

Annex 7 USAID/ENGAGE Individual Giving in Ukraine



ENGAGE
**Enhance Non-Governmental
Actors and Grassroots
Engagement**



MEMORANDUM

Re: Individual giving in Ukraine

From: USAID/ENGAGE

To: Interested parties

Date: September 30, 2019

Executive Summary:

This memo will describe the individual giving environment in Ukraine, providing a glimpse of givers' current status, main motivations for making donations and list their preferred tools for providing donations. This memo is also a natural extension of analytical material devoted to the key trends and figures of crowdfunding in Ukraine, which was developed by USAID/ENGAGE in 2017¹. The focus of the previous report was slightly expanded, with more focus to “individual giving” and its perspectives for ensuring the financial sustainability of Ukrainian CSOs. The primary data source for this analysis was Civic Engagement Poll (CEP), commissioned by Pact and conducted during the UNITER (Ukraine National Initiatives to Enhance Reforms) and ENGAGE (Enhance Non-Governmental Actors and Grassroots Engagement) activities' years 2008-2016 and 2016-2019, respectively.

“Individual Giving”

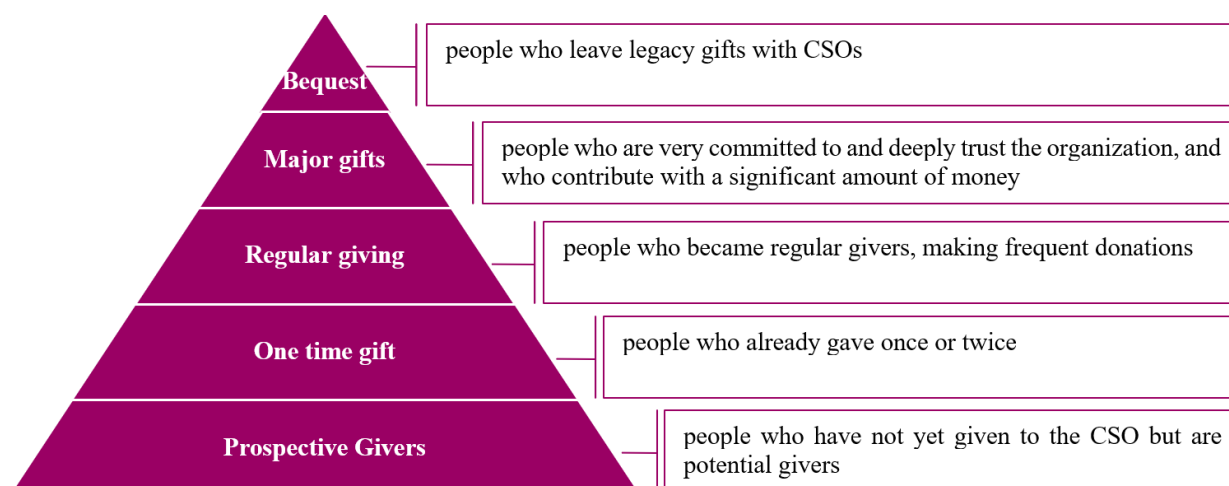


Figure 1. “Pyramid of Individual Donors”

¹ For published version see: Business Ukraine. -Issue 2. 2017. – P.50-52

Subsequent analysis utilizes the Organization for Security and Cooperation in Europe’s “Pyramid of Individual Donors,” (see figure above), wherein each level represents a different CSO effort. The model is recognized for its ability to frame individual giving from a regulator’s point of view, while also demonstrating to CSOs how they can think about and handle their individual donors. According to this model, CSOs have to invest a lot of human and time resources in the first two levels in terms of engagement—for them the first two categories are short-term but high cost—they eventually have the potential to turn to the long-term high return investments on the top three levels.²

Data derived from CEP time series shows that the first three levels of individual giving—prospective givers, one-time givers, and regular givers—are currently functioning in Ukraine, albeit in a very nascent state. They form the core of our analysis.

Most Ukrainians fall within the first level of the pyramid—they have never contributed personally to a civic organization. The second and third stages represent a relatively small portion of the population with a tendency to grow and the share of those who have not yet given to a CSO but could be potential givers decreased from 96% in 2013 to 87% in 2019³. Those who contributed (from up to 100 UAH and more) or made a regular donation now is 13%, a 9% increase from the 4% in 2013.

Have you ever contributed personally to civic organizations to provide for their activities?

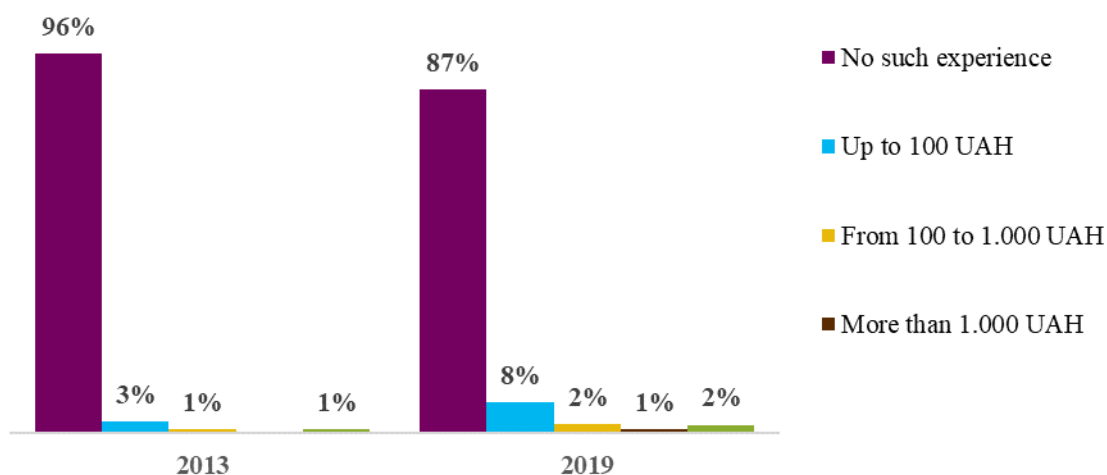


Figure 2. The level of personal contribution of Ukrainians to CSOs

Evolution of Individual Giving in Ukraine

How much Ukrainian CSOs are funded by citizens

During the last decade, and particularly after the Revolution of Dignity, Ukrainians’ readiness to support social initiatives through individual giving have improved (see Figure 3). A report by the State Committee of Statistics shows that the amount of the funding for CSOs has drastically increased since 2014, from 4.1 billion UAH (\$ 0.16 billion) in 2014 to 7.3 billion UAH (\$ 0.29 billion) in 2017. Additionally, the number of CSO increased from 21,417 CSOs in 2014 to 25,988 CSOs in 2017.⁴ In December 2017, USAID/ENGAGE partner Democratic Initiatives Foundation conducted an all-Ukrainian survey Civil Society in Ukraine: Levels of Development, Activity and Charity in December 2017.⁵ Out of 2,004 respondents, every two out of five Ukrainians (41%) admitted to providing financial support or donating materials (e.g., food, clothes) to support civil society organizations. More than half of the respondents donated up to 100 UAH while only about 10 percent of the respondents gave 500 UAH or more.

² National and International Mechanisms of Funding Civil Society. International Practices on Confidence-Building Measures between the State and Civil Society.– K.: Phoenix, 2011.–P.130 // <https://www.osce.org/ukraine/86185?download=true>.

³ Civic Engagement Poll, commissioned by UNITER and ENGAGE in 2013-2019

⁴ http://www.ukrstat.gov.ua/druk/publicat/kat_u/2018/zb/07/zb_go_2017.pdf

⁵ <https://dif.org.ua/uploads/pdf/13963398165a9eef1b022177.77359526.pdf>

But it was rather isolated cases of citizens' networking, aimed at prompting efficient problem solving, ranging from humanitarian and financial assistance for those affected by the conflict in the Donbas to implementation of local initiatives. Increasingly, Ukrainians face and acknowledge their personal role in the effective existence and work of civil society. But at the same time, they still are not yet ready to take responsibility for financing CSO activities and supporting them on a regular basis.

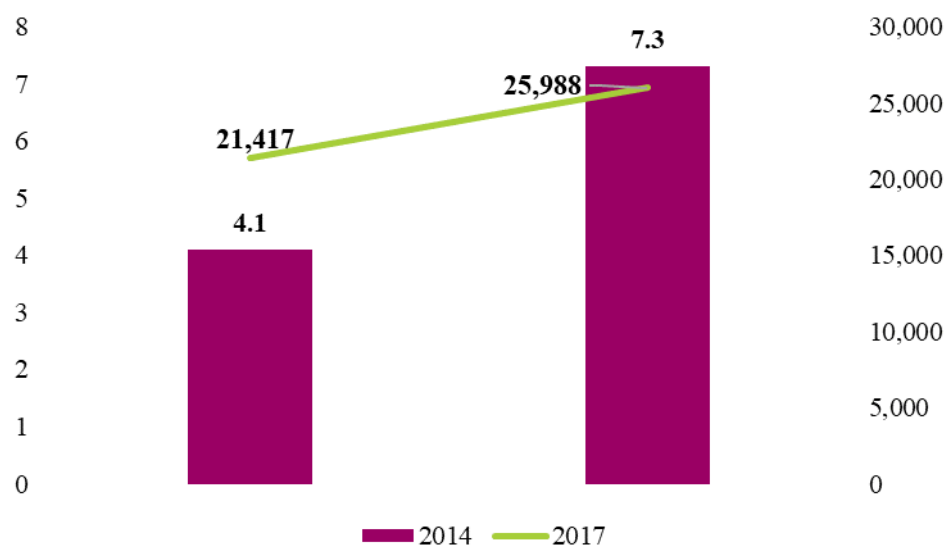


Figure 3. Trend in funding for CSOs and the number of CSOs in Ukraine

Figure 4 demonstrates the dynamics in financial support of CSOs through the prism of the amount of donated money. According to the results of the CEP in 2019, 26% of respondents are willing to contribute up to 100 UAH and 14% are willing to donate 100 to 1000 UAH or more to an organization or a cause that they trust. 35% rejected the idea of contributing and 20% of respondents stated that they are unsure if they could invest funds in a civil initiative. The numbers in all categories do not change significantly, with the only exception being the desire of Ukrainians to give up to 100 UAH—the rate of those respondents decreased from 37% in 2013 to 26% in 2019.

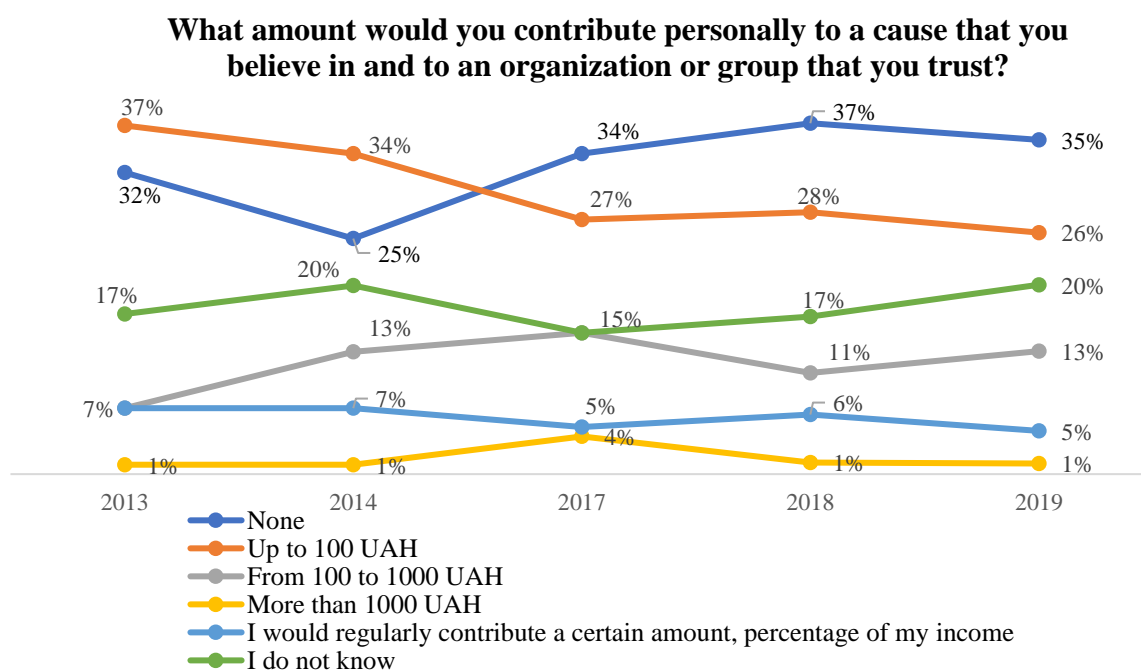


Figure 4. Dynamics in financial support of CSOs through the prism of the amount of donated money

What motivates/discourage people to donate

Ukrainians hesitancy to support CSOs is a topic that is widely discussed by experts in the civil society community.⁶ The reasoning for Ukrainians' reluctance includes CSOs' ineffective communication of activities to their constituencies and a lack of legislative mechanisms to ensure tax philanthropy in Ukraine. Additionally, a legislative initiative seeking to require the government to invest Ukrainian taxpayer funds in CSO activities—sometimes referred to as 'percentage philanthropy'—is seemingly unpopular with citizens. ENGAGE data on civil society dynamics during the last three years suggests that Ukrainians are inclined to reject such policy prescriptions.

Would you support a legislative initiative which obliges the government to invest taxes paid by you to support CSO activities?

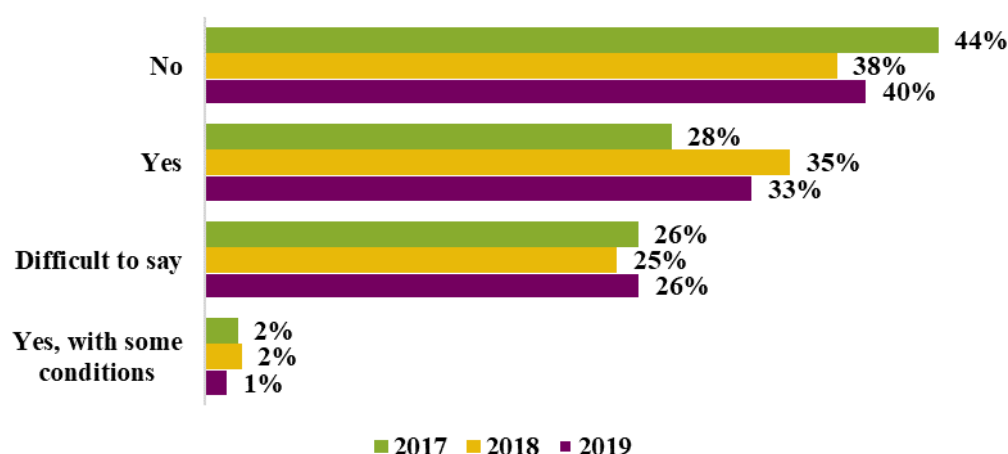


Figure 5. Dynamics of citizens support to legislative initiative which obliges the government to invest taxes paid by them to support CSO activities

Moreover, a comparison of USAID/ENGAGE's Civic Engagement Poll data from 2013 and 2019 shows an overall drop in the motivations of Ukrainians' to support a certain initiative. During the last six years, fewer Ukrainians are influenced to donate based upon their personal knowledge of who benefited from a CSOs' work", the "transparent management of CSO funding," and "general support for a cause that the civil initiative supports" (a bit less than half as many). Additional factors (including those not listed in the below Figure), such as "personally knowing people who are implementing the initiative," "the active advertisement of the fundraising campaign" and "public reporting of expenses" all demonstrated a 3-4% decrease. A slight rise in 4% (from 14% in 2013 to 18% in 2019) in the influence of an "open discussion about the activities of the civil initiative" category suggests qualitative changes in understanding CSOs' activities and probably implies the emergence of a more professional (and important) audience, who prefer to be more educated in CSOs' specifics. Lastly, it is notable that every fourth of the respondents in 2019 said that nothing could motivate them to make an individual gift to CSOs.

An individual's decision to give or not to give is strongly influenced by the participation of peers. Both how many donations people give and how much they give are good predictors of gift amounts. Individuals are also responsive to changes in the contribution behavior of their peers over time. However, these effects are not necessarily due to the giving behavior of ones' peers. It is not possible to separately identify endogenous and contextual effects.⁷ Transferring money to well-known charity accounts probably also speaks to one's feeling of affiliation—the motivation to seek group

⁶ Based on discussion with ENGAGE partners – leading Ukrainian CSOs – during the ENGAGE FY20-21 Visioning. ENGAGE learning & planning follow-on co-creation event. Kyiv. July 1-3, 2019.

⁷ Social Influences and the Private Provision of Public Goods: Evidence from Charitable Contributions in the Workplace. Katherine Grace Carman. Harvard University, p.33.<http://rwj.harvard.edu/scholarsmaterials/carman/SocialInfluences.pdf>

entry through the act of a donation, which provides reassurance that one is a member of the group. Affiliation seekers want peaceful relationships with others rather than recognition for their work. Group affiliation is usually accompanied by positive feelings of “oneness” or “we-ness”, associated with fitting into a group and resulting in a sense of belonging.⁸

Donations could also be influenced by a giver’s desire to gain pleasure or happiness from their donation. A 2008 study by Harvard Business School professor Michael Norton and colleagues found that giving money to someone else lifted participants’ happiness more than spending it on themselves.⁹ Researchers also found that when JustGiving donors see that the donor before them has made a large donation, they make a larger donation themselves.¹⁰

Whom people consider as a primary source of funding

According to the ENGAGE Civic Engagement Poll (CEP), when asked about who should finance CSOs, over half of the respondents stated that it should be left to the most affluent (62%), the state (44%) and business (49%). Over 19 percent of respondents said that citizens should financially support CSOs. The respondents’ conception of giving has changed very little during the last six years.

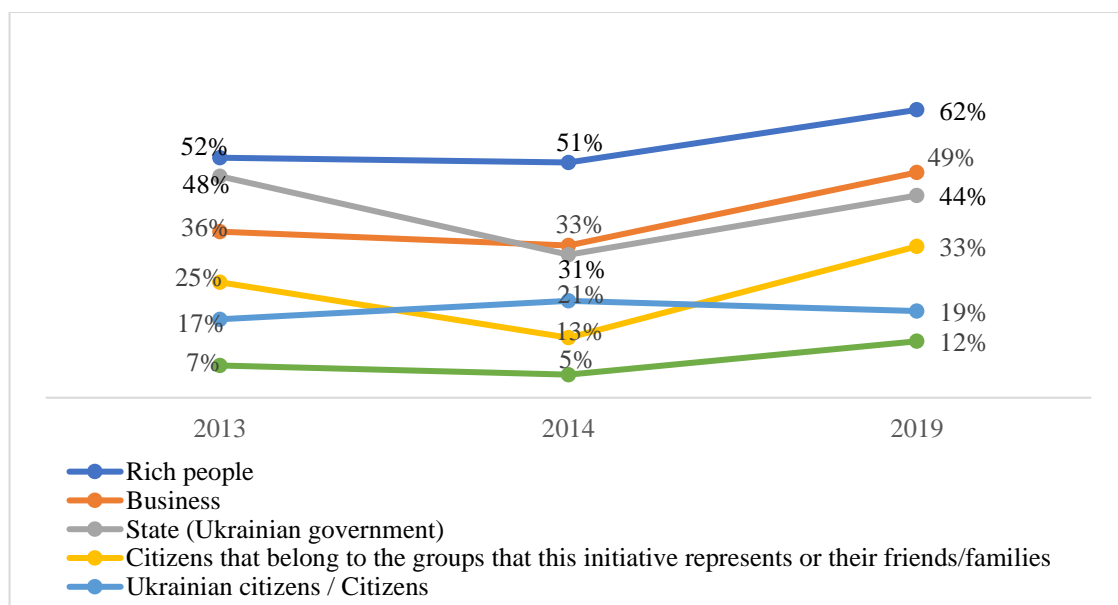


Figure 6. Dynamics of Ukrainians’ opinion about “responsible persons” for the financing of civic initiatives or CSOs

⁸ What Motivates Donors to Athletic Programs: A New Model of Donor Behavior. https://www.researchgate.net/publication/275431884_What_Motivates_Donors_to_Athletic_Programs_A_New_Model_of_Donor_Behavior

⁹ <https://hbswk.hbs.edu/item/spending-on-happiness>

¹⁰ The science behind why people give money to charity. <https://www.theguardian.com/voluntary-sector-network/2015/mar/23/the-science-behind-why-people-give-money-to-charity>

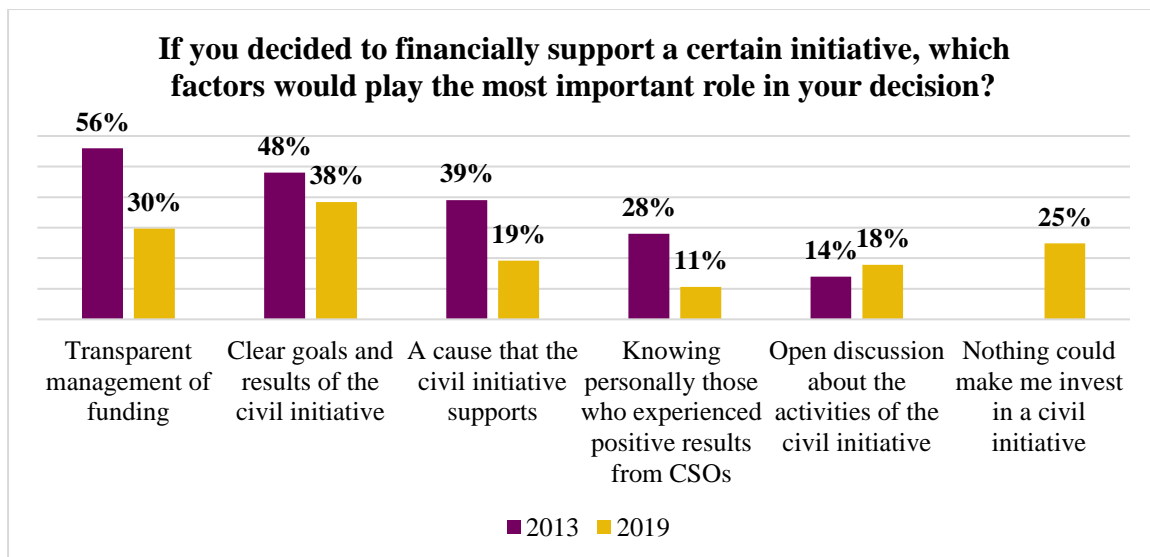


Figure 7. Momentum of decision-making factors for financial support of CSOs by Ukrainians

Despite the declines in the aforementioned factors influencing support for CSOs, analyzing the connection between those who were engaged in some type of civic activity (work in the local community committee, submitting formal complaints, etc.) and those who donated to CSOs provides a more optimistic outlook. This comparison suggests that CSOs are the only type of organization that are supported financially by engaged citizens, e.g. those who participated in at least one type of civil activities during the last 12 months). A deeper analysis of the data sheds light on strong connection between democratic participation and financial contribution to social causes:

- Ukraine's individual givers form the strongest relationships with anti-corruption-related causes, including anonymous reports on corruption or electoral violations (37%), reports to media (33%) and prosecutors or the police (22%).
- A second cause resonating with individual donors is activities related to direct participation in civil activities, including: commenting on draft laws (33%), participation in a formal advisory council (30%), and signing an electronic petition (27%).
- Respondents' answers also demonstrate the sole significant connection between those who were engaged in some type of civic activity (work in the local community committee, submitting formal complaints, etc.) and those who donated to CSOs (see Figure 8).

	CSOs	Army	Church	Orphanages or critically ill	Political parties	Poor people on the streets	Trade unions
Anonymous reports on corruption or electoral violations	37	49	72	45	28	71	35
Reports on corruption in media	33	51	57	45	16	62	38
Commenting on draft laws	33	57	70	49	28	69	44
Participation in a formal advisory body	30	62	65	52	23	66	51
Formal information requests	26	72	72	56	14	70	46
Public hearings	25	78	82	57	13	69	37
Peaceful assembly	25	76	75	55	11	66	30
Personal or phone reports on infrastructural issues	20	71	79	49	16	66	44
Work with local community committee	23	66	71	54	10	69	49
Political parties	22	60	67	54	19	50	41
Reports on corruption to the prosecutor or the police	22	48	47	44	18	44	29
Online reports on infrastructural issues	22	61	56	53	16	57	40

Submitting formal complaints to state bodies	24	61	68	53	16	64	43
Electronic petitions	27	58	53	50	17	55	34

Figure 8. Correlation between those Ukrainians who were engaged in different types of civil activities and financial support of social institutions¹¹

Mechanisms of funding

In addition to the challenge of locating individual givers, Ukrainian CSOs also confront the task of identifying various tools, avenues and forms of donation that appeal to givers. The “2018 Global Trends in Giving” Report¹² shows that 54% of donors worldwide prefer to donate online with a credit or debit card. 11% prefer direct mail/post, 11% prefer cash, 10% prefer a bank or wire transfer, 9% prefer Paypal, 4% prefer a mobile application, and 1% prefer to donate via text message. However, based upon the results of Ukrainians polled in the 2019 CEP, the situation in Ukraine differs from global trends.

The most convenient way to fund any socially important initiative for Ukrainians is through donations boxes in supermarkets or other public places,¹³ while crowdfunding platforms are one of the less popular tools among Ukrainians. But its turnout has a tendency to increase the total amount of fundraised resources. See the Figure 9.

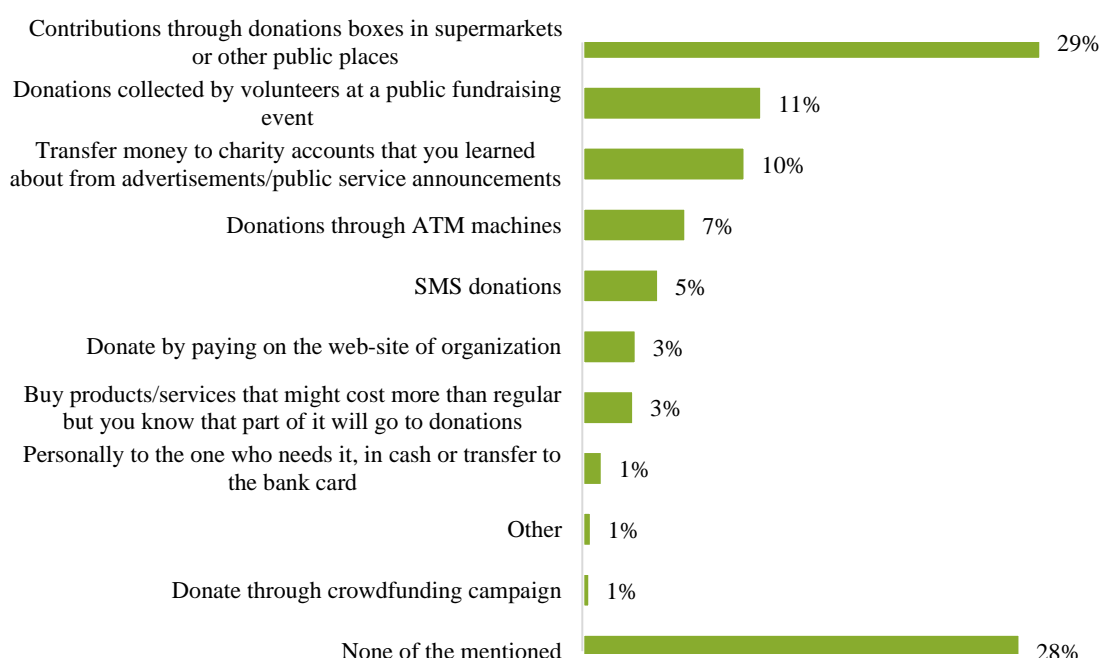


Figure 9. “Crowdfunding platforms for Ukrainian fundraising campaigns: campaigns supported, funds raised, number of givers.”.

Donations collected by volunteers at public events is also a convenient form of donating for Ukrainians.

In Ukraine, individual giving through an ATM or direct banking transaction is not well-developed and existed only in the form of banks’ corporate social responsibility programs. As of August 2019, two Ukrainian banks have a donation option for its consumers to be used via ATM machines. The first one is an EximBank, which engages its clients to participate in the “Together for the Life” initiative, via donating funds for the Children’s Branch of the National Cancer Institute. It’s an automatic option which transfers 0.99 UAH (\$ 0.04) from each client’s transaction.¹⁴ As of August

¹¹ Slots marked in green identified top three correlations between those who were engaged in some type of civic activity(x) and those who donated to different social institution(y).

¹² 2018 Global Trends in Giving Report. <https://givingreport.ngo/>

¹³ USAID/ENGAGE Public opinion survey to assess the changes in citizens’ awareness of civil society and their activities. 2019.

¹⁴ <https://www.eximb.com/ua/business/prywatnym-klientam/prywatnym-klientam-platizhni-kartky/prywatnym-klientam-dodatkovyi-poslugy/visa-razom.html>

2019, the bank raised over nine million UAH (over \$ 355,730¹⁵). The second bank is PrivatBank. This financial institution created in 2011 has established a “It’s Easy to Donate” charity foundation, which accumulates funds from small amounts transferred through cash desks, ATMs, self-service terminals or Privat24. At times, clients do not consider themselves philanthropists, for example, giving up a few cents when settling in self-service terminals for charity. But thanks to these “copay” donations, foundations produce about three million UAH a month (\$ 118,577).¹⁶ In total, its ATM program has raised over 162 million UAH (\$ 6.4 million) from over one million donators.

Since 2018, Ukrainian CSOs are allowed to raise funds through an “SMS charity.” The tool is effectively used by charity organizations supporting critically ill citizens (mostly children), participants of the Anti-Terrorist Operation (ATO), and members of their families.¹⁷

Ukrainian CSOs prefer to use a direct banking transaction approach for raising funds on direct initiatives. For example, the Anti-Corruption Action Centre (AntAC) raised over 1.26 million UAH (\$ 49,683) from individual giving of Ukrainians and over 583,000 UAH (\$ 23,043) from foreigners abroad for its main activities.¹⁸ They also attracted funds for its online tool “Serpom po reyntinhu (“Striking Ratings with a Sickle”). It helps the public to identify members of Parliament which violate procedures by voting for their colleagues in their absence, voting for corruption-risk laws, protected corrupt officials and attacks on progressive reforms. During the first year of its existence, activists gathered over 350,000 UAH from 1,242 Ukrainians. And the best results came before the latest election races to Ukrainian Parliament. In less than a month AntAC received 159,000 UAH (\$ 6,284) from 424 Ukrainians.

Transparency International reported that in 2018, Ukrainians donated 131,176 UAH (\$ 5,184) to their organization.¹⁹ Another Ukrainians CSO, VoxUkraine, raised over 1.3 million UAH (\$ 51,380) within three years from over 500 Ukrainians.²⁰

Crowdfunding platforms are remarkable for being largely unpopular among citizens, yet they are utilized by Ukrainian CSOs at both national and international levels. The above chart demonstrates that only 1% of Ukrainians have used crowdfunding platforms. The lack of popularity could be explained by demographics; because crowdfunding is by-and-large a digital fundraising method, the platform is more likely to be utilized by younger Ukrainians. Traditional crowdfunding is very popular with millennials, so the logic says that nonprofit campaigns appeal strongly to this age group. Currently, 71% of youth around the world have already indicated that they support non-profit via crowdfunding.²¹ Data demonstrates²² that Ukrainians lack information about how to support initiatives, socially important projects, and to CSOs via crowdfunding platforms. The majority of Ukrainians has never heard about the aforementioned platforms (74%-95%).



Figure 10. Recognizability of the Ukrainian crowdfunding platforms

¹⁵ Currency exchange 1 \$ equivalent to 25.3 UAH.

¹⁶ PrivatBank official web-site information <https://privatbank.ua/news/2019/7/17/970>

¹⁷ SMS donations to charity now available in Ukraine. <https://www.kyivpost.com/ukraine-politics/sms-donations-to-charity-now-available-in-ukraine.html>

¹⁸ Financing of ANTAC info. Official web-site. <https://antac.org.ua/pro-nas/>

¹⁹ To reduce the level of corruption. Transparency International Ukraine Annual report 2018. <https://ti-ukraine.org/wp-content/uploads/2019/04/Annual-report-TI-Ukraine-2018.pdf>

²⁰ Accumulated information from VoxUkraine Annual reports <https://voxukraine.org/uk/about-us/>

²¹ Fundly statistics data base <https://blog.fundly.com/crowdfunding-statistics/#general>

²² USAID/ENGAGE Public opinion survey to assess the changes in citizen’s awareness of civil society and their activities, 2019.

Within the last few years, Ukrainian crowdfunding platforms have developed to focus on diverse issues, such as humanitarian relief for victims of Maidan and the conflict in eastern Ukraine, and innovative civil society and community development projects. Ukrainian crowdfunding platforms can be defined according to their specialization, such as: support for humanitarian issues, nonprofit projects, or social entrepreneurship.

Charity-Giving Crowdfunding (more commonly referred to as donation-based crowdfunding outside of Ukraine) helps raise funds for targeted assistance to people in need or to resolve pressing issues mainly of individual concern. Examples of crowdfunding include fundraising for an individual's medical treatment or long-term medical care, renovation of a damaged building, or funds for university fees. Several charity-based crowdfunding platforms were established after EuroMaidan, such as families.org.ua and People's Project, while others like Ukrainian Philanthropic Marketplace (UBB) and Tabletochki existed before.

Ukrainian Philanthropic Marketplace (UBB)²³ is the biggest Ukrainian philanthropic online fundraising platform, which was created in 2012 by the Victor Pinchuk Foundation. Over 144 million UAH (\$ 5.69 million²⁴) has been raised on UBB as of December 2017, to save lives and support philanthropic projects in numerous areas. More than 3,000 projects by 120 accredited CSOs have been supported by the UBB.

Community-Enhancing Crowdfunding employs philanthropy to bring value to a given community and contribute to the development of open society incentives which go beyond direct benefits to project creators and backers. Projects focus on urban development and infrastructure, information sharing or educational projects, and public broadcasting, among other topics. Community-enhancing platforms include Spilnocosht, and GoFundEd, a new platform for educational projects.

Considering the absence of local crowdfunding platforms in combination with existed need of CSOs to raise additional funds for their activities, the UNITER project – predecessor of ENGAGE activity – supported development in 2012 of Spilnocosht²⁵ based on the social innovation platform “BigggIdea”.

Spilnocosht was one of the first and known Ukrainian crowdfunding platforms for social innovations and community development projects. Since that time the platform raised 23,208,299 UAH (\$ 0.92 million) from 37,273 donors for the successful implementation of 307 projects.

*GoFundEd*²⁶ is an educational crowdfunding platform, which was launched in 2016 and allowed everyone to launch a campaign and raise funds for the implementation of his or her own educational initiative, or make a financial contribution and thus support positive changes in Ukrainian education. As of March 2018, the platform raised 1,654,025 UAH (\$ 0.7 million) from 2,356 philanthropists.

Rewards-Based Crowdfunding Platform, which offers pre-ordered options for backers and start-up funding for creators, are still developing in Ukraine. One example is Komubook, the Ukrainian platform for crowd-publishing. In return for contributing funds for a book's publication, backers are provided a copy of the book in return. Na Starte is also built on the idea of a group buying as a means to fund innovative entrepreneurial ideas.

Ukrainians and Ukrainian CSOs also use international crowdfunding platforms, such as Kickstarter and Indiegogo, before Ukrainian platforms were developed, and they continue to use them.

Indiegogo²⁷ hosted a crowdfunding campaign in Ukraine for Hromadske Radio, Tech CEOs Coalition to support Ukraine's IT Workforce, and Tech2Empower hosted the Women in Ukraine initiative.

Among international platforms, the most popular were Kickstarter, Indiegogo, Fundly and GoFundMe. Among Ukrainian platforms, our citizens continued using the UBB, Spilnocosht,

²³ Ukrainian Philanthropic Marketplace <https://pinchukfund.org/en/projects/18492/>

²⁴ Currency exchange 1 \$ equivalent to 25.3 UAH.

²⁵ Every Little Bit Helps: Ukrainian Crowdfunding Figures and Trend. Data on Ukrainian crowdfunding platforms portray certain values driving the activity of average Ukrainian philanthropists. <https://voxukraine.org/en/every-little-bit-helps-en/>

²⁶ GoF – educational crowdfunding platform <http://gof.org.ua/en/about-us/>

²⁷ Indiegogo. Go to press. <https://www.indiegogo.com/about/news>

GoFundEd, and others. The table and figures below present statistics from Ukrainian fundraising campaigns on various platforms, both international and Ukrainian.²⁸

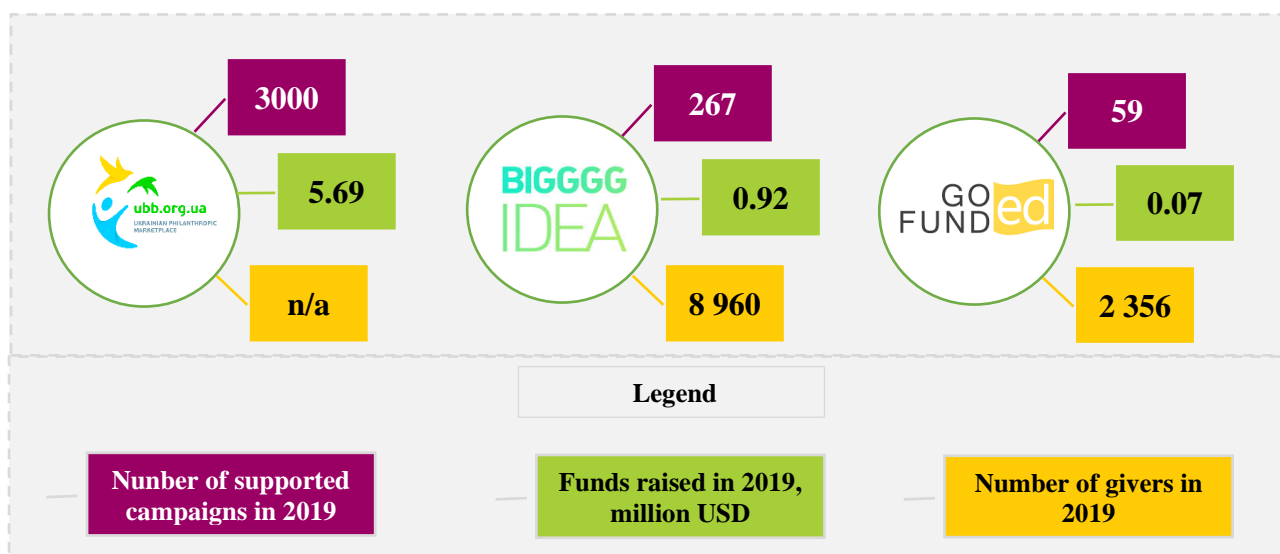


Chart 11. Crowdfunding platforms for Ukrainian fundraising campaigns: campaigns supported, funds raised, number of givers in 2019 year

ENGAGE surveyed its core partner Ukrainian CSOs on their constituency engagement and reach:

- Four out of 15 surveyed CSOs supported by USAID/ENGAGE said that they used crowdfunding platforms for raising additional funds for their activities.
- Only one of them used this fundraising approach constantly, the rest for some projects related to CSO development, conduction of events and educational initiatives.
- Among the crowdfunding platforms used by CSOs, they named Spilnokosht, UBB and Bigggidea. Indiegogo was named as a foreign crowdfunding platform.

While 80% of respondents plan to use a crowdfunding approach from 2019-2020, only 47% of them believe in the effectiveness of such tools.²⁹

Conclusions

- Ukrainians predominantly occupy three out of five levels of the so-called “Pyramid of Individual Donors.” These three levels include people who have not yet given to CSOs but are potential givers; people who already gave once or twice occasionally; and regular givers. However, only regular giving will ensure real sustainability of CSOs.
- Ukrainians rely on the most affluent for providing CSOs with financial support. Ukrainians also look to businesses for supporting CSOs. These findings suggest that Ukrainians have a limited understanding of the civil society environment and how CSOs receive financial support.
- Factors that once motivated or influenced to Ukrainians to make donations are not as influential as they once were. This suggests that CSOs should reconsider their communication strategies with their constituencies.

²⁸ Updated data from the ENGAGE Memo “Crowdfunding in Ukraine: Trends and Figures”, February, 2017

²⁹ Based on survey conducted among USAID/ENGAGE core partners in August 2019. The answers collected were given to the questions: Do you plan to use crowdfunding platforms as a tool for attracting addition funds for your organization for 2019-2020 years? Do you think that attracting funds via crowdfunding platform is an efficient tool for ensuring organization's self-financing?

- If CSOs seek to lobby for new a new policy on individual giving, should understand that at present only one-third of citizens would support a percentage philanthropy bill. Rather, citizens feel that the better off should sponsor CSOs.
- The most convenient way for Ukrainians to give is through donation boxes in supermarkets or other public places.
- Crowdfunding, being still a relatively new phenomenon is rapidly gaining traction and may become a regular and steady source of income for civic initiatives and CSOs.