



## OPEN LETTER TO FUNDERS

# Spirit of Collaboration

### SUMMARY OF AUGUST 19, 2020 DIALOGUE WITH NGO TASKFORCE AND NONPROFIT LEADERS

## INTRODUCTION

On April 22, 2020, an informal group of 176 non-subvented s88 nonprofits in Hong Kong released a jointly signed Open Letter to Funders, with an urgent appeal for understanding, flexibility and support in light of the double impact of socio-political unrest and the outbreak of COVID-19.

The NGO Taskforce of 12 nonprofit leaders that had coordinated the Open Letter, followed up with three virtual confidential dialogues. The first took place on May 28, 2020 with representatives from 13 private and family foundations based in Hong Kong; the second was held on July 16, 2020 with representatives from 17 corporate foundations and partners; the third hosted some of the 176 nonprofit signatories and took place on August 19, 2020.

The objective of these sessions was to openly discuss, under Chatham House Rules, key learnings from the challenges faced both by the nonprofit sector and funders over the past year, in an effort to foster more holistic partnerships and collaboration between nonprofits and funders, and find ways to maintain and increase support for the Hong Kong community.

All signatories to the Open Letter (s88 non-subvented nonprofits) were invited to the dialogue on August 19, 2020, World Humanitarian Day. Prior to the dialogue, nonprofit leaders were asked to complete a short survey to provide a collective temperature check on the evolving nonprofit challenges since the COVID-19 health crisis. The participants taking part in the dialogue were also asked to reflect in advance on the following questions, which were then discussed in bilingual breakout groups:

- The world is facing numerous social and economic challenges—what impact are they having on charitable engagement and what opportunities have they presented?
- In what ways do you foresee charitable partnerships built around staff engagement changing? How might your charitable giving strategy change over the next 18 months?
- In what ways can nonprofits and corporates work together to ‘build back better’ and support long term recovery? How do you plan to help your nonprofit partners build their resilience?

## NGO TASKFORCE

*Angelyn Lim of Asian Charity Services, Harriet Beavis of PathFinders, Jo Hayes of Habitat for Humanity Hong Kong, Jonnet Bernal of Centre for Refugees, Judy Kan of HER Fund, Judy Kong of Inspiring Sports HK Foundation, Lucinda Pike of Enrich, Pia Wong of Bring Me a Book Hong Kong, Shalini Mahtani of The Zubin Foundation, Sky Siu of KELY Support Group, Sue Toomey of HandsOn Hong Kong; Victoria Wisniewski Otero of Resolve Foundation*



## SURVEY FINDINGS

- 47 nonprofit respondents completed the survey. The sectors represented included: Education (28%); Capacity-building & Training (21%); Poverty Alleviation (19%); Community-building (17%); Human Rights (13%); Healthcare (13%); Environment & Sustainability (11%); Volunteerism (11%); Labor & Employment (6%); Sports & Recreation (6%); and Other (13%).
- Nonprofits reported the following impacts from the Open Letter to Funders;
  - 55% had shared the letter to their donors and/or in their marketing materials
  - 34% had negotiated greater flexibility on project outcomes or reporting requirements
  - 30% had open and honest conversations with funders prompted by the Open Letter
  - 17% had established new relationships with other donors
  - 17% had negotiated turning restricted funding into unrestricted, flexible funding
  - 11% had secured emergency funding following discussions stemming from the Open Letter
  - 6% had renewed commitments from existing funders for multi-year funding
  - 6% had reported other types of outcomes; and
  - 40% reported no impact so far of the Open Letter
- Of those who had shared the Open Letter, they had been able to have open and honest conversations and increased flexibility on project outcomes, the first two priorities the Open Letter had called for. However, new sources of funding, renewed commitments from funders or conversion of restricted to flexible funding were much less commonly reported.
- Participants were asked if their nonprofit had applied for the first tranche of the Employment Support Scheme (ESS), as part of the HKSAR Government's relief measures. The vast majority (90%), had applied for the subsidy.
- Many nonprofits who completed the survey have attempted to solicit public donations in the past couple of months: 45% had created a specific appeal to encourage individuals to donate part or all of the Government's HK\$10,000 permanent residency cash handout. 23% did not have a specific HK\$10,000 focused-appeal, but were indeed asking for donations, whilst almost a third (28%) had not asked for donations.
- Of those nonprofits who had created a specific HK\$10,000 appeal, the average target amount was approximately HK\$270,000. However, on average they had only reached 34% of their target (approximately HK\$92,000).
- Of those same nonprofits which had launched an appeal for the HK\$10,000 cash handout, 24% had found a donor to match funds raised, 10% had not found a matching donor and 67% had not approached a donor to ask.
- With regards to new donor initiatives and pooled funds, such as #BridgetheGapHK, The Hong Kong Community Recovery Fund (HKCRF) and Project Fuel, only 21% of respondents were benefitting from these funds, 45% had tried but were unable to access the funds and 34% had not known about these initiatives.



- When asked about changes in demand for services vis-a-vis changes in funding, 75% had seen an increased demand for services, some as high as an 80% increase, however, only 43% reported that funding had increased as a result.

We recognize that while the survey is small-scale, and statistics can be interpreted in multiple ways, when read alongside other discussions taking place in the sector, there are some stories that can be gleaned from the data.

For example, with 90% of respondents applying for the ESS funds, we can assume that the need for funding for staff salaries is extremely high. With 45% of respondents creating a HK\$10,000 fundraising campaign, we can assume that the need for public donations is high.

However, with 67% not reaching out to source match funding, the implication could be that match funds are new to Hong Kong fundraising teams. With 28% not asking for public donations, we could see this as an opportunity for more nonprofits to seek public donations in the future.

The #BridgeTheGapHK, the HKCRF and Project Fuel initiative were created as a direct result of the Open Letter and we applaud all these and similar initiatives. With 34% of respondents not knowing about these funds, there are clearly still some information barriers.

An undeniable challenge that shines through both the survey results and our discussions, is the disconnect between the significant increase in demand for services and the lack of extra funding raised to deliver additional services.

## SHARING SESSION DISCUSSION

### **1) COVID-19 and social distancing measures have had a disproportionate impact on the poor and marginalized in Hong Kong**

- Many nonprofits have faced tremendous existential challenges operating programs at a time when demand for their services has increased. For example, how is one to run a food distribution system safely? How can you run physical activity programs when sports and public recreation facilities are closed? How are you to support communities when government regulations mandate your center must close? The unpredictable nature of social distancing measures has required constant monitoring and adaptation.
- Many have had to pivot to focus on immediate, short-term humanitarian assistance, whether that be the distribution of hygiene products or meals, sheltering the homeless, helping children and parents with remote schooling or assisting domestic workers whose contracts have been terminated who are stranded in Hong Kong due to travel restrictions or helping children who are studying at home.



- With fewer resources and increased demand, frontline nonprofit workers have been overstretched and have found it difficult to cope. There are multiple stressors on workers, compounded by concerns that budget constraints might impede or prevent vital services to vulnerable populations and that beneficiaries may be unable to access alternative support.
- Others have had to temporarily stop their services or, where possible and appropriate, drastically adapt existing programs and operations to a new normal, such as converting group activities into one-to-one support or, moving face-to-face activities online with fewer resources and without additional tech support. On this last point, online meetings are not always an appropriate medium for certain services or beneficiaries, with a significant digital divide when working with vulnerable populations. Even where possible, many nonprofits reported “zoom fatigue” among their beneficiaries. Other beneficiaries had a difficult time learning how to access services that were moved online.
- Across different sectors and target groups, many nonprofits reported a similar emerging trend - concern about the deterioration in the mental health and wellbeing of their beneficiaries. One mental health nonprofit noted a spike in interest in their services from individuals. However, there was also discussion about the increased sense of community and initiatives developed to address emerging issues; for example, one nonprofit reported organizing birthday parties for their members online.
- One of the most frequently reported logistical challenges was how to manage their people, including staff and volunteers. For many, volunteer engagement has simply not been possible. For others, engaging skills-based volunteers virtually, has been the only option. To combat physical logistical issues, nonprofits are adapting operations; one nonprofit reported how they have begun to use courier services, and another reported staff having to keep supplies at home for easy dispatch while remote working. One nonprofit said their people have had to build their capacity in online media to manage.

## **2) Nonprofits are experimenting with fundraising ideas and tools, but lack secure and sustained sources to cover critical ongoing, operational expenses and plan for the future**

- Participants reported trialing new ways of fundraising and appeals to gather donations. Some have made creative use of social media, and boosting their online presence has been crucial to build financial sustainability. Others have organized virtual auctions and small events, or considered social enterprise arms to sustain their work. Where appropriate, some were also working to encourage beneficiaries to make financial contributions. One nonprofit mentioned the challenges of adapting to new income streams without appropriate systems to support.
- Many nonprofits reported a significant drop in unrestricted funding at a time when this flexibility is most needed to cover changing expenses, respond rapidly to emerging needs from the community, not to mention build reserves. Many reported this decline is due to their reliance on fundraising events to generate this kind of funding, but these are precisely the channels that have had to be cancelled due to social distancing measures.



- Some participants had been approached to start new short-term relief projects to address COVID-19. However there was concern about less interest in sustaining existing programs or less tangible services, or supporting critical operating costs (rental expenses was raised multiple times). There was the concern that funding might be addressing immediate needs, but that medium to long-term needs would be difficult to address in the coming months and years ahead. Unrestricted, multi-year funding remains uncommon, despite a reported need for it.
- Some nonprofits reported having to use their reserves to cover essential costs due to the combination of reduced funding and increased demand. Others noted that the financial repercussions have affected some donors' ability to continue their support, and they have had some partners pull out as a result. Another said they have tried to approach new donors, but given that it takes a long time to build relationships, they worry about whether they could afford the time needed to invest in cultivating these donors. Others felt the type of organisational mission and perception of mission-relevant work to address the COVID-19 crisis, (for example, arts were seen to be less directly relevant), affected the amount of funding raised.
- Some participants noted that, while they have had to make cuts and sacrifices this year, they have managed to get by, especially with short-term support from the ESS scheme or the Jockey Club Emergency Fund, for example. However, looming on the horizon is how they would make ends meet in 2021, with great financial uncertainty about their business continuity and the fundraising landscape. This had made nonprofits much more conservative in their ideation of new strategies, programs and growth estimations.

### **3) Stronger and new kinds of strategic partnerships are needed for the post-COVID future, built on trust, mutual support and open exchange**

- Participants expressed a desire to build stronger trust-based partnerships with private foundations and corporate partners, where they invest in the mission and vision of a nonprofit and value their existing work holistically, rather than in new "projects" in isolation. This would help nonprofits grow capacity and their ability to withstand future shocks.
- Unrestricted, multi-year funding was one of the predominant themes raised in relation to collaboration in the nonprofit and philanthropic sector. There was a strong desire from participants to see more resources made available that could cover a fuller spectrum of costs, so that nonprofits can run their operations sustainably and build their capacity. A metaphor was shared to explain the challenge of covering all costs and sustaining operations; a cake cannot be baked with just the ingredients - an oven and chef are also essential to make the dish.
- One participant wondered if there was a way for the government to incentivize unrestricted funding. Another flagged that there was also an important role to play for foundations that do give unrestricted funding, to share their experiences and their rationale more widely with the donor community to maximize the impact of philanthropic resources.



- Many nonprofits felt more could be done to pool fundraising efforts and resources among themselves as a kind of mutual support. Monthly giving is less common among local charities by having in place a centralized platform or community foundation that can receive public funds and distribute them to nonprofits. Numerous participants raised the concept of collaboration between nonprofits to address shared challenges. For example, could nonprofits share office space or other types of operating costs? Could they “buy” each other’s services more? Questions were also raised about how to develop more creative partnerships between nonprofits.
- The ESS scheme had been a lifeline for many nonprofits, but many participants wondered what more could be done to support the sector given the special role nonprofits play in helping the most marginalized in a city with such high inequality. Some nonprofits suggested schemes offered by the government to SMEs could be extended to nonprofits and rental subsidies could be considered.
- There was recognition that while many companies had suffered great losses as a result of the economic downturn, others continued to have strong revenues (for example, the supermarket chains). Despite some companies faring relatively well, they still benefited from government subsidies - a participant pointed out that new partnerships with some of these corporations could be forged.
- Many of the participants felt that more real-time information exchanges and platforms among nonprofits would be beneficial. Positive examples were raised of the NGO Taskforce initiative and the Nonprofit Women Leaders Whatsapp group. Some concerns were raised that some membership-based organizations for nonprofits might have criteria that excludes smaller non-subvented organizations, and whether other standards could be introduced to alleviate due diligence issues and make them more inclusive.
- Others expressed a desire for information to better navigate the funder community, such as knowing who the different actors are and having an understanding of what different foundations’ preferences and priorities are. A mention was made about how to better leverage the small circles and communities of funders to create pooled funding efforts and providing emergency support.
- Participants reflected upon the critical role boards can play in fundraising, but how in Hong Kong, nonprofit boards have traditionally taken on less of this role compared to other country contexts. One nonprofit reflected on the role of foundations and whether they could or should inquire about the Board’s role in fundraising when they select their nonprofit partners. This idea focused on whether members of the board making financial contributions (however large or small), to the nonprofit they serve, could incentivize a culture of board giving in Hong Kong.



## SUMMARY AND NEXT STEPS

The NGO Taskforce thanks all the survey and discussion participants for their willingness to share openly and contribute so many ideas about how the nonprofit and philanthropic sectors can be strengthened in the months and years ahead to build back better.

COVID-19 and social distancing measures have had a disproportionate impact on the poor and marginalized in Hong Kong. The survey and discussion have highlighted the immense stress this is placing on our fragile yet vital nonprofit sector, and ultimately our ability to meet the needs of Hong Kong's most vulnerable communities now and in the future.

It was encouraging to see the positive impact of the Open Letter and the Taskforce's efforts, and the momentum this has generated. A key learning from the Taskforce initiatives has been the value and strength of having a collective voice to call the community to action. However, the findings and discussion confirm there is much more to be done to address the multitude of challenges facing nonprofits.

The discussion revealed that nonprofits can confront some of these common challenges better by working collectively. More collaboration, information-sharing and peer-learning between nonprofits may go some way to help, but to address bigger and persistent challenges, nonprofits must also develop stronger, sustained and holistic partnerships with the philanthropic sector, and experiment with innovative ways to galvanize the wider community.

The sharing also highlighted a need for consensus, mutual understanding and sharing of best practices between nonprofits and the philanthropic sector, and for further collaboration to develop trust and achieve shared goals. Looking ahead, the Taskforce will continue to promote cross-sector collaboration, open exchange and learning, and is committed to building an inclusive, thriving and resilient nonprofit sector to serve the Hong Kong community.

## CONTACT US

[ngotaskforce852@gmail.com](mailto:ngotaskforce852@gmail.com)