

## Fundraising in a Time of Crisis: Lessons from History

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### 1) Introduction

“The economy, stupid.” This iconic line, coined by Bill Clinton’s strategist James Carville, entered the political and public lexicon in 1992 and has remained ever since. Much has changed in almost three decades. Then again, much has not. The outbreak and subsequent spread of Covid-19 has caused great alarm for Irish and global businesses. The stock markets have seen the highest point drops since the 2008 recession.<sup>1</sup> One fear now facing those working in Irish not-for-profits is how their sector will be impacted? Does a drop in global markets suggest that philanthropic giving will also be significantly impacted? Ireland is now at the cusp of a general shutdown, something unseen for generations. From March 13-29, the Irish government has announced that all schools, colleges, childcare facilities and public facilities will be closed in response to the spread of Covid-19. We are all practicing social distancing and work remotely. In 2008, 2into3 published *Fundraising in a Cold Climate*. At the time of writing, Ireland was experiencing an unprecedented downturn - in the form of the 2008 Financial Crash. Indeed, the motivation behind this research piece is not to alarm, rather ask serious questions and show why not-for-profit organisations should not panic in the face of potential uncertainty.

It is not just the beneficiaries of Irish not-for-profits who may be impacted and face an uncertain future. The aforementioned volatility in the financial markets could have a direct impact on donors in general terms. In the short term, indoor events with more than one hundred people should be cancelled with the same advice for outdoor events with more than five hundred people. In Ireland, we are now witnessing a drastic change in social habits. St Patrick’s day has been the first major event to be impacted, all sport has halted, and more is to come.

Ripples are now being seen in the Irish not-for-profit sector. The Irish Cancer Society has cancelled Daffodil Day, with Pieta House also cancelling Darkness into Light. Looking further ahead mid-year appeals are likely to be impacted such as Trócaire’s Easter appeal. Local/community events, local collections and raffles are a substantial part of many large and

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<sup>1</sup> <https://www.bloomberg.com/news/articles/2020-03-08/rout-in-u-s-stock-futures-would-trigger-trading-curbs-at-5?srnd=premium-europe>

small Irish not-for-profits fundraising mixes. *Fundraising in a Cold Climate* asked the question “Is fundraising doomed to fail in a time of slowdown?” In light of Covid-19, and its potential to cause a global recession, let us take a look back in order to shed some light on what might be coming for the Irish not-for-profit sector.

## 2) Lessons from the past?

The thesis of *Fundraising in a Cold Climate* outlined that total philanthropy “showed resilience in the face of stock market volatility, fluctuating less dramatically than the stock market. In fact, during 2002, when the S&P Index dropped 22%, philanthropy actually increased by 1%.”<sup>2</sup> The paper, which used research conducted by The Centre on Philanthropy at Indiana University, carried out a review on economic trends and philanthropic giving, focusing mainly on times of crises in the US.

As outlined in *Fundraising in a Cold Climate*, total giving in the US increased every year examined, with one exception prior to the 2008 Financial Crash. Excluding this one exception, the rate of growth varied from 1.2% to 46.8%. In addition, in the year following each economic crisis studied, the rate of growth in donations exceeded that of the year of the event, indicating that a delayed correction in levels of giving was not in operation. The table below shows an extract from the results.

Table 1: Changes in US Fundraised Income

Event	Year	% Change in Stock Market <sup>3</sup>	% Change in Giving <sup>4</sup>
<b>Fall of France</b>	1940	-20.9%	+46.8%
<b>Pearl Harbour</b>	1941	-0.7%	+36.3%
<b>Cuban Missile Crisis</b>	1962	+16.9%	+1.2%
<b>Arab Oil Crisis</b>	1973	-30.9%	+4.7%
<b>1987 financial crisis</b>	1987	-4.9%	-1.3%
<b>9/11</b>	2001	-7%	+4%
<b>The Financial Crash</b>	2008	-22.16% <sup>5</sup>	-2% <sup>6</sup>

For many, the pain of 2008 can still be felt; the memory is still raw for many. Our past is our guide. The Dow Jones’ historic drop in 2008 was not mirrored in overall giving in the US. When

<sup>2</sup> 2into3, *Fundraising in a Cold Climate*, P.4

<sup>3</sup> For the 2008 Credit Crunch, % Change in Stock Market relates to change in the Dow Jones between 1<sup>st</sup> January 2008 and 3<sup>rd</sup> October 2008. In the Irish market for 2008, % Change in Stock Market relates to change in the ISEQ Overall Index between 1<sup>st</sup> January 2008 and 3<sup>rd</sup> October 2008. For 9/11, the % Change in Stock Market relates to change in the Dow Jones in 2001. For all other events listed here, % Change in Stock Market relates to change in the Dow Jones 365 days after the event.

<sup>4</sup> % Change in Giving relates to total giving in the US in that year.

<sup>5</sup> CNN Money: <http://money.cnn.com/data/markets/dow/>

<sup>6</sup> Giving USA Foundation 2009

See: “Charitable Giving Fell by 2 Percent in 2008, Giving USA Says,” June 10, 2009,

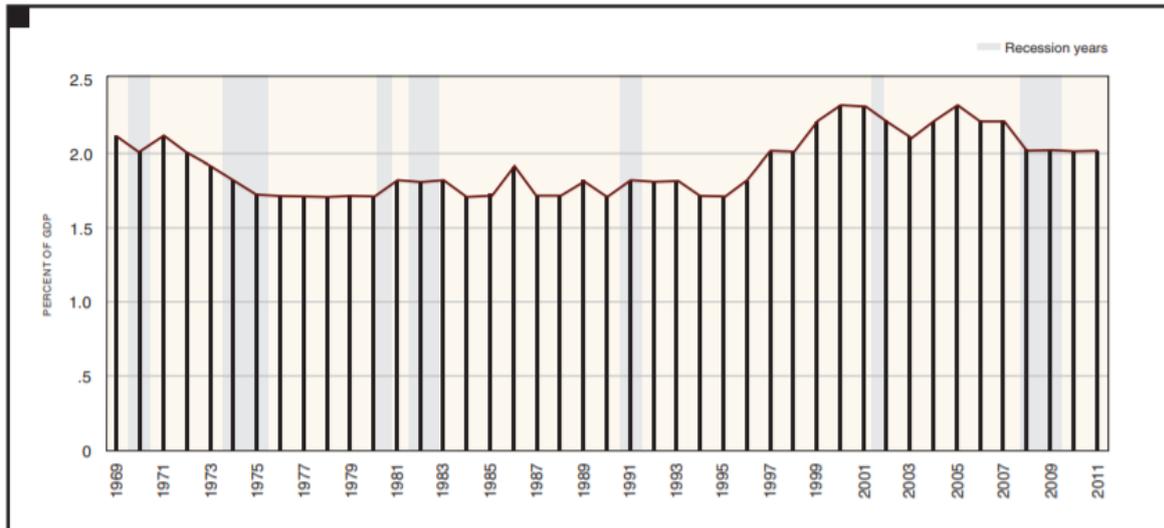
<https://philanthropynewsdigest.org/news/charitable-giving-fell-by-2-percent-in-2008-giving-usa-says>

See also: Rob Reich, “Charitable Giving and the Great Recession,” *The Russell Sage Foundation and The Stanford Centre on Poverty and Inequality*, October 2012,

[https://inequality.stanford.edu/sites/default/files/CharitableGiving\\_fact\\_sheet.pdf](https://inequality.stanford.edu/sites/default/files/CharitableGiving_fact_sheet.pdf)

examining charitable donations by quantum, foundation grants, corporate giving, individual giving and charitable giving all declined year-on-year. This should be expected at a time of recession. However, in terms of Gross Domestic Product (GDP), charitable giving was at 2.2%, compared to 2.3% in 2007. Furthermore, overall giving was already increasing a year later. As a result, there is little evidence to suggest that the 2008 Financial Crash significantly impacted the American people’s sense of generosity. Overall giving remained strong as outlined below and has bounced back in recent years.

Table 2: Total US Charitable Giving as a percentage of GDP



Source: GivingUSA Foundation

Table 3: Changes in Fundraised Income for Irish Not-for-Profits

Year <sup>7</sup>	% Change in Fundraised Income <sup>8</sup>
2009	-12.9%
2010	+23.9%
2011	+3.7%
2012	+7%
2013	+0.8%
2014	+7%
2015	+6%
2016	+4.5%
2017	+9%

How did Ireland cope? Unfortunately, Ireland does not have sufficient data for us to examine the rates of overall giving at the time of the 2008 Financial Crash. However, in recent years, 2into3’s *Annual Fundraising Performance Report* has looked at this very issue. In the years following the 2008 Crash, the Irish not-for-profit sector has bounced back. These figures mask a range in variations which is something to consider as

the long-term implications of Covid-19 are unknown. Echoing the sentiments of *Fundraising in a Cold Climate*, already-established fundraising techniques, the donor base, the organisational mission and how the organisation operates are now key factors as to how Irish not-for-profits will journey through the current environment.

<sup>7</sup> The table notes changes in fundraised income to the previous year for Irish not-for-profits, as stated in their annual accounts.

<sup>8</sup> 2into3, *The Irish Not-for-Profit Sector: Annual Fundraising Performance Report 2010-2019*.

### 3) The Current Giving Landscape in Ireland

At the time of writing, the overall economic impact of Covid-19 is unknown and given the lack of data historically in the Irish not-for-profit sector, it is very difficult to predict the potential impact on fundraising in Ireland. Undeniably, there will be some economic implication globally to spread of the Covid-19 pandemic. The Organisation for Economic Cooperation and Development (OECD) has forecasted a 1.5% hit to the global economic, if the virus is relatively contained.<sup>9</sup> Countries across the world have taken different approaches in response to the pandemic. In the UK, the Bank of England has taken aggressive measures, committing significant investment into public spending as a response to the economic effects of Covid-19.<sup>10</sup> In Ireland, a €3.1 billion stimulus package has been announced by the Government.<sup>11</sup> A €2.4 billion initiative was included in this plan by the Irish Government as part of a new income support plan with supports also available for the self-employed.<sup>12</sup> As the pandemic continues, more governments are utilising more economic and legislative measures. Undoubtedly, the impact for some will be strongly negative, while for others, the impact is less certain and, in some cases, could be positive.

The table below is an aggregated form of income for Irish not-for-profits analysed from 2into3's Quarterly Fundraising Monitor, which benchmarks fundraising income, expenditure and gift levels on a quarterly basis. It has allowed us to track trends in the not-for-profit sector since 2014 and can give some insight into how the sector will be impacted.

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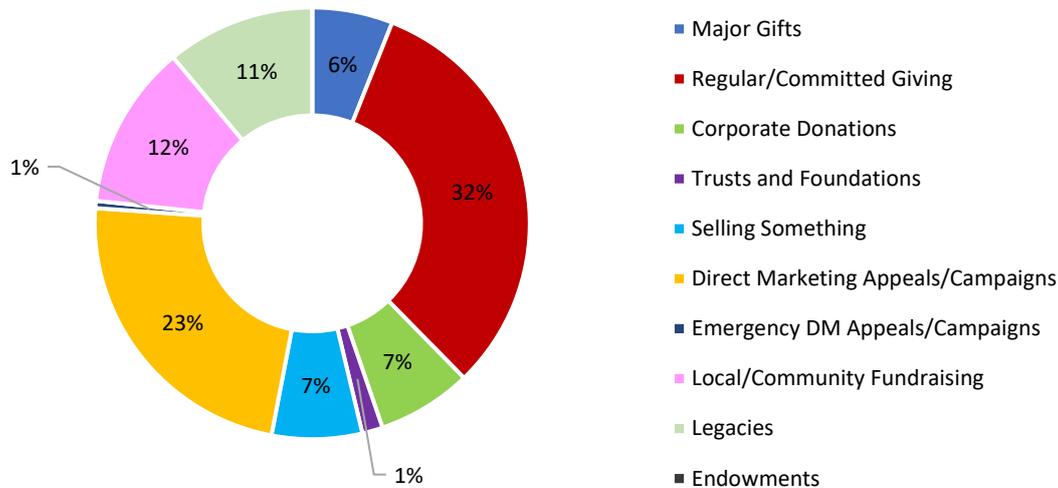
<sup>9</sup> The Organisation for Economic Coordination and Development, *OECD Economic Outlook, Interim Report March 2020: Coronavirus: The World Economy at Risk*, <https://www.oecd.org/economic-outlook/>

<sup>10</sup> The New York Times, "To Take on Coronavirus, B.O.E. Cut Rates. Europe's Central Bank has Fewer Options," March 11, 2020, <https://www.nytimes.com/2020/03/11/business/lagarde-ecb-coronavirus-response.html>  
Also see: <https://www.bankofengland.co.uk/news/2020/march/boe-measures-to-respond-to-the-economic-shock-from-covid-19>

<sup>11</sup> The Irish Times, "Hysteria or Prescience? Ireland Goes Big With Financial Response to Coronavirus," March 11, 2020, <https://www.irishtimes.com/business/economy/hysteria-or-prescience-ireland-goes-big-with-financial-response-to-coronavirus-1.4199139>

<sup>12</sup> The Irish Times, "Coronavirus Sick Pay Scheme Will See Affected Receive €305 Per Week," March 9, 2020, <https://www.irishtimes.com/news/ireland/irish-news/coronavirus-sick-pay-scheme-will-see-affected-receive-305-per-week-1.4197894>

Table 4: 2018 Irish Not-For-Profit Fundraising Mix<sup>13</sup>



## Individual Giving

*Fundraising in a Cold Climate* outlined that predictions of gifts from individuals vary. Whether the non-profit has a large pool of donors giving small gifts, or a small pool of donors giving large gifts also seems likely to have an impact. Donors with longstanding ties to an organisation and giving large gifts are likely to continue to honour their commitments, but, for some, terms may be altered so that payments are delayed.<sup>14</sup>

In 2018, Philanthropy Ireland engaged with BDO to examine the impact of the 2013 change in tax treatment of charitable donations. It found that the tax changes enacted since 2013 have not been effective in stimulating or increasing the level of charitable and philanthropic giving in Ireland. In reality “the overall value of donations has decreased by approximately 24% comparing 2010 and 2016. The report also found most donation tend to be low in value with 60% being made by PAYE workers. BDO found that 90% of donations are below the value of €1,000. As we move into crisis-time fundraising, organisations need appropriate structures to encourage them to seek philanthropic support. As the BDO and Philanthropy Ireland report suggests, the tax code in Ireland does not encourage stimulated philanthropic giving which is a hindrance as we face another economic downturn. In 2017, per capita giving in Ireland was €233, with per capital giving in the UK at €358 and €1,122.<sup>15</sup> So while we see headlines that Ireland is the most generous nation in the country, this is a measure of frequency rather than quantum of overall giving.<sup>16</sup>

For many Irish not-for-profits, Regular Committed Giving is a core aspect of their fundraised income. This has also varied by subsector in recent years. As Ireland faced national crises in

<sup>13</sup> 2into3, Q4, 2018 Quarterly Fundraising Monitor, Unpublished.

<sup>14</sup> The Chronicle of Philanthropy: <http://philanthropy.com/premium/articles/v20/i08/08000801.htm>

<sup>15</sup> 2into3, *The Irish Not-for-Profit Sector: Annual Fundraising Performance Report 2019*, P. 20, <https://www.2into3.com/wp-content/uploads/2019/10/Revised-Fundraising-Performance-Report-2019.pdf>

<sup>16</sup> Cate McCurry, “Ireland Most Generous Country in the World,” *The Irish Independent*, September 17, 2019, <https://www.independent.ie/breaking-news/irish-news/ireland-most-generous-country-in-the-world-38506581.html>

homelessness and poverty, the Irish public has responded in turn through charitable giving. Organisations with a mission under this remit have experienced increases in this method, while some in the international development sector, for example, have struggled to keep individual donors.

## Trusts & Foundations

This method is still underdeveloped in Ireland compared to our international peers. The general outlook for donations from foundations will very much depend on the foundation in question. Where a foundation's level of giving is based on the income from its investments then it will have less funds available. On the other hand, where the foundation's distributions are dependent on its income from its stakeholders its resources may be unaffected or even increased at a time of crisis. In Ireland, most foundations are supported by major donors and where those donors still have capacity, those foundations can maintain or even increase grant making at this time.

In recent years, a number of Trusts & Foundations have emerged with matched funding programmes supporting social enterprises which are reliant on earned income models. These social enterprises will need to be supported to survive the crisis.

## Corporate

Corporate giving in Ireland has grown strongly in recent years and as Table 4 outlines for participants of 2into3's Quarterly Fundraising Monitor, corporate donations accounted for 7% of the fundraising mix in 2018. Much of corporate Ireland will have its profitability and balance sheet adversely impacted by Covid-19 and will be unable to sustain current giving levels. Some sectors will be relatively unaffected or even experience growth and be in a position to increase support.

## Legacies

Legacy giving in Ireland has become one of the most valuable forms of philanthropy in Ireland. As Table 4 outlines for participants of 2into3's Quarterly Fundraising Monitor, Legacy income accounted for 11% of the fundraising mix in 2018. This number has steadily increased in recent years as this method of fundraising has become less taboo. The value of some legacy donations are likely to drop at a time of an economic slowdown. This will vary depending on the type of Legacy, be it residuary or pecuniary. In 2008, Atlantic Philanthropies outlined that the value of almost every foundation endowment had declined as a result of the economic circumstances.<sup>17</sup>

Over the last number of years, Irish not-for-profits have been positioning themselves to be more open to Legacies, with dedicated personnel now employed for this method and Legacy strategies developed. However, there is still a significant gap in robust publically available information on the size of the Legacy market in Ireland. Ask Direct have estimated that the size of the Legacy market in €50m annually. If predictions in the age demographics are to be

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<sup>17</sup> The Atlantic Philanthropies, *The Global Financial Crisis and Philanthropy: Altering Course in a Perfect Storm*, <https://www.atlanticphilanthropies.org/news/global-financial-crisis-and-philanthropy-altering-course-perfect-storm>

realised, the size of the market could grow €61m by 2026.<sup>18</sup> However, this number may fluctuate if the value of residuary.

Similarly, the Community Foundation’s Intergeneration Transfer of Wealth report outlined that “total wealth transfer from 2017 to 2036 could range conservatively from €122bn to €185bn.”<sup>19</sup> While the report outlines the potential value and growth of legacy and bequest giving in Ireland, it does state that the tax code is as incentivised as other countries. One possibility explored is providing inheritance tax relief on decedent’s estates. However, this is not possible in Ireland as the inheritance tax is levied on individual inheritances and not the value of the estate.<sup>20</sup> Legacies such as the €30m donation by Ms Elizabeth O’Kelly has put Legacy giving further into the public domain but adequate structures are needed to further encourage this form of giving.

### Direct Marketing and Events

In the short term, local and community events will be severely impacted. We have already seen this from the Irish Cancer Society and Pieta House. In the short term, prudence would suggest following the example of these organisations. 2020 Daffodil Day will impact at a cost of approximately €3m to the Irish Cancer Society. Some organisations will use the opportunity to send out acquisition emails across social and online platforms. This has been the approach taken by the Irish Cancer Society in response to cancelling Daffodil Day and a possibility for others.

From analysis of the Quarterly Fundraising Monitor, it is clear that a sudden halt in local events will significantly impact medium to small organisations. These organisations are already severely reliant on fundraising methods such as local/community fundraising and selling something (e.g. raffles). In the short-term, organisations will reflect on their direct marketing strategies. A careful balance between acquisition and retention will have to be struck. Focus too heavily on acquisition, for example, and you may find you’re struggling to keep regular givers or converting first time donors.

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<sup>18</sup> AskDirect, *Effective Legacy Messaging in Ireland: Insights from Mystery Shopping*, September 2019.

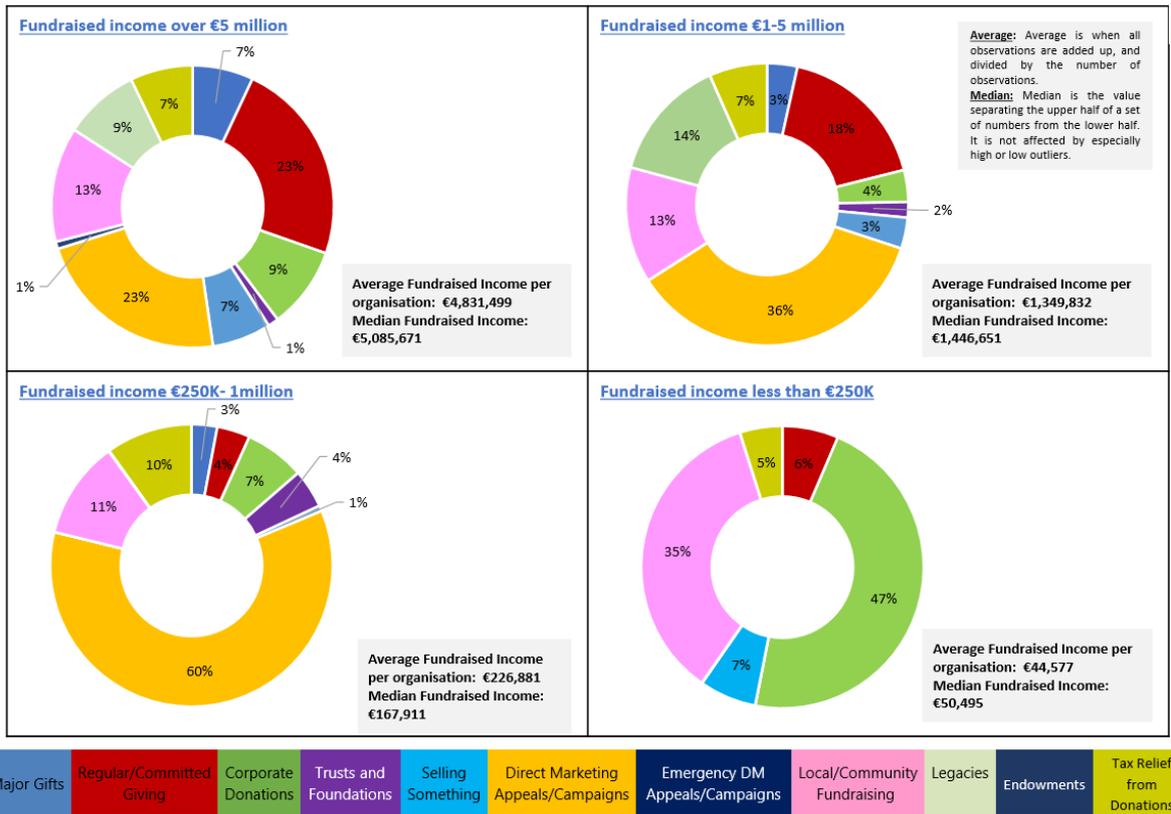
<sup>19</sup> The Community Foundation for Ireland, *Legacies for Good: Wealth Transfer and the Potential for Philanthropy in Ireland*, 2017.

For executive summary see:

[https://www.communityfoundation.ie/images/uploads/pdfs/Executive\\_Summary\\_Final.pdf](https://www.communityfoundation.ie/images/uploads/pdfs/Executive_Summary_Final.pdf)

<sup>20</sup> Ibid, P.6.

Table 5: 2018 Irish Fundraised Income by Organisational Size



#### 4) What can you do?

##### Postpone Upcoming Events and Review your Case for Support

Follow the example of the Irish Cancer Society and Pieta House and postpone indoor events of over 100 people and outdoor events of over 500 people. In the short-term, look to how you could reinvent your fundraising event to an online event. This may help you cover the costs you might have lost on deposits for example. Your first thought will be to start email appeals and encourage online giving. The first week of social distancing has no doubt resulted in increased online traffic. Make sure that your messaging is strongly linked to your case for support. Prior to your appeal, perhaps take some time with your fundraising team to reflect on your current case for support.

##### Review your Funding

Different forms of income will be impacted in different ways. The world is in unprecedented times. By the end of 2020, organisations will need to review their funding and fundraising mixes. Without a doubt, state and earned income streams will be impacted as governments pump money into public spending and direct health services. This will have both positive and negative impacts depending on your organisation’s mission and subsector.

##### Highlight Over-Reliance

As the above tables have outlined, organisations that are heavily reliant on one method of fundraising or funding will be significantly impacted. Organisations who are reliant on one

form of funding or method now need to look at alternative options. For example, sporting organisations that heavily rely on match income (which is classified as earned) now face significant repercussions on account of postponed and cancelled matches and events. Now is the time to plan how you will mitigate these challenges.

## Your Data is Your Success

As previously mentioned, even in the biggest recession, donors were still willing and capable of giving. The important piece for your organisation is understanding your responsibilities to position yourself appropriately. Reviewing the current state of your database is important. Do you have appropriate contact details for current donors so that you can stay in touch? Is there prospect research that you could undertake now? These are investments that you can make today that could help you tomorrow.

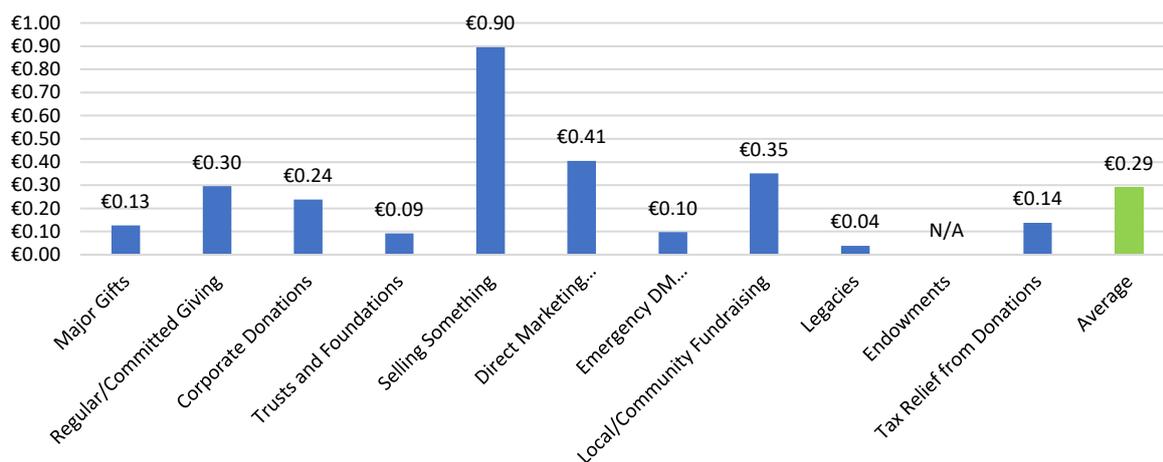
## Strategic Planning

As the environment changes around you, it is now important to take stock and reflect. The objectives, goals and targets that you agreed last year may no longer be achievable now. If you have undertaken a funding review, your next step is to readjust your goals and funding streams. The agreement and implementation of a new strategic plan is crucial to ensuring your viability and sustainability in trying times.

## Informed Decision Making

Benchmarking your performance and investment will give insight into the ongoing trends in the sector. Without it, you are making decisions blindly, something that the private sector simply would not do. Understanding where your peers are making investments is important. As of 2018, organisations within the Quarterly Fundraising Monitor are investing an average of €0.29 for every euro made.

Table 6: 2018 Irish Fundraising Costs<sup>21</sup>



If Covid-19 has a long-term impact in Ireland, these average costs are likely to change. It would be reasonable to expect the average cost for fundraising in 2020 to increase. The costs for certain methods could increase, particularly local/community fundraising as money could be

<sup>21</sup> 2into3, Q4, 2018 Quarterly Fundraising Monitor, Unpublished.

lost on deposits. Direct marketing appeals/campaigns are certainly expected to see increased activity over March and April 2020 as organisations attempt to engage with the general public through social and online channels, possible increased DRTV campaigns, online and direct mail.

### Avoid Cost Cutting

Immediately reacting to the current environment can also have negative impacts for your organisation, particularly on planned giving. Cutting back on resourcing or your databases now may have significant impacts for you in the future. If Covid-19 continues to spread across Ireland into the coming months making cuts will become inevitable. However, making these decisions based on evidence is extremely important in making sure short-term cuts do not have permanent effects.

### Continue to Push for Tax Reform

With the full health, economic and social impacts yet to be fully realised, the motivation of this piece was to look at the current landscape of fundraising in the not-for-profit sector. As outlined above, a number of changes to the tax could encourage increased philanthropic giving in Ireland, both for individual giving and legacy/bequest. The Irish not-for-profit sector is resilient. Hard times are no doubt ahead of us. However, we need to continue to push for the reform that has been developed through evidence-based research. The coming weeks and months, the sector will look to steady their ships through this storm. Changes to the tax code would give the sector the necessary tools to fundraise in tomorrow's world.

### Communicate, Communicate, Communicate

In 2008, we advised that above all organisations should stay in touch with their donors, including those who stopped giving. When (not if) the crisis passes and donors income and or wealth recovers then they will remember that they were not forgotten. Those organisations that did that (and continued to seek new supporters) saw their fundraising efforts rewarded the most. The same holds true for 2020. Ireland's not-for-profit sector will bounce back after the consequences of Covid-19 as it did after the 2008 Financial Crash. Revise, plan and communicate constantly in order to give yourself every opportunity to ride through this storm.

## About the Authors



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