

ISSUE BRIEF

The Recession and Global Giving

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This CAFAmerica Issue Brief presents a synopsis of facts, research and funding opportunities for causes you care about. It isn't meant to be a comprehensive report, and for that reason, provides a list of resources and website where you can learn more.

Since the start of the economic downturn in late 2007, charities worldwide are facing an uncertain future. The current global recession has spread beyond banks and businesses to impact giving to philanthropic organizations. Fundraising data for 2008 reveals that international development, animal welfare, and arts and culture may be among the charitable causes the 'worst hit.' Causes supporting children, humanitarian relief, medical research, and faith-based institutions, however, are expected to retain support.¹

Foundation endowments have also been affected: in the past year the endowments of Harvard University and Yale University both shrank by nearly 30 percent. Although their losses were more dramatic than those of most major universities, a survey of US foundations and endowments worth over \$1 billion revealed an average decline in assets of 17 percent in 2009.² Charity reserves are also dwindling as nonprofits use set aside funds to compensate for declining contributions. According to CAF UK, nearly half of charities surveyed reported dipping into their reserves.³ Another CAF survey revealed that if the recession that if

the recession continues for another year, 40 percent of charities estimate that they will be operating with less than three months of reserves.⁴

Although the recession is largely predicted to end in 2010, recovery will be slow. U.S. and international nonprofits will continue to face serious challenges sustaining donations to meet their goals. Decreased giving to smaller, community-based charities may result in severe cutbacks or closures. Nonprofits dependent upon foreign donors are especially at risk. In the US, larger organizations previously supported by government funding may also be in jeopardy as rising unemployment weakens state economies. Fortunately, charities are increasingly seeking creative solutions, such as collaborating with other organizations, or new ways of fundraising.



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Giving in the United States

The year 2007 was the first year on record that giving in the United States surpassed \$300 billion; although charitable giving remained above this benchmark in 2008, it nonetheless fell by 2 percent (from \$314.1 billion to \$307.7 billion). Adjusting for inflation, this represents a 5.7 percent decrease, and the 'largest year-over-year drop' on record.⁵ The decrease is the second on record since the Giving USA Foundation began compiling data on American philanthropy over 50 years ago.

Two thirds of US public charities saw a drop in donations in 2008.⁶ Charities providing social services were impacted the most and total giving in this sector declined an estimated 12.7 percent. This includes declining contributions to many food banks and homeless shelters, contradicting predictions by fundraising experts that charitable social service agencies would be less impacted by the recession than other charities.⁷ Educational groups are also being squeezed by the recession; Giving USA reported that gifts to educational institutions dropped 9 percent to \$40.94 billion. In contrast, religious organizations actually saw an *increase* in giving of 5.5 percent, to about \$106.9 billion.⁸

Fortunately, despite decreases in both corporate and individual domestic giving, US philanthropy abroad remains steady. In 2007, US-based foundations gave \$3.3 billion to projects in the developing world and US corporations donated \$6.8 billion for international assistance.⁹ Total US private philanthropy to developing countries in 2007 reached \$36.9 billion – more than government aid that year.¹⁰ This assistance, along with remittances, will play a key role in helping developing countries weather the recession.¹¹

Giving Abroad

Sadly, the need for services is rising as international charities are experiencing serious financial setbacks caused or worsened by the global recession. According to the UK Charity Commission, over half the charities in England and Wales report being affected by the economic crisis. Many of those surveyed by the Charity Commission indicated they were facing both a reduction in income and an increased demand for their services.¹²

Russia's nonprofits have seen funding drop nearly 50 percent in the last few months. In a survey of nonprofit organizations conducted by CAF Russia, 61 percent of respondents noted a decrease in their receipts. At the same time, 38 percent indicated an increase in expenses, as well as a growing demand for services.¹³

Although Australia has avoided the brunt of the recession, the nation's nonprofit sector, and Australian foundations in particular, are also experiencing a decline in giving. Duncan Power, CEO of CAF Australia, stated: "As a leader in the establishment and management of private foundations and PPF's (prescribed private funds) in Australia, we are recording a substantial reduction in philanthropic funding – noticeably from high net worth individuals." Power also commented, "CAF is aware that many foundations are heavily funded by returns from investments and company shares – two areas particularly hit hard in this existing market."

In Africa, many charitable organizations have already been largely affected, and will face ongoing challenges, as a result of both domestic financial crises and the residual impact of the recession in richer countries. According to a report issued by the nonprofit group ActionAid, the most severely impacted countries risk up to a 50 percent drop in income (or as much as \$49 billion between 2007 and the end of this year). In several cases, the nations most affected are those most reliant on foreign capital. For example, South African charities stand to lose international giving approximately equivalent to one-fifth of the nation's GDP.¹⁴

Despite the challenges, and ebb in giving, global philanthropy from developed countries to developing ones is still significant and expected to grow.¹⁵ According to the US based Hudson Institute, the largest contributors to the developing world in 2007 (in terms of philanthropy, remittances, and private investment) were the United States, the United Kingdom, Germany, France, Canada, Japan and Spain. In philanthropy alone, donor countries surveyed by the Hudson Institute (members of the Organization for Economic Co-operation and Development's Development Assistance Committee) gave \$49 billion to the developing world in 2007.¹⁶

How are charities reacting?

Charities everywhere are feeling the impact of the recession—whether firsthand or with apprehension upon seeing other organizations flounder. In many cases, charities are reducing existing programs and halting plans to expand.¹⁷ They are also adapting their strategies to attract new donors, both locally and abroad.

Habitat for Humanity and Operation Smile, charities in Thailand that typically relied on contributions from U.S. corporations, are examples of non-profits now seeking new local donors. To garner this domestic support, both charities are planning activities such as employee giving programs and donation drop boxes to put their causes in the spotlight. "Maybe this is a bit of a wake-up call for us to go local and not depend so much on the multinationals," said Kevin J. Beauvais, chairman of Operation Smile Thailand's executive committee.¹⁸

Nonprofits are also seeking government aid to compensate for the drop in private giving. In particular, U.S. charities may benefit from the Obama administration's plans to increase spending on foreign assistance.¹⁹ According to InterAction, a coalition of humanitarian groups, government support currently provides a third of aid to international groups. Despite the potential drawbacks of increased government aid, such as restrictions and reduced flexibility, many nonprofits are ready to accept the assistance. A majority of nonprofits questioned by CAF Russia indicated their willingness to accept government influence and increased interaction with both federal and local authorities.²⁰

Collaborations between organizations may be an additional solution as the recession continues, particularly for smaller charities that alone may have a hard time staying afloat. However, in the United Kingdom, where two well known charities—Help the Aged and Age Concern—did recently merge, other charities remain skeptical of collaborations or mergers with other nonprofits. The Charity Commission reported that while one in three nonprofits UK has implemented measures to soften the recession's impact (by reducing costs, increasing fundraising efforts, and drawing on reserves), only 3 percent had considered a merger with another charity, and another 3 percent had considered collaboration.²¹

Susan Saxon-Harrold, CAFAmerica CEO notes that charities that once ignored fundraising from the US are now showing an increased interest in doing so. "Charities cannot not afford to stick to their old ways of looking at the funding world. Charities need to explore new sources of funding at home and abroad. Donors are increasingly mobile and even during tough times continue to give."

What's Next?

Although some are calling the current economic downturn "the great Recession," noting parallels with the financial crisis of the early 1930s,²² the charitable sector is far from closing its collective doors. In fact, many charities are embracing the challenges posed by the recession, viewing the growing need for charitable services as an opportunity to grow. Thoroughly aware of the heavy toll of the recession on the financial sector, CAF India launched its payroll giving program "Give As You Earn" in three financial companies. The success of this program, well received by all three companies, reflects CAF India's confidence that despite the tough times, responsible people and organizations will continue to give.

Among the gloomy predictions and the more hopeful forecasts proffered by various philanthropic groups and fundraising experts, some consistencies do emerge. Giving for disaster relief and foreign aid government grants are likely to continue. Smaller, informal charities with little or no capital reserves to draw on will be at greatest risk. Though giving may continue to decline,

What's Next continued...

people *are* still giving; they are just giving less. Donors crimped by the recession may increasingly find new ways of giving, like donating their time rather than money, pooling donations to make a larger gift, or offering free professional services.

In addition, even as large companies cut back on financial gifts to charities, corporate recognition of the link between social responsibility and profits may grow. Corporations are increasingly focusing their giving dollars and tying charitable giving to their corporate missions. As a result, corporate donors are moving from sporadic, of-the-moment giving to a more strategic approach. Robert S. Harrison, CEO of the Clinton Global Initiative, said "That approach—changing a business model—I think we'll see a lot more of going forward, to allow companies to be philanthropic, to be socially responsible, while at the same time address shareholder concerns."²³

In Brazil, many large companies are gradually re-launching their corporate giving programs, though they are "still cautious compared with before the crisis." As a result of this shift, the Institute for the Development of Social Investment (IDIS), the Brazil-based member of the CAF International Network, has seen requests for support from corporations triple over the past few months.

U.S. nonprofits may experience a much needed boost in donors, thanks to a widely expected increase in interest rates. CAFAmerica CEO Susan Saxon-Harrold states, "Rising interest rates amidst the early signs of a possible economic turnaround will help to encourage new giving by some donors who have cut back since the onset of the current recession in the early 2008. This will be good news for charities that have been bearing the brunt for months now of recessionary pressures."

There may also be a welcome consequence *after* the recession ends: increasingly charitable attitudes. A survey commissioned by CAF UK revealed that a large percentage of British adults believe the recession will prompt a greater appreciation of the role played by charities, similar to the boost in giving following the end of the great Depression.²⁴ The CAF UK survey also revealed that many donors are also questioning their values; one third of those questioned believe that society will emerge 'more caring and compassionate' at the end of the recession. According to CAF UK, 77 percent are giving as much to charity as before with 8 per cent giving more; though 14 percent have given less. The most popular reason for giving? A desire to help those less fortunate and because 'it made them happy to help good causes.'

How to Give

To give to any of the organizations listed here or another international charity of your choice visit CAFAmerica at: <http://www.cafamerica.org/dnn/Home/DonateNow/tabid/148/Default.aspx>

Donors reading this Issue Brief who are interested in visiting charities in any of the countries mentioned or learning about their work can contact Susan Saxon-Harrold at info@cafamerica.org.

You can also learn more about other CAF offices in Australia, Bulgaria, India, Russia, Southern Africa, the United Kingdom, and Brazil, who generously contributed to this Issue Brief, at [CAF International Network](#).

Websites

Association Francaise des Fundraisers
www.fundraisers.fr

Council on Foundations
"Economic Xchange"
www.cofinteract.org

European Association for Philanthropy and Giving
www.eapg.org.uk

European Foundation Centre
www.efc.be

Foundation Center "Focus on the Economic Crisis"
www.foundationcenter.org/focus/economy

Institute of Fundraising
"Recession Watch"
www.institute-of-fundraising.org.uk

Nonprofit Finance Fund
www.nonprofitfinancefund.org

Nonprofit Good Practice Guide
www.npgoodpractice.org

Recession Support
www.recessionsupport.org.uk

The Nonprofit Quarterly
www.nonprofitquarterly.org

Worldwide Initiatives for Grantmaker Support
www.wingsweb.org

RESOURCES

Reports and Publications

Giving in the Recession: Tough Times Call for Smarter Giving. A Think Philanthropy Research Project, Institute for Philanthropy, June 2009. Drawn from interviews with donors and charities, this report describes new way donors are giving, and includes six original case studies examining the challenges of the recession. To read the full report, visit www.instituteforphilanthropy.org.

Quarter Philanthropy Report. Arabella Advisors, July 2009. The latest in a series of quarterly reports that review recent events, trends, and initiatives in the philanthropic sector. This edition, geared toward donors and nonprofits alike, covers the decline in US giving, nonprofit mergers and alliances, and other relevant topics. To download the full report, visit www.arabellaadvisors.com.

Where Does it Hurt? The impact of the financial crisis on developing countries. ActionAid March 2009. A comprehensive overview of the causes and consequences of the global economic crisis, and its impact on the developing world. To download this report, visit www.actionaid.org.

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⁴ "Public backs charities building up reserves to see them through difficult economic times." *Charities Aid Foundation*. 1 Oct. 2009. Web. 7 Oct. 2009.

⁵ "Giving USA." *Giving USA Foundation*.TM Center on Philanthropy at Indiana University. 2009. Web. 22 July 2009. [Note: *Figures represent decline since the Giving USA Foundation began tracking American philanthropy 53 years ago.*]

⁶ "Giving USA." *Giving USA Foundation*.TM Center on Philanthropy at Indiana University. 2009. Web. 22 July 2009. [Note: *Figures represent decline since the Giving*

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⁸ "Giving USA." *Giving USA Foundation*.TM Center on Philanthropy at Indiana University. 2009. Web. 22 July 2009. [Note: *Figures represent decline since the Giving USA Foundation began tracking American philanthropy 53 years ago.*]

⁹ "The Index of Global Philanthropy and Remittances 2009." *The Center for Global Prosperity*. Hudson Institute. 2009. Web. 6 Oct. 2009.

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¹² "Charity donation hit by recession." *BBC News*. 17 March 2009. Web. 5 July 2009.

¹³ "Philanthropy in the context of the economic crisis." © CAF Russia, April 2009.

¹⁴ "Where Does it Hurt? The impact of the financial crisis on developing countries." *ActionAid*. March 2009. Web. 23 June 2009.

¹⁵ "The Index of Global Philanthropy and Remittances 2009." *The Center for Global Prosperity*. Hudson Institute. 2009. Web. 6 Oct. 2009.

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¹⁸ Wilhelm, Ian. "Charities in Asia Work to Keep Donors Engaged During the Recession." *The Chronicle of Philanthropy*. 23 April 2009. Web. 23 June 2009.

¹⁹ Preston, Caroline. "Global Charities Face the Recession." *The Chronicle of Philanthropy: The Newspaper of the Nonprofit World*. 23 April 2009. Web. 1 July 2009.

²⁰ "Philanthropy in the context of the economic crisis." © CAF Russia, April 2009.

²¹ "More than half of charities now feeling impact of downturn." *UK Charity Commission*. 17 March 2009. Web. 6 July 2009.

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²³ Wilhelm, Ian. "Giving Around the World Faces Recession Snags." *The Chronicle of Philanthropy*. 23 April 2009. Web. 13 July 2009.

²⁴ "Millions think society will emerge from the recession with a greater appreciation of charities." *Charities Aid Foundation*. 30 March 2009. Web. 5 July 2009.



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For More Information

If you or other donors would be interested in visiting any of the projects and/or charities mentioned in this brief, please contact CAFAmerica Chief Executive Officer, Susan Saxon-Harrold at 703-549-8931 or susansh@cafamerica.org

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