

How Good giving can become Great giving

by Hans Zomer

This may seem like a very bad time to be speaking about philanthropy. Surely as the havoc wreaked by the current economic crisis is becoming greater by the day, the best thing for wealthy individuals to do is to hang on to what they have and secure it against the ravages of the foul economic weather?

Stock markets across the globe have crashed and the Irish economy is looking more and more like it is in a tailspin that cannot but end in a lot of pain and grief - why would anyone think of giving away what's left of their precious savings in such a climate?

Because people need your support now more than ever.

The global crisis that began in the credit-fuelled boom and bust in the US and Europe has spread to developing countries and is hitting poor countries and poor communities hard. These people, who did nothing to cause the crisis, lack any of the buffers that enable rich countries to weather the storm.

Any developing country capacity to withstand economic downturn had been eroded before the current crisis hit. The meteoric rise in the price of basic food stuffs had brought poverty and political instability to many countries, while recurrent droughts have sown the seeds of conflict in many countries - conflict over water.

And now, the crisis that was born in high-rise offices in far-away rich countries is tipping many poor countries over the edge.

As international trade falters, private sector investment in Africa is drying up. Private capital flows to the world's emerging markets are predicted to decrease from \$928 billion (€732 billion) in 2007 to \$165 billion (€130 billion) in 2009. Sub-Saharan economic growth, at a healthy 6.9% in 2007, is set to decrease to 3.25% as demand for poor countries' exports - mainly raw materials - plummets. Remittances (money sent from expatriates to their families at home), which totalled €146 billion in 2005, are decreasing rapidly and millions of workers are returning



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home after losing their jobs in industrialised countries. On top of all this, long-promised aid is being cut. As with poor families and communities, poor countries are feeling the crisis acutely, but are helpless in the face of adversity, as they have neither the reserves nor the fiscal space to respond.

The compound food, economic and climate crises could well prove calamitous. The world's hungry population has increased by an estimated 130 million, and according to the World Bank the current economic crisis has pushed 46 million more people into absolute poverty. The rich world continues to look on, and turn away: the amounts promised to Africa amid much fanfare were never delivered - actual aid only amounting to about half the promises of an additional \$60 billion (€47 billion) per year.

And the institutions set up to assist the poor in these times of crisis are also feeling the effects of the recession. UN agencies have seen contributions from member state governments fall, and NGOs are being squeezed by rising costs and falling incomes: government funding, private giving and corporate donations are down significantly, and at a time when charity shops are attracting new customers, donations to those same shops are down, so there is less for those customers to buy, and thus less revenue for the charity.

Although the problem of falling incomes and rising costs applies across the NGO sector, not all organisations are affected in the same way. Organisations that rely on community fundraising point to the encouraging fact that supporters are continuing to host events, and that their - admittedly modest - returns are similar to that of other years. Organisations with large fundraising departments claim their greater diversity of income streams has softened the blow considerably.

What the current crisis shows, therefore, is that the case for aid is now stronger than before, as is the case for high quality aid. Economists are pointing to the need for aid to play a 'counter-cyclical role' through much-needed investment in physical and social infrastructure. Similarly, they praise those banks and lending institutions such as the African and Asian Development Banks that applied conservative policies and are now able to draw on their reserves to stimulate economic activity.

A similar argument can be made for 'conservative' NGOs. In the boom years, very few NGOs were praised for their investments in governance and quality control. Most donors emphasised 'value for money', interpreted as meaning immediate and tangible project outputs. A new model of 'can do' development became popular, focusing on volunteering and physical assets. Across the world, Irish people were encouraged to paint orphanages, drill water holes and build houses. In the spirit of 'we have no overhead costs', Ireland prioritised charities working for immediately visible results over initiatives that sought to invest in long-term social and systemic change.

When the member organisations of Dóchas decided in 2005 to pursue sector-wide quality criteria, few applauded the initiative. Charities were expected to 'do', not to invest in research, advocacy, codes of conduct or strong governance. Now, only a few years later, the wisdom of the established Development NGOs that make up the Dóchas network to prepare for the future by putting in place quality standards and oversight mechanisms has become apparent to all.

And this is where good giving comes in. Philanthropists can and must lead the way towards high-impact Development work. As major donors, they can provide the cash that is the lifeblood of Ireland's Development NGOs, who work tirelessly to bring lasting change to the lives of the world's poor. But philanthropy can do so much more. It can help shape how we in Ireland think about what it means to 'make poverty history'. It can help change public perception of what is involved in truly effective development processes, by moving from 'charity' and 'corporate social responsibility' to 'sustainable development' and 'inclusive business'. And - possibly more tangibly - good philanthropy can encourage and reward NGOs that go beyond the obvious and immediate, and that invest in research, user-driven analysis, policy-related advocacy and standards of behaviour and accountability.

If philanthropy can achieve that, then it will truly have made a difference in our collective wish to bring an end to the outrage that is global poverty.

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