



Philanthropy
New Zealand

Tōpūtanga Tuku Aroha o Aotearoa

**COVID-19
IMPLICATIONS ON
PHILANTHROPIC
FUNDING AND
GRANTMAKING**

Survey findings

June 2020

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Foreword



2020 has taken an unexpected and sharp twist with the emergence of COVID-19 as a global pandemic.

Managing the health and economic impact in Aotearoa New Zealand has dominated the conversation to date. There are also huge societal and environmental ramifications. Whether our recovery results in positive or negative societal, environmental, and economic change depends on what we do and prioritise now.

Are we able to build back better, or will we settle for our pre-COVID-19 normal? For many philanthropists and grantmakers, as well as the community organisations they fund, the pre-COVID situation was not good enough.

No part of society is untouched by COVID-19, and the philanthropic and grantmaking sector is no exception.

A [report](#) last year estimated annual philanthropic and grantmaking spend to be \$3.8b. Given returns on investment largely generates the money that funders then distribute to community, the COVID-19-induced recession has impacted the funding pool.

The changed community need due to COVID-19 saw funders quickly adapt their funding approach. Our [open letter](#) to the sector set out some best practice principles. This survey reports on changes to funding amounts and approaches.

COVID-19 also highlighted our level of preparedness for such a major event. Philanthropists and grantmakers are experienced in tragedies and disasters. Last year we collected their wisdom in this [readiness, response and recovery guide](#) which we'll update with COVID-19 learnings.

We intend that the findings of this survey add to the collective knowledge of the response and recovery effort, help make sense of what both funders and community groups are experiencing, and support continued learning around best practice in a time of heightened need.

A handwritten signature in black ink, appearing to read 'Sue McCabe'.

Sue McCabe
Chief Executive, Philanthropy New Zealand

Executive summary

In May 2020, Philanthropy New Zealand (“**PNZ**”) surveyed 120 of its philanthropic and grantmaker member organisations (“funders”) to gain a snapshot in time of the impacts of COVID-19 on their funding and approaches.

Eighty-two PNZ funders responded to the survey. Their giving in the previous 12 months represented around \$432 million.

Many of the investments and revenue streams of funders have been significantly impacted in the current environment. They have adapted their operations quickly in their commitment to respond to greatly increased need in communities with the prospect of reduced income ahead.

The key findings are as follows:

- 65% of funders said they expect to fund at the same level or increase their funding this year whilst 21% of funders are likely to decrease their funding.
- COVID-19 was either a factor or the sole reason given for most of the anticipated decreases in funding whilst increases in funding are generally due to a mix of reasons or unrelated to COVID-19.
- With an uncertain economic outlook ahead, indications are that responding funders may distribute around \$21 million less in the year ahead.
- Many funders have responded rapidly to the changing environment and emerging needs. To date, funders have specifically earmarked at least \$21 million to tackle COVID-19 impacts.
- Other funders are taking a mid to long term approach. They are waiting until the immediate government response is known and community needs further emerge before deciding on their response.
- Funders have employed a range funding approaches to respond to the COVID-19 crisis, with nearly half adapting agreements with grant holders to introduce more flexibility. Around half have taken proactive approaches to fund community organisations working with those in greatest need.
- There has been significant collaboration amongst funders during the COVID-19 crisis with a large proportion sharing intelligence about funding needs, and/or working with other funders to identify community organisations in need. There has also been the rise of joint funds to increase efficiency and impact.

Given that the full economic impacts of COVID-19 are still to play out, some respondents suggest there may be greater effects on funding levels in two to three years.

Introduction

With the emergence of COVID-19 in New Zealand at the end of February 2020, the state of emergency declared in March, the imposition of lockdown conditions, and a global economic downturn, the system supporting philanthropy and grantmaking has changed. Many funders' investment portfolios and revenue streams haven't taken an immediate hit with much economic uncertainty to come.

Meanwhile, there was an unexpected and rapid increase in community need, including the most basic issue of food provision. Community organisations became unable to generate their usual revenue to support their operations. For example, lockdown meant that many fundraising appeals and events were cancelled or postponed. The closure of gaming outlets over this time halted the distribution of proceeds which in turn affected funding flows across the system.

This report on the philanthropic funding and grantmaking of Philanthropy New Zealand members is based on evidence collected through a short online survey in early May 2020. Given the dynamic environment, the economic outlook will continue to evolve and so too will the impact on philanthropic funding.

Purpose

The purpose of this research is to understand the initial impacts of COVID-19 and the changed economic environment on PNZ funders and the community organisations they support.

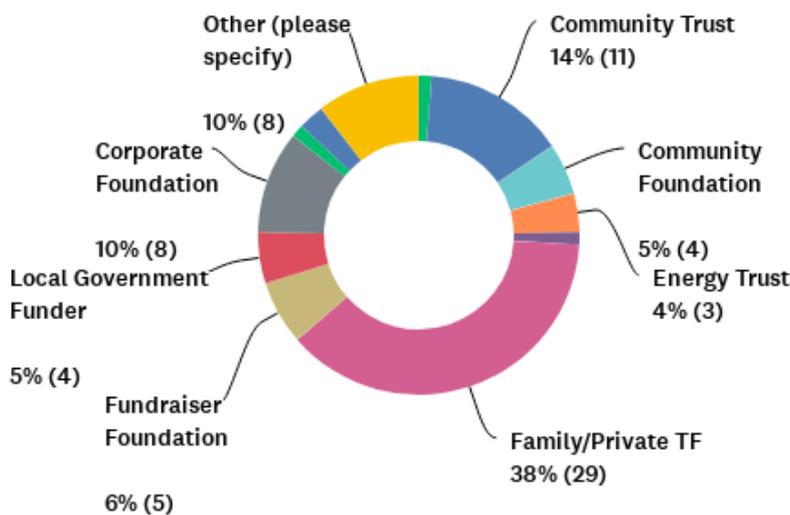
It looks at the immediate responses of funder organisations and their likely approaches over the coming months. It gauges anticipated changes to their funding levels.

Findings

The respondents

This survey represents the experience and views of 82 PNZ funders (68% of the 120 organisations sent the survey). A wide range of funder types are included - the largest proportions are shown in the chart below:

Funder Types Responding to Survey



The full breakdown of respondents who identified their funder type in the survey is as follows:

Table 1: All funder types responding to the survey

Answer Choices	Responses	
Individual philanthropist	1.30%	1
Community Trust	14.29%	11
Iwi or Māori Trust	0.00%	0
Community Foundation	5.19%	4
Energy Trust	3.90%	3
Gaming Trust	1.30%	1
Family/Private Trust or Foundation	37.66%	29
Fundraiser Foundation (including arts, health, education)	6.49%	5
Local Government Funder	5.19%	4
Corporate Foundation	10.39%	8
Corporate Funder (not a foundation)	1.30%	1
Trust Company	2.60%	2
Other (please specify)	10.39%	8
	Answered	77

Survey respondents represented around \$432 million of funding in the previous 12 months*

These 82 funders provided funding of around \$432 million in the past 12 months or their last financial year.

Of the 77 organisations who identified their funder type, 38% are family and private trusts; 14% are community trusts and 10% are corporate foundations.

The amount of funding the respondents of the three largest funder groups in the survey reported distributing in the last 12 months (or last reporting year) is:

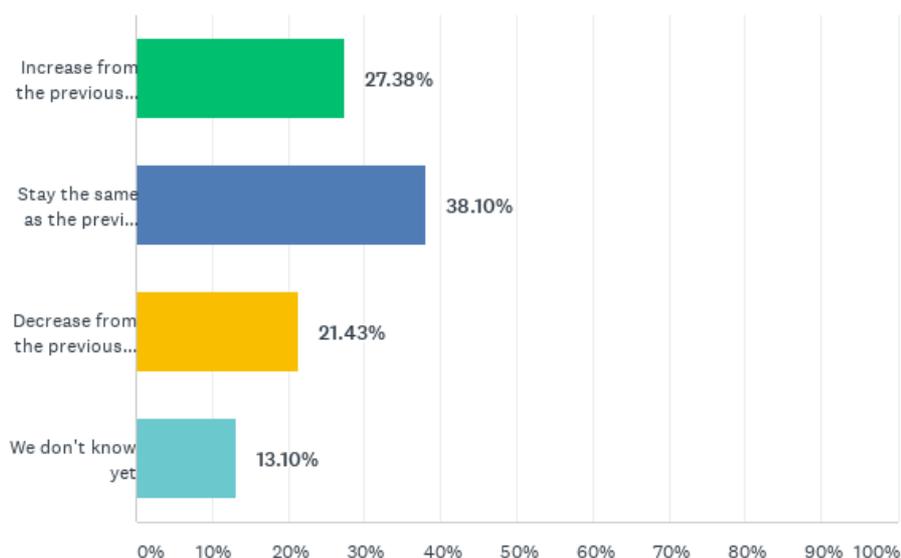
Family/private trusts	\$93.2m
Community trusts	\$114m
Corporate foundations	\$ 6.9m

Funding levels

65% of funds are expected to stay the same or increase this year

We asked funders how the amount they fund is likely to be impacted over the coming 12 months.

Expected funding levels over the next 12 months



Overall, 65% of funders said they are expecting to fund at the same level or increase their funding this year. Closely aligned with this result and the largest funder group in the survey – 69% of family or private trusts responded that they are expecting to fund the same amount or more in the year ahead. Although the numbers are small, seven out of the eight corporate foundation respondents are expecting to increase their funding, with the remaining one unsure.

21% of respondents signaled a decrease in their funding over the coming 12 months, whilst the remaining 13% of respondents in our survey are unsure of their situation as yet.

Many funders expressed their commitment to doing what they can to continue their distribution of funds:

“We have been significantly affected by reduced dividends from investments, but our trustees have agreed to honour all existing funding agreements and to dip into reserves if needed.”

“Our investments have and will take a hit. But our funding commitment stands and we feel fortunate that our portfolio makeup allows us to weather this storm.”

“We have every intention of keeping our funding partnerships with organisations intact. Stress on them is greatest right now.”

“The choice for us was to maintain community support – and accept that will mean the fund dies sooner than hoped.”

Funding decreases are largely due to impacts of COVID-19 however increases in funding are not as strongly associated

For over half (61%) of the funders expecting to decrease their distributions in the coming 12 months, the impact of COVID-19 is given as the sole reason for this. 11% are expecting to decrease their funding due to COVID-19 and other factors and 28% are reducing funding levels for other (non-COVID-19) reasons.

Our survey found that of those increasing their funding, 17% were doing so due to the impacts of COVID-19, nearly half (48%) said it was due to a mix of COVID-19 and other factors, and 35% are doing so for non-COVID-19 related reasons.

Overall, around \$21 million less may be distributed in coming year from these funders

When we look at numbers provided for expected increases (est. \$16.1 million) versus expected decreases (est. \$37.1 million), we estimate our survey respondents will distribute around \$21 million less in the year ahead.

At least \$21.3 million specifically earmarked to tackle COVID-19 impacts

40 out of 75 funders said they had specifically allocated funding to deal with COVID-19 and its effects. So far, these funders have budgeted at least \$21.3 million in response.

Just over half of those allocating funds to address the situation emerging from COVID-19 have the same or decreased overall funds to distribute this year.

It should be noted that funders who have not specifically set aside funds may see that their existing funding processes will cater for COVID-19 related need, or they will respond in the medium term.

Adapting funding approaches

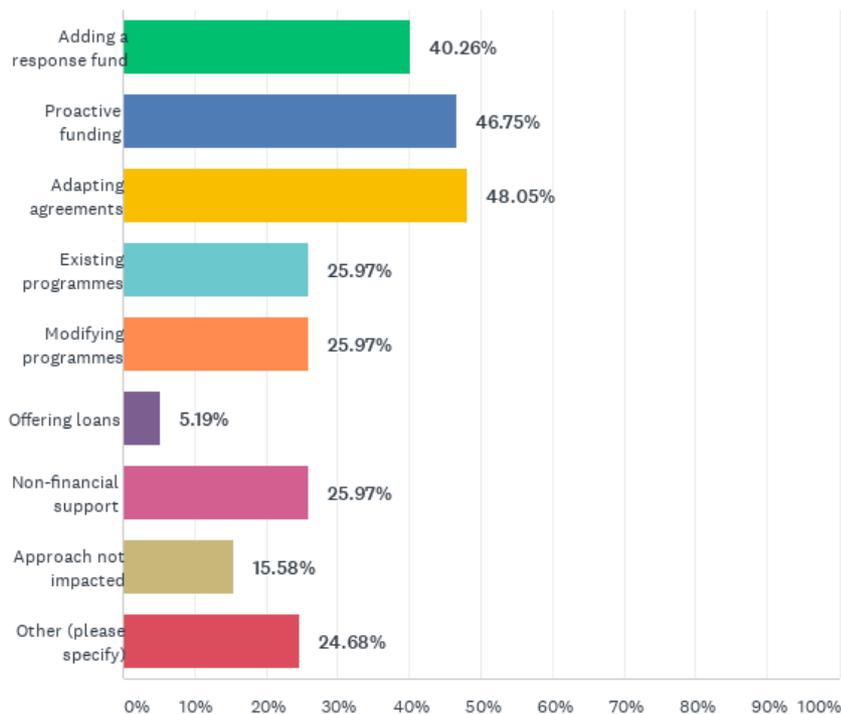
Philanthropic funders have had to reconcile new and changing community needs with less money to distribute

Funders have made considerable efforts to adapt their approach to this crisis quickly and within the boundaries of their constitutions and strategies. One funder noted:

“This is a change of business for us, we are not a “welfare” organisation, but we have adapted to the current needs.”

Only 16% of the 77 organisations responding to this question felt that their approach had remained unaffected. The remainder have employed a range of responses to tackle the impacts of COVID-19¹.

Funding approaches being taken in short-term to tackle COVID-19 and related impacts (%)



The most common short-term funding responses to the COVID-19 situation have been:

- Adapting existing agreements with grant holders (including relaxing conditions on the use of funds so that they can tackle the greatest needs) (48%);
- Taking proactive approaches to fund community organisations working with those in greatest need (47%); and

¹ Funders could select any number of approaches in response to this question.

- Adding a response fund (40%)².

A quarter of the organisations that responded to this question reported that they have been able to respond using existing programmes. A quarter also said they have responded by modifying existing programmes.

Four organisations have offered loans and 20 have given non-financial support.

Other approaches include reprioritising spend to fewer initiatives in order to have greater impact or changing processes to make funding decisions more quickly. Several funders also discussed using their grantee, community, or donor relationships to understand where the need exists and funding the gaps.

Some funders stated that they are not responding in the short-term and instead will focus on more medium-term community needs. Related comments include:

“[We are] considering a medium to longer term approach to supporting community recovery & resilience, including the contribution that impact investment and capacity support can play.”

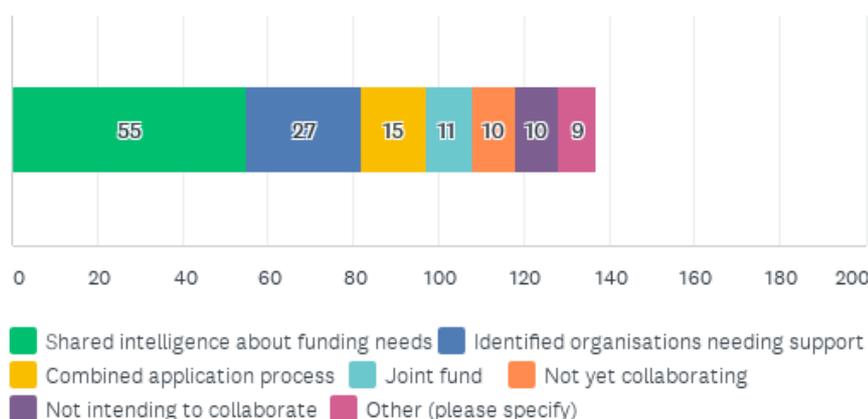
“Once government funding dries up, then philanthropic funders may have to step up their funding to assist.”

“We are taking a very measured approach to COVID-19. We believe that central government should be providing immediate funding to businesses and NFPS. We believe we will be needed in the coming months.”

Collaboration amongst funders

The current situation has led to a high degree of collaboration amongst funders of all types as can be seen in the chart below:

Ways in which funders have collaborated during COVID-19 situation (n)



² Given the high numbers adding a “response” fund this is likely to cover some cases of internal budgeting as well as explicit funds available for application.

55 out of 77 funders responding to this question have shared intelligence about funding needs with other funders and 27 have collaboratively identified community organisations in need of support. 15 funders put in place a combined application process and 11 joined with at least one other funder to create a joint fund.

Ten organisations reported that they were not yet collaborating but intend to. Ten said they are not intending to collaborate at this point.

Looking forward

Looking forward, philanthropic and grantmaking organisations are needing to consider their own revenue streams as they monitor volatile investment markets.

“Our investments have taken a dive, so we have to rely on bringing in funds to give any out – rather than use some of the usual dividends.”

Concerns over their ability to gain income from alternative sources such as corporate sponsorship, or public fundraising is also top of mind as wider giving becomes impacted by an economic downturn. Some endowment gifts and donors may not be able to make distributions until their reserves recover. Two organisations noted that the funds they usually generate from building rentals are uncertain as is their valuation and borrowing ratios. Another states:

“Larger prospects for securing new funding are based overseas. [Our] inability to travel and meet face to face make it harder to build trust.”

Some funders have used, or will look to use, reserves to cover gaps in funding. Others do not have this choice due to their constitution, because they have completed large capital investments or because they are rebuilding reserves following the Global Financial Crisis.

Depending on global markets, several funders predict that the biggest impacts on funding may be two to three years away. This takes account of investment returns alongside the need for some to rebuild their capital base so that they can generate future earnings to distribute.

Method

The Survey Monkey questionnaire was emailed to 120 funder members in PNZ’s grantmaker category. This category has some central government funder members, who we excluded from this study. There will also be funders in other categories, who were not included in this research.

Eighty-two organisations responded. Two organisations, after discussion with PNZ, put in two responses each given their very different funding mechanisms (e.g. a company making donations plus having a corporate foundation). Therefore, we received 84 responses in total.

Seven respondents didn’t fully complete the survey but their results on funding levels have been included.

Some questions were optional, and in these cases the number responding has been noted.

The survey was open from 4th May 2020 until 18th May 2020.

About Philanthropy New Zealand

Philanthropy New Zealand is the peak body for philanthropy and grantmaking. Our membership represents funders, community organisations and other interested individuals and organisations.

Our purpose is to grow effective giving.

Our mission is to:

- inspire more philanthropy
- support better philanthropy and grantmaking
- help build a stronger philanthropic and grantmaking sector.

We provide training, share best practice, data, and research, and connect our members to enable collaboration.

Acknowledgements

We are grateful to all our members who completed this survey. We hope that the results help place individual experiences in a wider context.

We would also like to thank the Centre for Social Impact (CSI) in Foundation North for assisting with the survey design for this research.

Get in touch with us at philanthropy.org.nz or on social media:

