

***The big question that we are currently being asked by our clients is, “What is the impact on my funding likely to be?”***

This paper has been developed to assist them to plan a sustainable course through the next 12 to 36 months. The information takes both an industry level view, as well as offering some specific and practical actions and considerations. We have included some notes on volunteering which we view as the ‘in-kind’ donation of time and therefore highly relevant.

## FORECAST GIVING LEVELS – RESEARCH-BASED INDICATORS

### **INSIGHT**

*An industry wide reduction of up to 10-15% in funding appears to be a reasonable starting assumption before you take organisational specific factors into account.*

The following perspectives cover a range of economic and political events and crises and the resulting impact on donation levels as an indicator of the COVID-19 impact. The research focuses predominantly on data from Australia, UK and the USA.

### Long term data indicators

- > **JB Were**<sup>1</sup> undertook an analysis of 50 years’ worth of global data and a focus on giving trends during periods of economic downturn. Their resulting estimates, released in April 2020, indicate:
  - That giving in Australia will reduce by 7.1% in 2020 and a further 11.9% in 2021
  - These figures are influenced by the lag effect created by Private Ancillary Funds (PAFs) who are expected to retain granting levels in 2020 and only reduce their granting in 2021.
  - This outcome will see the sector recede over the next 18 months to giving levels equivalent of 2012.
- > **Giving USA’s**<sup>2</sup> research reviewed the impact of various economic shocks on philanthropic giving in the United States over a 27-year period (1980 – 2007) and indicates the following:
  - Contrary to conventional wisdom, philanthropic giving holds up in the face of economic crisis and in response to dramatic stock market declines
  - Giving is more likely to plateau during periods when the stock markets fall as opposed to reducing.

### GFC specific data indicators

- > **The Fundraising Effectiveness Project**<sup>3</sup> maintains a Growth in Giving database which is one of the world’s largest publicly available databases of actual non-profit gift transactions. This data indicates the following:
  - During the GFC when the S&P500 dropped by approximately 39%, giving to non-profits rose slightly and then declined by only 8% at the end of the recession years.
- > **The Charities Aid Foundation**<sup>4</sup> released a UK based briefing paper in 2009 which focused on the GFC period and indicated the following:
  - There was a small decline in the proportion of adults giving - although over half the adult population (54%) continued to donate in an average month.
  - Individual donation levels were roughly equivalent to what they were in 2006/07.
  - The combination of fewer people giving and slightly smaller average donations resulted in the total amount of charitable giving declining by 11% during this period.

#### **Data source links:**

1. [JB Were](#)
2. [Giving USA](#)
3. [The Fundraising Effectiveness Project](#)
4. [The Charities Aid Foundation](#)

## IMPACT ON VARIOUS SOURCES OF FUNDING

### INSIGHT

*The reduction of funding from personal and mass market donor channels will be felt first with Private Ancillary Fund (PAF) grants and corporate philanthropy likely to reduce in 2021.*

### Foundations and equivalent philanthropy

- > **Lag effect** - There is likely to be a lag between the economic downturn and the level of grants issued by Private Ancillary Funds (PAFs). This is due to the regulations dictating that the levels of granting are determined by the previous financial year's financial position.
- > **Regulatory opportunities** - There is potential scope in the recently revamped [PAF Guidelines](#) to allow PAFs to use their balance sheet to offer loans to Type 1 DGR organisations – this avenue is however yet to be activated.

### Mass market philanthropy

#### Positives

- > **Past generosity** - Australians have historically responded generously to need in their own country and in places where they have a connection (2005 Asian tsunami).
- > **Awareness** - Strong media coverage of the crisis and generally accepted perception of need.
- > **Fund availability** - Personal income reductions being offset by reductions in discretionary spending due to travel restrictions and other precautions.
- > **Limited options** - People's ability to help through volunteering will be severely curtailed, potentially increasing their desire to aid financially.
- > **Stimulus results** - The response to the government stimulus impact has been positive which has reduced panic and provided relatively high levels of confidence.
- > **Civic duty** - The increased focus on community has raised the profile of giving for those who are not usually donors.

#### Negatives

- > **Recent crises** - The generous level of donations for the recent bushfires may impact giving in the current financial year.
- > **Economic impact** - The need for support is accompanied by a likely severe economic downturn.
- > **Uncertainty** - The level of uncertainty regarding health and economic effects may not be known for some time, making it difficult for people to plan their giving.
- > **Personal circumstances** - The potential for some parts of the population to perceive that they are no longer able to act as donors but require support themselves.
- > **Limited opportunities** - The significantly reduced availability of opportunities to give in the short term due to the cancellation or postponement of fundraising events.

### Corporate philanthropy

- > **Paradigm changes** – Changing operating environments for corporate partners and NFP means that there are potential new opportunities and the potential for partners to 'grow apart'.
- > **Funds freed up** – The fact that sponsorship pay-outs may be significantly reduced by scenarios such as professional sports seasons and major events being cancelled, means that funds could be readily available for the right opportunity.
- > **Budget tightening in 2021** - Corporates are likely to be reviewing all expenditure and having to articulate how each activity has the potential to meet the business objectives in the post COVID-19 world. This may take some time to be implemented.

## VOLUNTEERING

### INSIGHT

*The volunteering landscape will change significantly and is likely to be very volatile in the short term as levels of uncertainty remain high. With a good strategic plan in place, there may be significant volunteer acquisition opportunities in the medium to long term.*

- > **High reliance** - The NFP sector utilises volunteers extensively to supplement its activities and this group represent approximately 25% of the total Full Time Equivalent workforce.
- > **Short term reduction** - There is likely to be a significant reduction in the desire and ability of people to volunteer in the short term.
- > **Medium term availability** - There is potential for increases in volunteering once physical distancing requirements are no longer required, especially by those who are not employed.
- > **Highly competitive** – There is likely to be high levels of competition for volunteer resources in the future as NFPs seek to ramp up as quickly as possible.

## RECOMMENDED ACTIONS AND CONSIDERATIONS

### Communication

- > **Keep asking** - Giving is heavily based on perceived need. Ensure that you explicitly tell your audience and supporters that your organisation and cause needs support. There is real risk that they will otherwise assume that you are fine and will give to others that are perceived to have more relevant or urgent needs.
- > **Clarity is paramount** - When communicating with the mass market, simple, clear messages are needed to cut through the COVID-19 news saturation.
- > **Be relevant** - Be clear and direct in communicating the ways that your charity can help in the current situation.
- > **Show sustainability** - Reassure, if possible, regarding the ability of your organisation to survive and be able to provide support.
- > **Explain changes** - If attempting something new or innovative, reassure your supporters that you have the capability required, and demonstrate why a change from your normal practices are needed. For those supporting your past work, explain how you will continue those operations in the shorter term.
- > **Communicate early with major funders** – Do not assume that your corporate partners are focused elsewhere. Understanding their paradigm and showing leadership may well put you ahead of others when it comes time to determine who gets sponsored or funded.

### Innovation

- > **Look outward** - Be aware of what others are doing and where possible be part of the broader solution in your cause specific area – partnerships and collaborations are options that you should remain open to.
- > **Innovate with your PAFs** - Explore opportunities for alternative styles of funding with PAFs – these could include loans or loan guarantees.
- > **Innovate with your corporate partners** – Understand your partner’s current paradigm and explore opportunities for changes to corporate support that consider their changes in operations – for example utilisation of spare corporate capacity, and in-kind donations.
- > **Re-engineer your volunteer approach** - Investigate opportunities to re-engineering your volunteering approach that will allow you to operate in the current conditions and future proof your organisation financially.