

Яков
и Партнёры

Shifting to a New, Lean Format of Support

January 2023

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The Russian charitable sector includes several key segments

Grant support

Grant support

Vladimir Potanin Foundation, Timchenko Foundation, Sberbank, VTB, D-Group Social, Absolute – Help, Skolkovo, Svet, Donors Forum, Presidential Grunts Foundation

Grant writing support

Philin, "Start Differently" by Rosbank

Outreach

Moscow School for Professional Philanthropists

"Friends" Foundation

Опытным Путиком

"Help Needed" Foundation

Rational Philanthropist program

Skolkovo

Online and offline courses

Dobro.University, Todogood, D-Group. Social, Inliberty, ASI School of Communications and Innovations, Presidential Grunts Foundation, MosVolunteer, Planeta.ru, DI:NGO D-Group.Social

"Start Differently" Accelerator

Rosbank

Support and development

Strategy development

"Friends" Foundation, Philgood, Rosbank's Accelerator, D-Group.Social, CAF¹

Business process administration

"Friends" Foundation, Philin, Greenhouse of Social Technologies, Rosbank's Accelerator, "Help Needed" Foundation, Philgood, Better, CAF¹

Fundraising

Fundraising platforms

"Help Needed" Foundation, Blago.ru, Dobro Mail.ru, Online Leyka, Planeta.ru, Verry Drug, Hochu Pomoch

Marketplaces

"Help Needed" Foundation, Planeta.ru, MeetForCharity

Event organization and networking

Philgood, Better

Auctions

MeetForCharity

Research

Research programs

"Help Needed" Foundation, Donors Forum, CAF¹

Social media and outreach

Media portals

"Help Needed" Foundation, Dobro.Press, Science Citizens, CAF¹

Publishing

"Help Needed" Foundation, D-Group.Social

Social marketing programs

Philgood, Better

Corporate social responsibility (CSR)

CSR programs

"Friends" Foundation, Philgood, Todogood, CSR University

ESG and CSR media portals

Sustainable business

Volunteering

Intellectual volunteering

ProCharity, Todogood, Volon.team, IT Volunteer, Paseka, Future Actually, Lawyers for Civil Society, Legal Charity, Better

Social volunteering

Dobro.ru, Science Citizens, Forest Help, MosVolunteer

As the charity market is shrinking and the trend is expected to continue, the short-term goal is to stay afloat

The impact of the 2022 events on the sector

x2 decline

Loss of donors

A significant number of major donors (both international companies and large private donors) have exited the Russian market or cut back on their charitable giving

7% decline

Lower disposable income

Household disposable incomes declined amid uncertainty

Up to 50% decline in donations

Lower disposable income

Household disposable incomes declined amid uncertainty

15% increase

Higher expenses

Certain goods are no longer available or went up in price¹; imported goods cost more and take longer to deliver

Measures taken by non-profits

Tap into new sources of funding

Pivot to public grants or grants from other non-profits

Carry out “supporting” communications for “customary” audience

> Factor in donors’ stance on the events when selecting the target audience

Reduce or offset the expenses following the loss of specific sources of funding

Consider opening an office in a “friendly” country

Look for domestic substitutes for imported goods

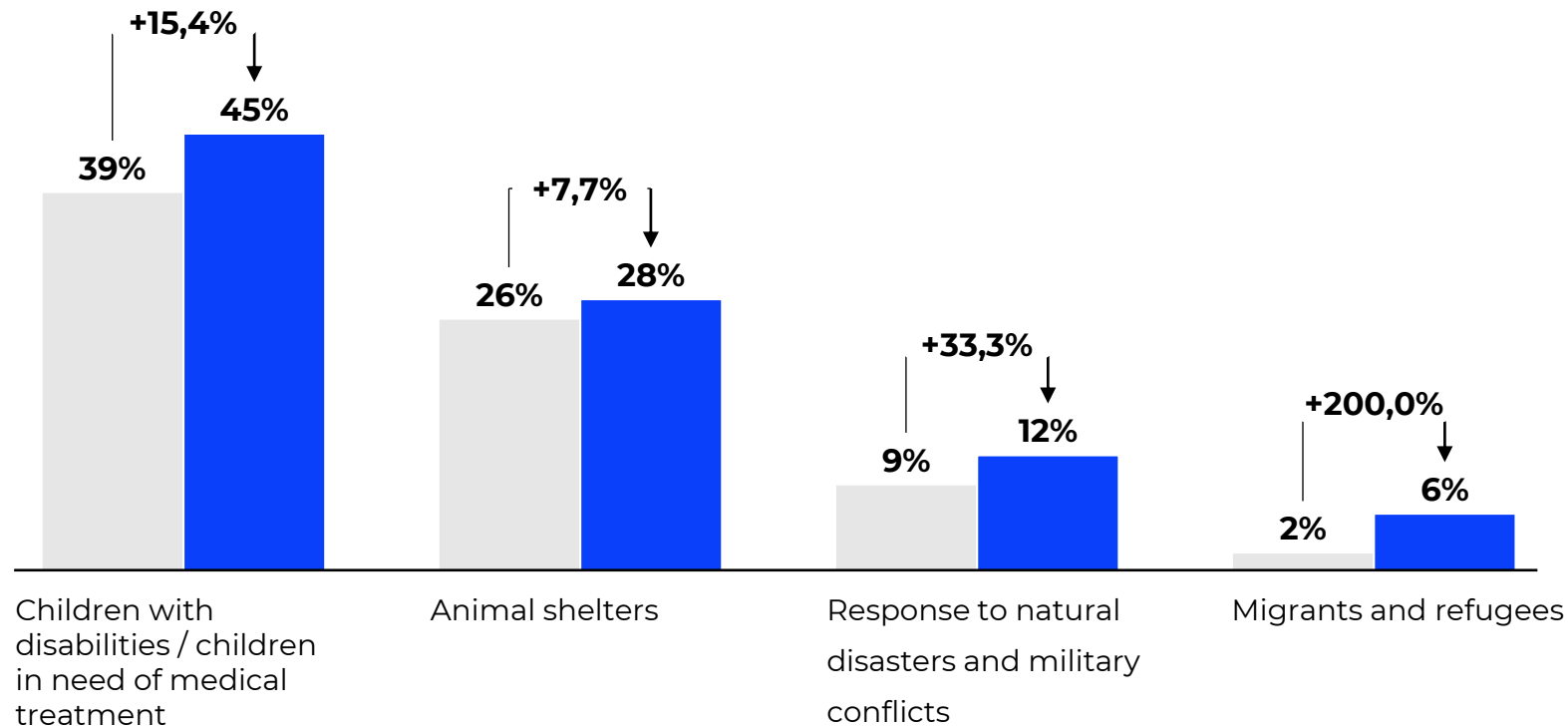
Redirect the available stocks to support those who are worst off

2022 saw changes in the structure of preferred groups of beneficiaries and financing models

■ 2021 ■ 2022

Key changes in the structure of supported groups of beneficiaries

The share of charity providers helping specific categories of beneficiaries, %



The greatest increase in the share of donors was observed in the categories related to the geopolitical events of 2022

As the share of non-financial targeted aid soared, non-profits need to promptly adjust their processes to accept non-financial donations

50%

Donated clothing and hygiene products to reception centers

38%

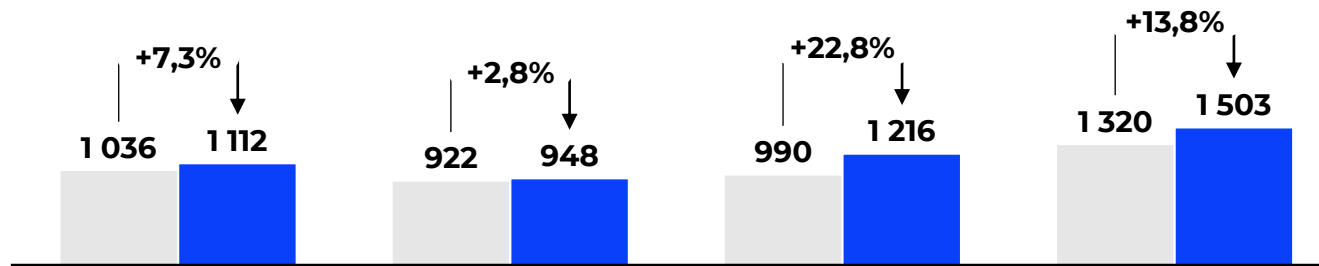
Of those surveyed provided targeted aid to specific people

The average amount of one-time and recurring donations from private donors increased by over 5% in 2022, which means the remaining charity providers are ready to support local foundations

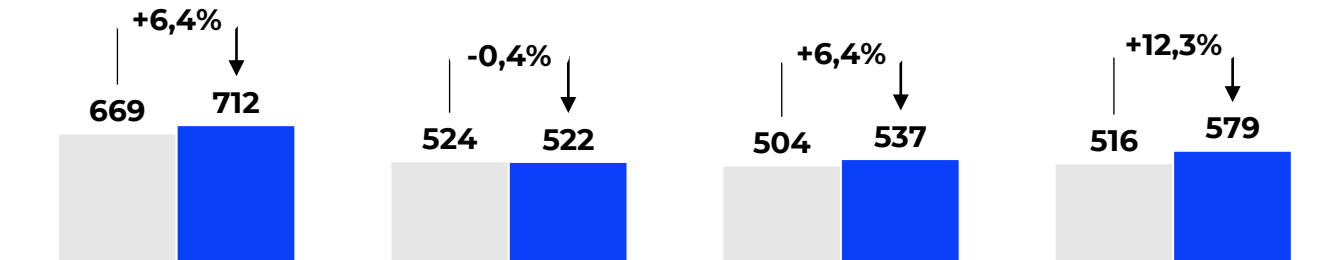
2021 2022

Average donations by category of support, RUB

One-off donations, RUB



Recurring donations, RUB



Support for vulnerable and disadvantaged individuals

Healthcare

Human rights

Environment, animal care

Two categories of support lead the way in terms of average amount of donations in 2022

The average amount of donations to human rights charities increased sharply

Donations to environmental and animal care charities keep growing steadily

103% Amount of one-off donations vs recurring donations

23% Increase in the amount of one-off donations for human rights causes

Possible scenarios for non-profits

Up to 50% decline in funding

A significant number of major donors (both international companies and large private donors) have exited the Russian market and cut back on their charitable giving

Household disposable incomes declined amid uncertainty

Non-profits can no longer count on substantial donations from abroad after Russia was cut off from international payment systems

15% increase in spending

Certain goods are no longer available or went up in price (including food products, pharmaceutical and medical goods)

Imported goods cost more and take longer to deliver

Potential consequences

Pivot with a focus on survival

Cancel non-core programs to reduce the expenses

Retain personnel in Russia

Restructure current programs to provide basic assistance to those in most need

Diversify the mix of fundraising channels

Mass donations

Government grants

Russian business

Mass sports events

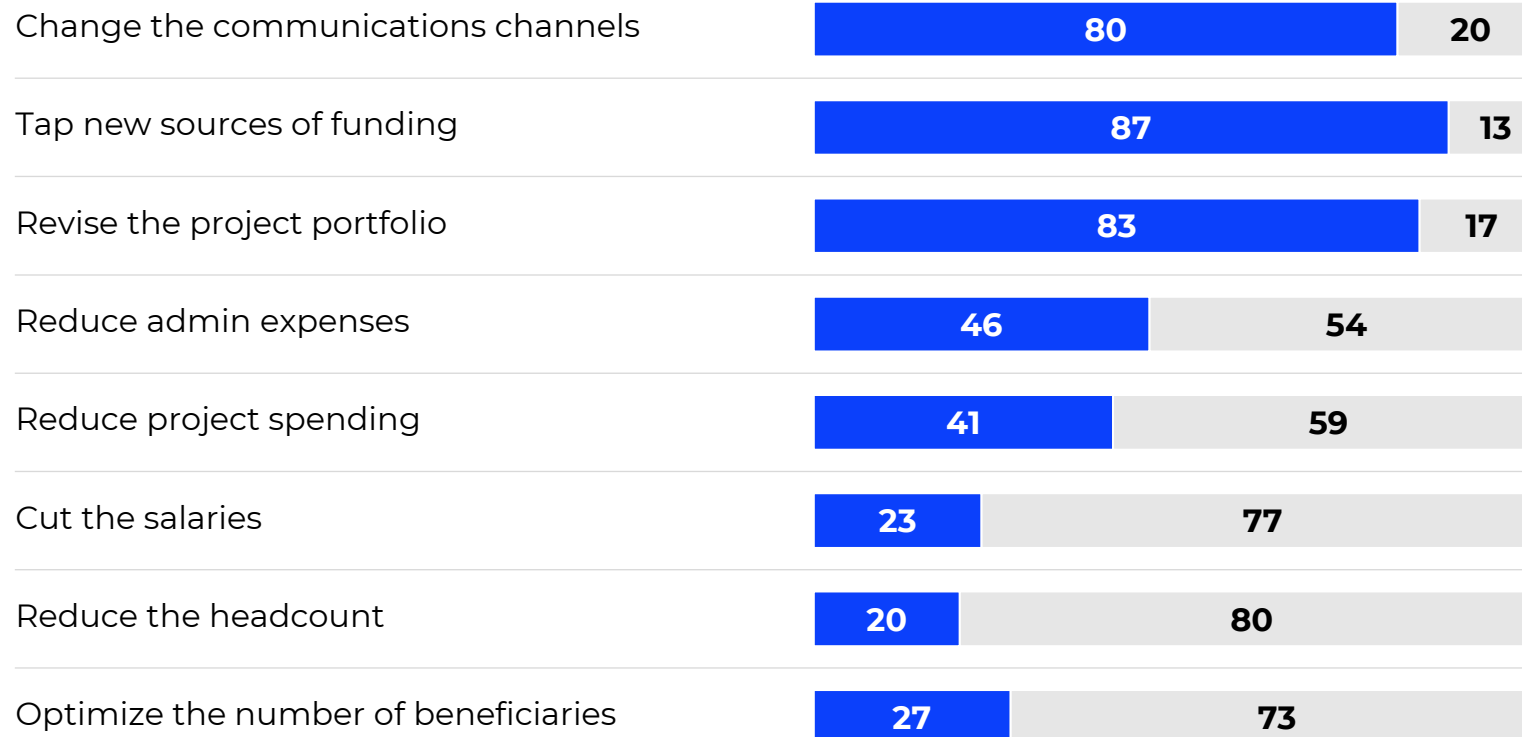
The expected declines in funding and rising expenses will force non-profits to pivot and diversify the mix of fundraising channels

The measures taken by non-profits in 2022 to stave off the crisis need to be adjusted to foster development of the sector in the medium and long term

■ Adopted / planned for the nearest future

■ Not considered

Key anti-crisis measures adopted by non-profits



Short-term anti-crisis measures should be soon superseded by medium- and long-term initiatives

The anti-crisis measures adopted by non-profits and foundations largely focus on short-term “survival”, hampering further development and challenging market players to transition to new methods of operation

22%

Of the surveyed non-profits believe the situation will improve in the future

25%

Do not expect any fundamental changes vs. the current situation

Conventional charitable organizations face consolidation or a structural challenge to create multiple new programs in response to the new imperatives of the time and in line with new methods of operation

Money-wise, the conventional charitable market is unlikely to recover in the foreseeable future

Many charity providers withdrew from the market or are no longer willing to support good causes in this country

Apart from market contraction, new trends are emerging that will dictate the need for structural transformations of conventional foundations:

- Consolidation of similar programs to maximize economic impact
- Social demand for programs for new territories and in response to new imperatives (resocialization, logistics, etc.)
- Uncertainty regarding the role and model of corporate philanthropy

New non-professional players are joining the market. They are able to raise similar funding and are more relevant at the moment, yet conventional foundations are either unable or unwilling to compete

The “rookies“ offer a new model which substitutes systemic solutions based on horizontal community engagement for targeted aid

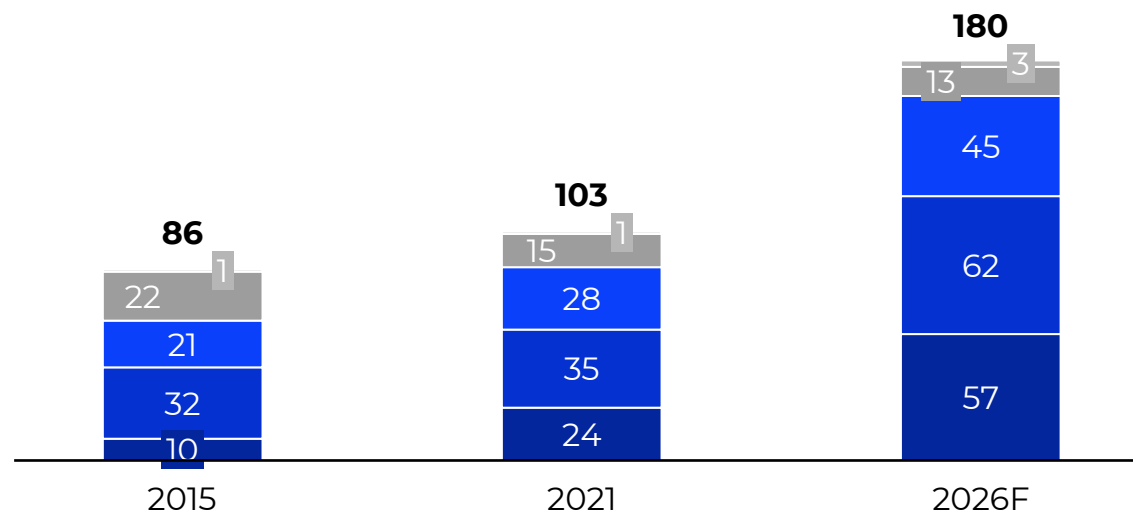
Certain formats of charitable giving (especially those involving horizontal community engagement) are becoming more and more on-trend. This could give an impetus to reuniting the nation (concerted action instead of individual monetary contributions)

Conventional charitable organizations face consolidation or a structural challenge to create multiple new programs in response to the new imperatives of the time and in line with new methods of operation

| Organizations | Current activities | What's in store for the sector: our hypotheses |
|--|---|---|
| Infrastructure and grant-making foundations | <p>Potantin Foundation, Timchenko Foundation, Absolute – Help, Presidential Grunts Foundation</p> <p>Providing grants to non-profits to support statutory rather than project activities</p> <p>Establishing new selection processes favoring grant receivers who work to alleviate the most acute problems</p> | <p>Rethinking resource allocation strategies to support larger-scale programs</p> <p>Promoting the charitable agenda at a national level</p> |
| Major foundations providing targeted aid | <p>Gift of Life, Rusfond, Lighthouse Charity Foundation, Vera</p> <p>Cost-cutting through cancelling non-core programs</p> <p>Restructuring current programs to provide basic assistance to those in most need</p> <p>Diversification of fundraising channels</p> | <p>Providing targeted aid at a national level</p> <ul style="list-style-type: none"> • Consolidation of smaller funds, including those in the regions • Redirecting the funds of corporate foundations (Severstal, Sibur) to solve the most pressing problems |
| Medium-sized and smaller funds | <p>Big Change, Leukemia Foundation, Putevka v zhizn, Dari edu</p> <p>Retaining the employees</p> <p>Establishing support KPI for the next year</p> <p>Business closure</p> | <p>Organizations with inefficient management will have to close down</p> <p>The niche will be filled by large foundations or associations (no non-profit incorporation)</p> |

India's reforms in the third sector serve as a good example of possible next steps

Key anti-crisis measures adopted by non-profits



- Other corporate donations
- Funding from abroad
- Mass donations
- VIP donors and their families

India is the only country in the world where corporate social responsibility (CSR) provisions are mandatory

Companies with a net profit of at least 50 million rupees are required to pay a minimum of 2% of their average net profit over a period of 3 years to support one area of CSR

2% CSR donations guarantee

- sustainable annual funding of the charitable sector
- a wider coverage of areas where aid is required

60%

of charitable donations by VIP donors go to fund educational and healthcare programs

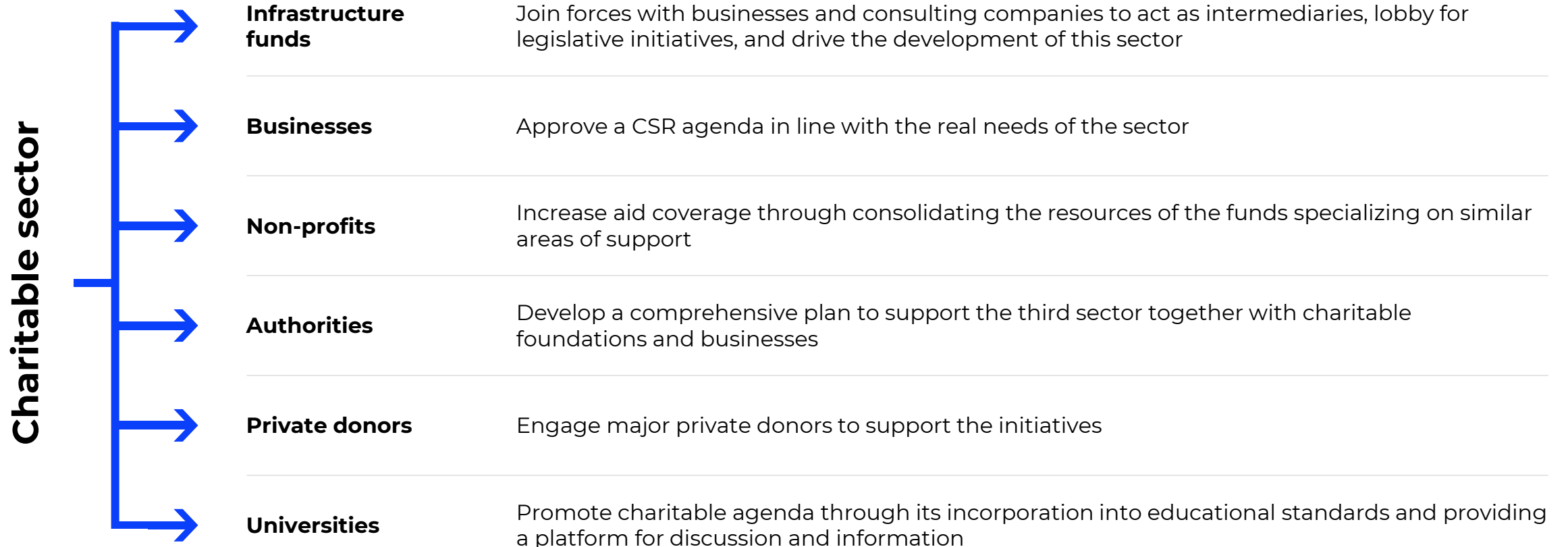
70%

of CSR donations are channeled into healthcare, education, regional development, environment, poverty alleviation, and disaster relief

In India, a separate segment providing facilitation and fundraising services for non-profits has emerged

| Organization | Focus areas | Deliverables |
|--|--|---|
| Dasra | Collaborative Action (matching non-profits and potential donors) | Raised USD 60+ mn |
| | #BackTheFrontline (fundraising campaign for non-profits) | 150+ non-profits received USD 8.5+ mn |
| | NFSSM Alliance (a collaborative body of non-profits driving sanitation efforts in urban and rural areas) | Changes to federal regulations on urban sanitation in 2017 Lobbying through 10+ federal ministers 60% of the guidelines developed by the alliance were used for legislative changes |
| | GivingPi (building a community of VIP donors and philanthropic families) | NA; 2030 target: 5,000 donors annually contributing USD 1 bn |
| | Dasra Philanthropy Forum (sponsor of the annual conference for non-profits) | NA |
| | Rebuild India Fund (grants for partner non-profits) | Financial support to 100 non-profits each year Annual donations of USD 13,500 per non-profit |
| Samhita | CSR services for businesses | CSR program design and development for 125+ companies |
| | Research and outreach | 50+ thematic / industry reports across 3+ focus areas |
| | Public database of verified non-profits (under development) | NA |
| | India Protectors Alliance ¹ | Targeted / infrastructural aid to 5.3 mn people in 20+ states |
| India Philanthropy Initiative (IPI) | Programs consolidating the efforts of alliance members to help frontline healthcare workers and communities during the COVID-19 pandemic | Targeted / infrastructural aid to 1.5+ mn people in 15+ states; 1,000+ hospitals and medical centers |
| | Member enrichment ² | USD 3+ bn expected to be raised annually |

The new challenges facing the sector require new methods of operation: partnerships and collaboration could go a long way towards common goals



Specific steps that should be taken by charitable foundations

| Category | Problem / focus area | Possible solutions |
|-----------------------------------|--|---|
| Funding | Insufficient funding due to loss of corporate and large private donors | Prioritize grants as a means of raising funds Prioritize corporate donors Establish an endowment fund Organize offline fundraising events (the formats might need changing) |
| | Difficulties receiving donations due to problems with payment systems ² | Look into opportunities to receive donations from abroad Develop new fundraising options (e.g. cryptocurrency donations) |
| Operations | Departure of founding members, problems related to employee retention | Provide management services for foundations left without active founding members / managers yet having access to funding (e.g. corporate funds) |
| | New workstreams | Recruit personnel for other non-profits "Turn-key foundation" – a well-tuned model to establish new non-profits / foundations ¹ Facilitate cooperation among players specializing on similar problems (knowledge matching and consolidation) |
| Interaction with the state | No systematic government support | Joint GR activities with other non-profits |
| | | Initiatives to engage individuals in charitable activities |

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