

The signs are, however, that this unprecedented increase in resources and influence is over: **the golden age for international NGOs has ended.**

Why? Four key reasons:

1. *The changing face of poverty and growing inequality undermines INGOs traditional operating model*

The majority of the world's poor now live in middle income countries, global inequality is on the rise and there are large number of vulnerable people in high income countries like Australia and New Zealand.

As the Sustainable Development Goals make clear, we are all 'developing countries' now.

This shift is changing the resources available to INGOs in a number of ways.

Wealthy countries like Australia are no longer providing any aid to countries like India.

In other middle-income countries like Indonesia and the Philippines, aid is shifting away from programs that have traditionally been delivered by INGOs like health and education to programs that promote economic growth.

Not surprisingly, the governments of these middle-income countries also expect to take the lead role in local service delivery and responding to natural disasters.

Public servants, politicians and leaders of local NGOs in these countries resent the large sums being channelled through international NGOs and are pressuring donors to provide a greater proportion of funding directly to government run relief efforts and local NGOs – this is the 'localisation' agenda that was a core issue at the World Humanitarian Summit.³

³ Known as the 'Grand Bargain', the WHS included a commitment from donors to provide at least 25% of global humanitarian funding to local and national responders: <https://reliefweb.int/report/world/whose-big-deal-year-world-humanitarian-summit-are-local-responders-leading-grand>

On the other hand, a growing sense of disillusionment with globalisation and growing inequality in wealth countries is creating a backlash against foreign aid more generally.

This backlash should not be overstated.

In the US where Trump has promised to slash international aid, public support for aid has generally been maintained (Kull, 2017) and in the UK, Theresa May was forced to support the UK's commitment to 0.7% of GDP on the first day of her campaign.

However, even if the current levels of global ODA can be maintained (which I doubt), we should expect that both the type of programs supported and the mechanism for their delivery will continue to be challenged.

2. The disillusionment with globalisation also contributes to the second key reason for why the golden age for INGOs is over – an antagonistic political environment

There can be little doubt that the liberal values and international political structures that allowed INGOs growth in the 1990s are now in retreat and NGOs face a far more antagonistic political environment, often fuelled by highly sceptical media.

Nationalism and xenophobia are on the rise.

The United Kingdom has voted to leave the European Union, the United States has elected President Donald Trump on an 'America First' platform.

A recent Demos Report talked about 'an age of anxiety' across Europe.⁴

In Australia, the Coalition is scrambling to respond to the growing popularity of Pauline Hanson's One Nation Party.

There appears to be greater immunity to human rights breaches.

Conflicts in Syria, Yemen and elsewhere have seen civilians targeted in flagrant breach of international humanitarian law.

Populations are starved and raped as weapons of war.

⁴ See <https://www.demos.co.uk/project/nothing-to-fear-but-fear-itself/>, accessed 22 Feb 2017

Yet there is little talk now of an international responsibility to protect.

Compare the situation of the Rohingya in Rakhine State now to that less than 10 years ago when Cyclone Nargis struck the Irrawaddy Delta (2008) and the French Foreign Minister (Bernard Kouchner) called for international intervention to ensure aid was distributed.

Even when people manage to flee the horror, they find themselves increasingly unwelcome around the world.

My own country's unconscionable conduct in relation to refugees on Manus Island and Nauru is a case in point.

NGO staff and facilities are also being targeted, sometimes intentionally, often recklessly, by state and non-state actors in conflict. Hospitals are destroyed, aid convoys are bombed and aid workers are gang raped and murdered.⁵

The number of annual reported kidnappings of aid workers [quadrupled](#) between 2002 and 2014.⁶

The war on terror is not only making NGO operations more risky, it is increasingly being used as an excuse to place restrictions on civil society.

In 2014, 96 countries took action to limit civil society freedoms of expression, association and peaceful assembly.⁷

New pieces of legislation have multiplied around the world – on foreign funding of NGOs, placing restrictions on NGO registration or freedom of association, instituting anti-protest laws and laws that curb advocacy and free speech.

⁵ For example, in October 2015, U.S. planes [bombed a Medicines Sans Frontiers hospital](#) in Kunduz, Afghanistan, killing 42. In September 2016, a UN aid convoy to Aleppo was bombed killing 20 people, including 12 aid workers. In July 2016, South Sudanese soldiers brutally [gang-raped foreign aid workers](#) (<http://www.npr.org/sections/goatsandsoda/2016/08/23/491057541/gang-rape-of-aid-workers-in-south-sudan-is-a-turning-point>). In Feb 2017, Six Afghan Red Cross aid workers were killed in an ambush in the country's north while travelling to a remote area to deliver humanitarian aid (<https://www.theguardian.com/world/2017/feb/08/six-red-cross-workers-in-afghanistan-are-shot-dead-in-attack>)

⁶ <https://aidworkersecurity.org/>

⁷ Civicus, "Civil Society Rights Violated in 96 Countries", <http://www.civicus.org/index.php/en/media-centre-129/news-and-resources-127/2245-new-civicus-report-civil-society-rights-violated-in-96-countries>

According to the Freedom House Annual Survey, 2016 marked the 11th consecutive year of decline in global freedom.⁸

3. Loss of Trust in NGOs

At the same time, there has been a broad-based decline in trust of institutions.

NGOs are not immune from this loss of trust.

A recent report found global public trust in NGOs has fallen to 53% from a high of 75% in 2001.⁹

In the **United Kingdom**, charities have taken a terrible buffeting over the past 12 months.

[The suicide last May](#) of Olive Cooke, a 92-year-old was blamed at least partly on the number of fundraising letters she received. It raised questions about the fundraising practices of the UK's largest charities.

This was followed by the high-profile collapse of **Kids Company**, with a welter of accusations of mismanagement on every side.

In **Australia**, we have seen similar high-profile cases that have shaken the public's trust in NGOs (Shane Warne Foundation; RSL; APPCO Fundraising etc).¹⁰

New Zealand has had its share of charity scandals too.¹¹

This loss of trust in NGOs is not limited to wealthy countries like Australia and NZ.

In fragile states and developing countries, aid has been co-opted for political purposes and even as a 'force-multiplier' to win the hearts and minds of local insurgents.¹²

⁸ <https://freedomhouse.org/report/freedom-world/freedom-world-2017>, accessed 22 Feb 2017

⁹ The 2017 Edelman Trust Barometer found that public trust in NGOs has declined globally. See www.edelman.com/global-resuts/. In contrast, the latest **Essential Media poll** (Australia) into public perceptions around major institutions has seen a rise in Australians' trust in charities since the start of 2017, with environmental groups recording the sharpest rise. The poll found trust in charities rose by 1 per cent to 46 per cent, compared to 45 per cent in January 2017. In September 2016 trust was at 43 per cent and at a high of 49 per cent in October 2015.

¹⁰ See <http://www.abc.net.au/news/2017-02-14/video-shows-appco-workers-forced-simulate-sex-acts-class-action/8268848>

¹¹ The NZ *Herald* has been running an 'Opening the Charity Box' series looking at the health of New Zealand's \$53 billion charitable sector.

¹² This is reflected in some of the political language and ideology around aid. Prominent examples include the notions of 'humanitarian wars', of 'non-governmental organisations (NGOs) as force multipliers' and of 'aid to win hearts and minds'.

Perhaps the most startling example of this in recent years was the use of a vaccination program in Pakistan by the US Government as a screen in the counterterrorism effort to capture Osama Bin Laden.

These manipulations of aid have had a deeply damaging effect on the reputation, trust and standing of the sector.

4. NGO Failure to Change and Adapt

Some but not all of these factors are outside of NGO control.

However, the key reason for the end of the golden age has been the sector's failure to change and adapt in response to the new strategic environment.

Despite the changed face of poverty, programming of many INGOs still largely reflects an outdated view that the majority of the world's poor live in rural poverty, in low income countries.

Overall, NGOs have failed to be sufficiently innovative or been prepared to cannibalise their own business model to improve outcomes for beneficiaries fast enough.

A group of researchers from leading universities recently argued that "the humanitarian architecture looks remarkably similar to the way it did in the 1950s – only much bigger".¹³

JB Were's Cause Report makes a similar finding in relation to NZ's charity sector - almost 80% of the 40 largest New Zealand charities have existed for over 20 years.

A sector that cannot change will either have it forced on them, or will go out of business.¹⁴

Where innovation has occurred, it usually has been led by NGO start-ups or the private sector.

¹³ http://www.planningfromthefuture.org/uploads/4/5/6/0/45605399/pff_report_uk.pdf. Sara Pantuliano, of the Overseas Development Institute suggested that the lack of reform in the humanitarian sector was due to a failure by the UN and international NGOs to give up power and change the way they operate:

<http://www.abc.net.au/news/2017-02-13/inflexible-intl-aid-organisations-risk-worsening/8265594>

¹⁴ A good example of donor imposed change is the recent, "deliberately disruptive" decision by DFID and ECHO to simplify its cash programming in Lebanon through one, \$85 million contractor. See

<https://www.irinnews.org/investigations/2017/02/20/unconventional-cash-project-challenges-aid-status-quo-lebanon>.

Technology has also allowed people to support causes without using NGOs.

Consumers are increasingly using fundraising platforms like **GoFundMe**, **Everyday Hero**, **Kiva**, or **Kickstarter** to donate through, rather than directly support a charity.

Cause related marketing organisations like **Thank you water** are also increasingly popular ways to contribute to a cause.

These new organisations are ‘digital natives’, which means they are often better at leveraging new fundraising channels.

We might like to argue that initiatives supported in this way are less likely to be effective.

However, when donors have asked for better evidence of the effectiveness of programming, NGOs have generally been unable to adequately respond. Our public communications on the impact of their operations is not strong enough.

As for-profit operators have muscled in, NGOs have also failed to articulate the ‘value add’ that mission driven, rather than profit driven, organisations provide.

How should international NGOs respond to this harsher operating environment?

Four suggestions:

1. **First**, they should begin by getting their own houses in order.

The most urgent task is to invest more in capturing and communicating the evidence of the impact of their activities.

Many organisations think they tick the impact box by reporting the number of people they’ve helped or reached, but that isn’t impact – it’s outputs. Impact is the long-term change which happens because of the organisation’s intervention.¹⁵

International studies suggest that **80% of social programs ‘don’t work’**, in the sense that they do not have any statistically significant impact, or actually do harm.¹⁶

¹⁵ <https://www.theguardian.com/voluntary-sector-network/2017/nov/09/charities-are-still-not-honest-enough-about-their-social-impact>

¹⁶ See: <https://80000hours.org/articles/effective-social-program/>

This statistic represents an enormous ‘burning platform’ for the sector.

Its also the key to overcoming the debilitating debate around administration ratios, rebuilding trust in the sector and support for foreign aid.

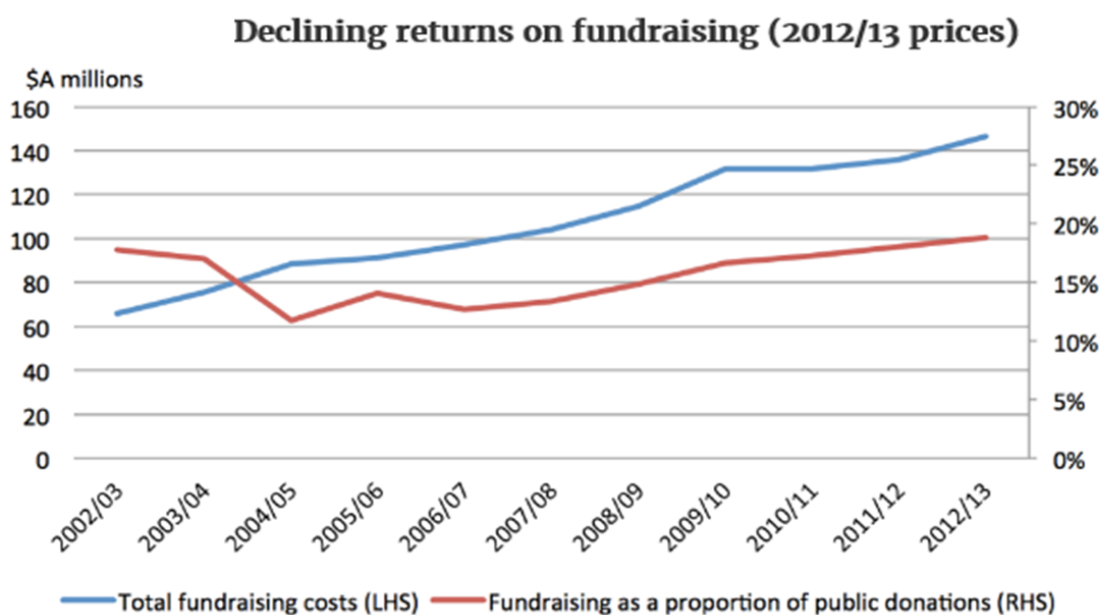
2. **Secondly**, NGOs must be more prepared to consider different business models and to examine greater collaboration, including through mergers.

I understand that public donations to INGOs in NZ has declined by 15% over the last decade.

In Australia, giving to the sector has been flat since 2007. At the same time, investment in fundraising has been increasing.

As a result, fundraising efficiency in Australia has been declining for at least a decade.

In 2006/7, every dollar spent generated \$8 – by 2012/13 this had fallen to \$5.30.¹⁷



This is despite the opportunities for improved efficiency and effectiveness that exist. There are 30,000 charities in NZ. If CEOs and boards were prepared to put ego to one side and

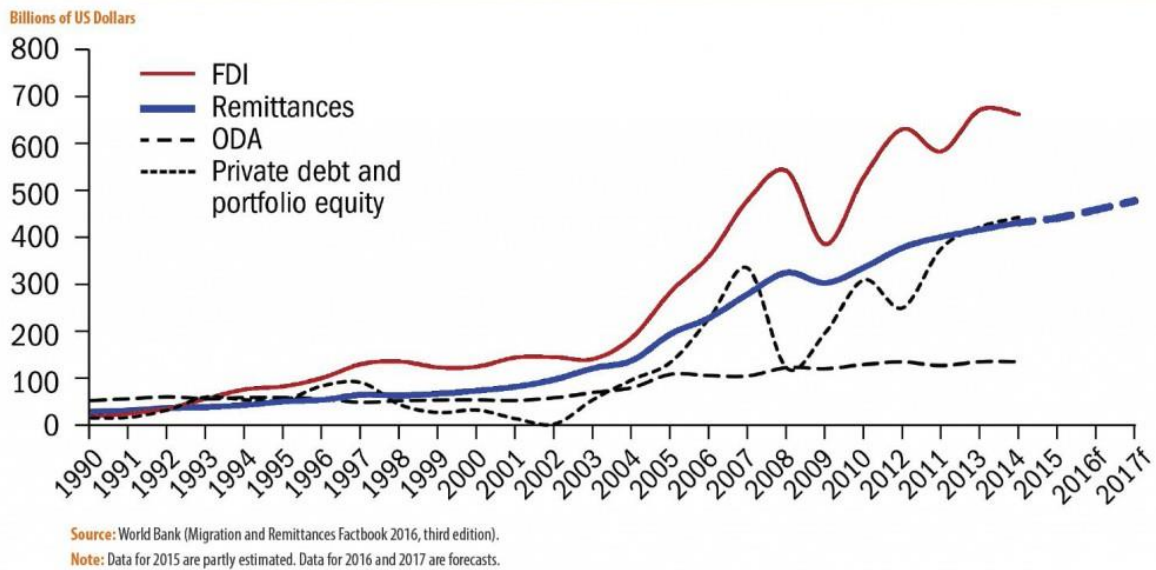
¹⁷ <http://devpolicy.org/declining-fundraising-efficiency-the-story-at-the-individual-ngo-level-20151204/>

genuinely consider the benefits of merging with organisations that share a similar mission, huge savings would be possible.¹⁸

We need to find ways to leverage private finance flows for development purposes.

We are too focused on the smallest component of international finance flows - ODA.

Figure 2
Remittances to developing countries and other external financing flows



We need to learn to compete for government funding in new ways.

Block funding and grants have given way to performance based contracting (or commissioning for outcomes approach).

New Zealand has been at the forefront of some of these changes.

In the UK, between 2001 and 2015 “the share of state funding of British charities that was in the form of contracts rose from 49% to 81%.”¹⁹

¹⁸ According to the NZ Herald, in the year to June 2016, the register swelled by nearly 1000 new charities, taking the **total number of entities** to nearly **30,000** - although nearly a third recorded less than \$10,000 in annual revenue: http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11874567

¹⁹ National Council for Voluntary Organisations, see <http://www.economist.com/news/international/21729754-non-profit-organisations-are-learning-lessons-businesses-and-businesses-are-learning?frsc=dg%7Ce>

We need to look at ways to increase the proportion of fee income. Traditionally, the proportion of INGO revenue from fees is low by sector standards. Yet BRAC has built one of the world's largest INGOs largely from fee generating activities.

This will all require new skills and capacity – and I think this is actually our most significant strategic challenge: can we recruit or train the next generation of people able to lead this must more complex type of organisation?

The good news on this is that we are increasingly attractive among some of University's best graduates. In 1980, 8% of newly minted Masters in Public Policy from Harvard University's Kennedy School of Government took jobs in the non-profit sector. By 2015, that had risen to around 30%.²⁰

3. **Thirdly**, INGOs need to harness the opportunities of new technologies.

Supporters expect that you are able to engage with them seamlessly across multiple channels and technology platforms, all chosen by them.

They expect content to be increasingly tailored, and delivered in real-time.

On digital channels, this content needs to be more emotional and hopeful.

Looking into the future, virtual reality technologies may provide consumers with the next step change in the way that they engage with their favourite cause.

Facebook has recently acquired a company called Oculus.

Oculus builds virtual reality technology, like the Oculus Rift headset. When you put it on, you enter a completely immersive computer-generated environment, like a game or a movie scene or a place far away. This technology allows you to feel like you're actually present in another place with other people.

The UN recently used VR technology to allow people to follow a twelve-year-old girl named Sidra living in the [Za'atari refugee camp](#) in Jordan.

It's the first ever film shot in virtual reality for the UN and is designed to support the UN's campaign to highlight the plight of vulnerable communities, particularly refugees.

²⁰ Ibid

From a programming perspective, break throughs in ehealth and edutech offer delivery mechanisms to massively scale up reach at little additional cost.

4. **Fourthly**, International NGOs should also look for ways to make the challenging environment work for them – most challenges also represent opportunities if you are brave enough to grasp them.

We need to become better at linking aid with the national interest. Presenting ‘aid’ not as charity, but as an expansion of the source country’s investment and trade opportunities and its international ‘spheres of influence’, is an important political defence for aid budgets.²¹

As political rhetoric becomes more nationalist, there will be many who will want to find ways to resist it. Through donating, volunteering or campaigning, international NGOs can be one vehicle for such resistance.

Interestingly, after years of flatlined public giving, the Australian Council for International Development recently reported 10% growth in giving to international NGOs.²² Could the Australian Government’s decision to slash Australia’s aid budget contributed to this increase?

Similarly, the global elite know that they must find constructive ways to respond to the rise of nationalism and xenophobia.

This can be used to build support for internationally agreed frameworks like the Sustainable Development Goals.

At this year’s World Economic Forum meeting in Davos, for example, the SDGs were a reference point that framed almost all discussions. There were few participants not wearing the Global Goals badge.

The challenge is to turn this symbolic support into concrete actions that helps to turn the tide.

²¹ ODI, Horizons 2025

²² https://acfid.asn.au/sites/site.acfid/files/G2300_ACFID_ANNUAL%20REPORT%202016_WEB%204.pdf

One final challenge – a couple of years ago I gave a presentation on this topic to the Chairs and international CEOs of the 10 largest NGOs in New York. At the end, one of them said that he had received similar messages before and what did I think had changed?

I indicated that the main thing was that there was now even less time for them to make the organisational changes required – that they were now even further behind.

He didn't like my answer and I haven't been invited back, but the exchange demonstrates the real challenge that you face: **the challenge of change**.

* * *

The Golden Age for international NGOs is unlikely to return.

But this changed operating environment should inject a renewed vigour into the sector.

The role of making the world a better place for the most marginalised is as important as ever.

Paul Ronalds

Save the Children

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