

Many not-for-profits face extinction from the loss of revenue during Covid-19.

By Paul Drum

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CHARITABLE SECTOR IN NO STATE TO HELP KIWIS IN NEED



Paul Drum is worried that increased need will see charities struggle, post-Covid-19.

One of the unsung heroes of the pandemic crisis is local government, which has picked up the roles and duties of charities and not-for-profit organisations or supported them in providing a range of social services to the public: housing, food and health support services.

This is a temporary measure and responsibility for these services will, post-lockdown, be handed back to the not-for-profit sector.

So, it is sobering to consider the charitable sector's financial state as the government loosens restrictions and the country readies itself for the new normal, a time when our society's call on social support will be greater than at any time since the Great Depression.

Many charities and not-for-profits, like many in the SME sector, face extinction from the loss of revenue during the coronavirus crisis. Their ability to resume responsibility for helping keep families afloat during these unprecedented times has been severely impaired.

Unlike the SME sector, there is no immediate return to business-as-usual, given the sector's huge reliance on gaming revenue and the faint prospect of a return of the pubs and clubs where the gaming is largely conducted.

Charities and not-for-profits face a collective estimated reduction of \$300 million in revenue during the next 12 months. An estimated 95% of the sector has been directly affected by Covid-19. More than 74% require additional funding, 41% need additional staff and volunteers, and 27% additional resources.

Drop in the bucket

In that sense, the government's \$27m to support NGOs and community organisations is a drop in the bucket and has already been taken up, as funding requests from the large sector groups appears to be dropping off.

Smaller regional charities and organisations do not seem to have availed themselves of the government aid that is on offer, even if inadequate for the scale of support required. These groups do need to consult with their accountants or other professionals for advice on what options are available for them in terms of government support.

But it is also abundantly clear that more must be done to support the not-for-profit sector given its importance in filling the social gaps government does not or cannot meet. Some organisations will go to the wall and this will dangerously weaken, if not break, the social contract to support families in need that has been an accepted part of our democracy.

Huge numbers of charities and not-for-profits are involved in partnerships with district health boards to deliver health support services. Scores of others are knee-deep in efforts to address equity in the education sector. Even more are delivering food to poor families all around the country. These charities are essential services, in the literal sense.

Their services are going to be even more necessary as the social and financial impacts of Covid-19 become more apparent and more acute.

It is not just the government that must step up. The need for high-net-worth philanthropists to step up and financially support has never been greater.

Opportunity for partnership

There is also an opportunity for public and private sector organisations to partner with community-based charities and not-for-profits in order to complement central government efforts to engineer a macro-level economic recovery. Local organisations are, after all, better placed to direct aid and stimulus at a micro community level than Wellington-based ministries.

For instance, there is a pre-existing need to reduce the digital divide separating rich and poor households and the new Covid-normal presents a significant opportunity to invest through education equity organisations to better connect lower socioeconomic households to the digital economy.

Many people have noted that this global crisis also presents an opportunity to remake the way our economy works and our society is conducted to make it fairer and more fit for purpose in a post-pandemic world.

This will require not only even more effort from government but innovative thinking and financial support from a range of actors in the private sector too.

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