

Social Impact Alliance

FOR CENTRAL
& EASTERN EUROPE

Philanthropy and Corporate Social Responsibility in CEE



Prague | November 24, 2022

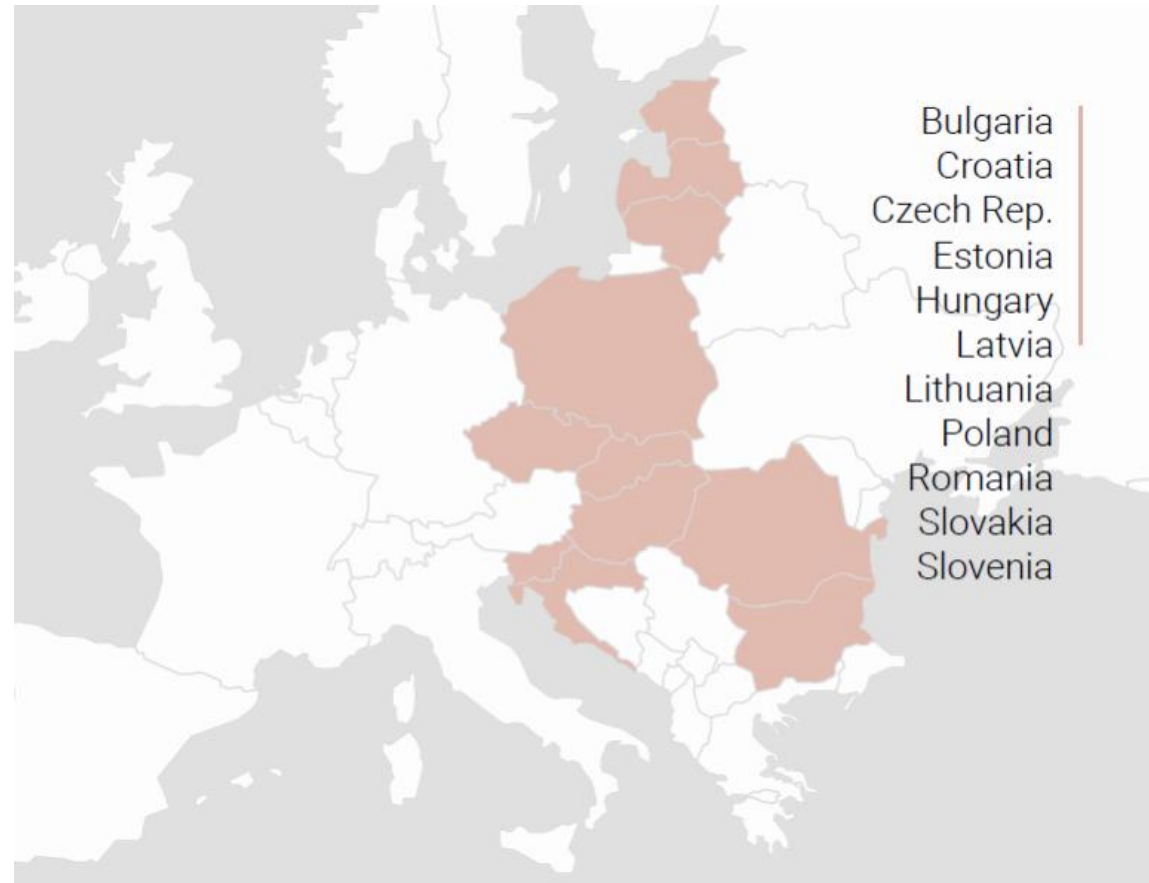
Unlocking private resources for social good

An **international think tank** actively working in **11 countries of CEE**.

Giving a voice to **thousands of key decision makers** and **millions of citizens** across the CEE region.

Searching for answers to:

- how to **unlock private capital for social good**
- how to **effectively finance** and tackle social challenges.



Our major objectives

01

Increase **awareness**
and build a culture
of giving

02

Create a supportive
and easy-to-navigate
ecosystem

03

Identify and scale
the most impactful
solutions

04

Encourage
and coordinate
collective action

05

Equip
decision makers
with **reliable data**

Our values



OUR VISION

Social engagement in Central & Eastern Europe is transformed from reactive and dispersed to strategic and systemic



OUR MISSION

To facilitate and accelerate more informed, intentional and impactful social engagement in Central & Eastern Europe



OUR IMPACT

Social issues are effectively financed and tackled. Capital flows towards social issues are increased

Why are we doing this?

2,8 → 5,4
bln EUR bln EUR

CEE citizens would be willing to donate almost
2x as much as now
with proper motivation

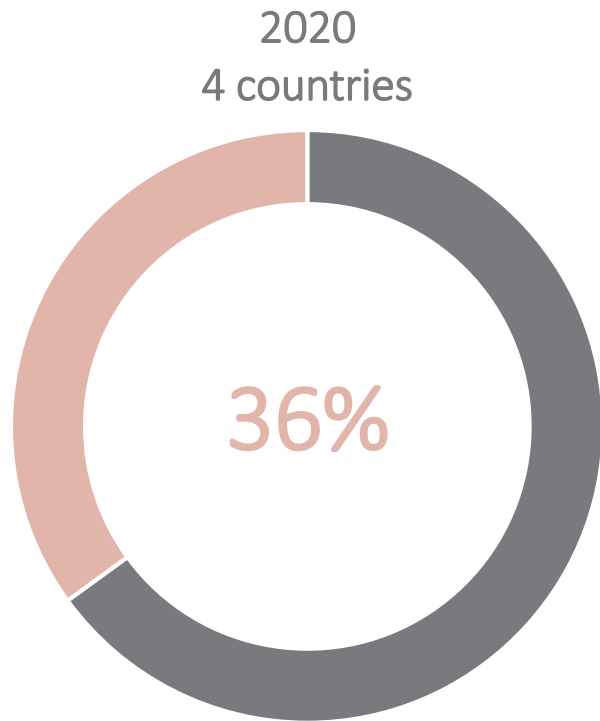
The context is important



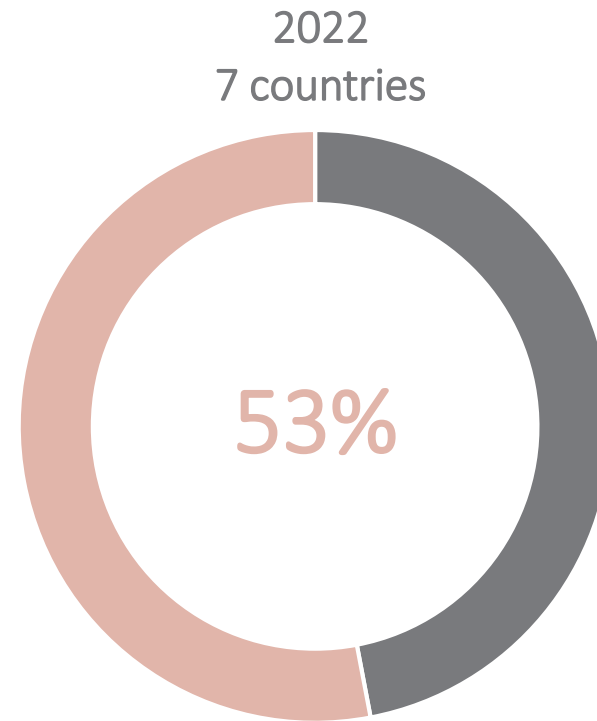
Tough times...



... more commitment



changed their social engagement due to the pandemic



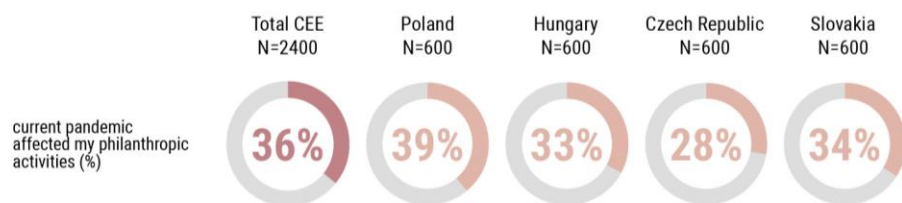
supported Ukraine

Philanthropy in Central & Eastern Europe 2020, N=2400, Poland, Czech Republic, Slovakia, Hungary

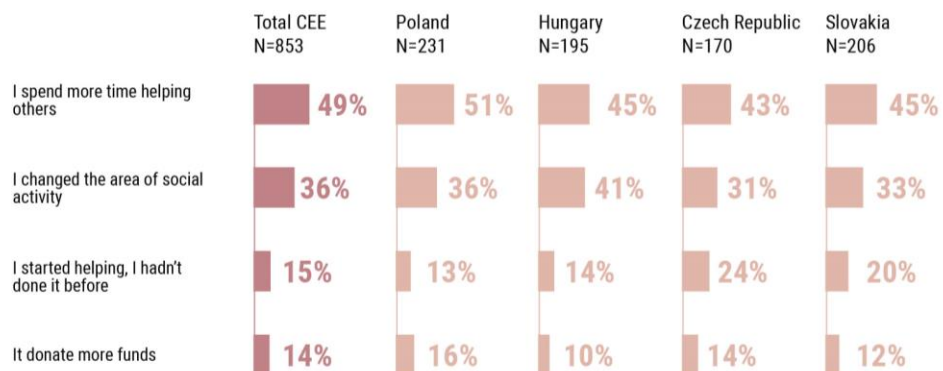
Philanthropy in Central & Eastern Europe 2022, N=4200, Bulgaria, Croatia, Estonia, Latvia, Lithuania, Romania, and Slovenia

The pandemic was an important period

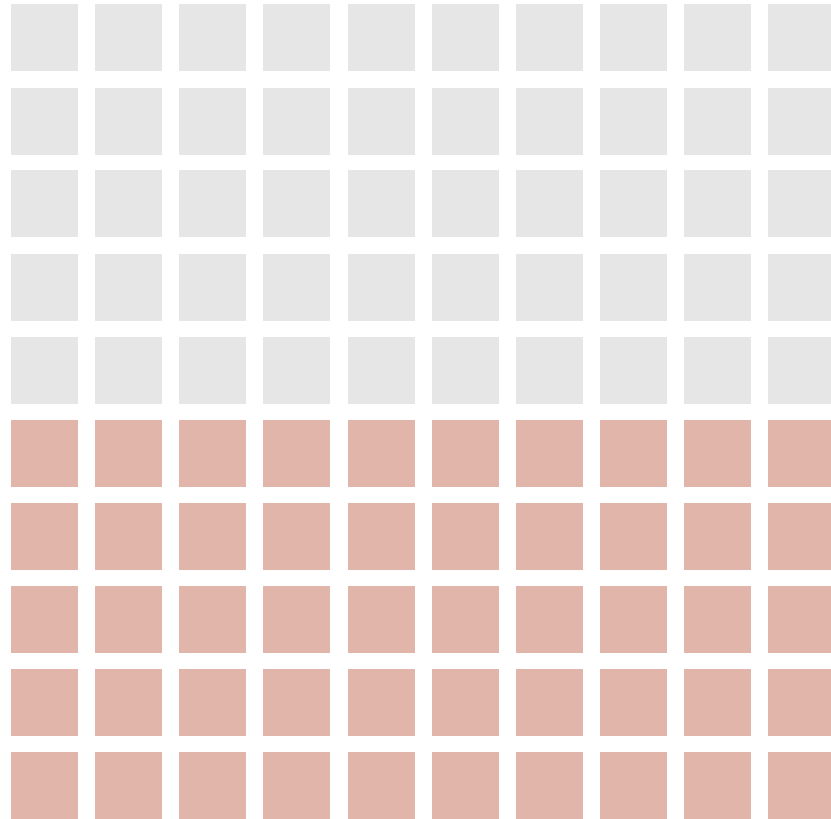
Has the current pandemic affected your philanthropic activities?



What has changed?



From reactive to strategic?



around 50%
would like to keep their involvement
after crises



From reactive to strategic?

59%

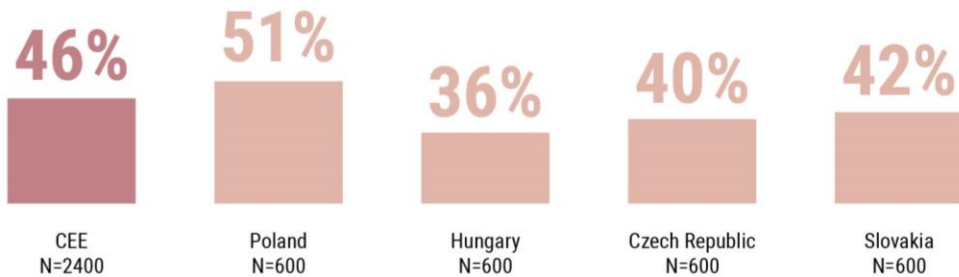
believe that current geopolitical situation requires all of us to
be (more) involved in tackling social issues

Do we have a good starting point?

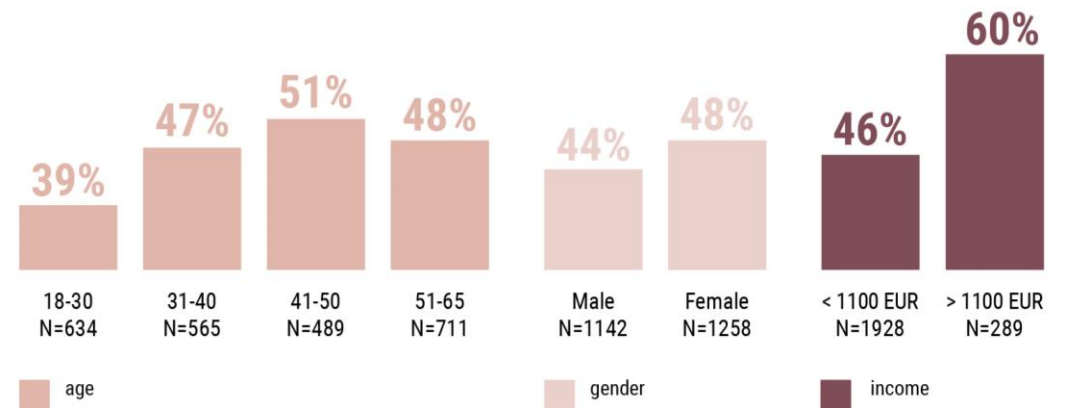


Scale of involvement

In the last 12 month, have you donated funds to a SOCIAL PURPOSE ORGANIZATION?
YES (%)



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YES (%)

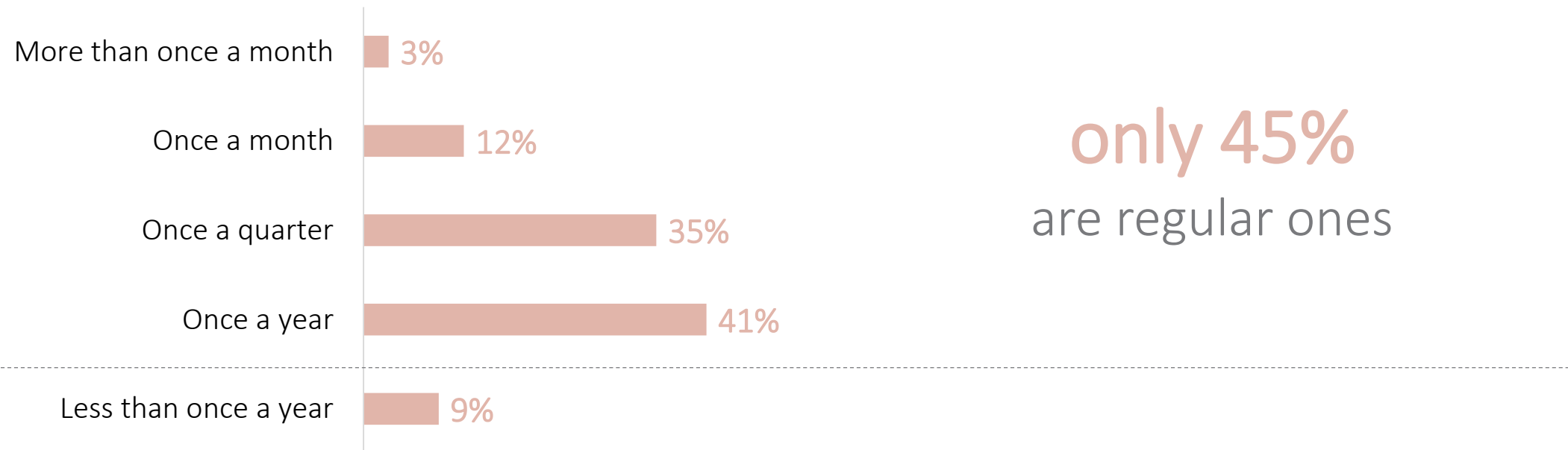


Scale of involvement

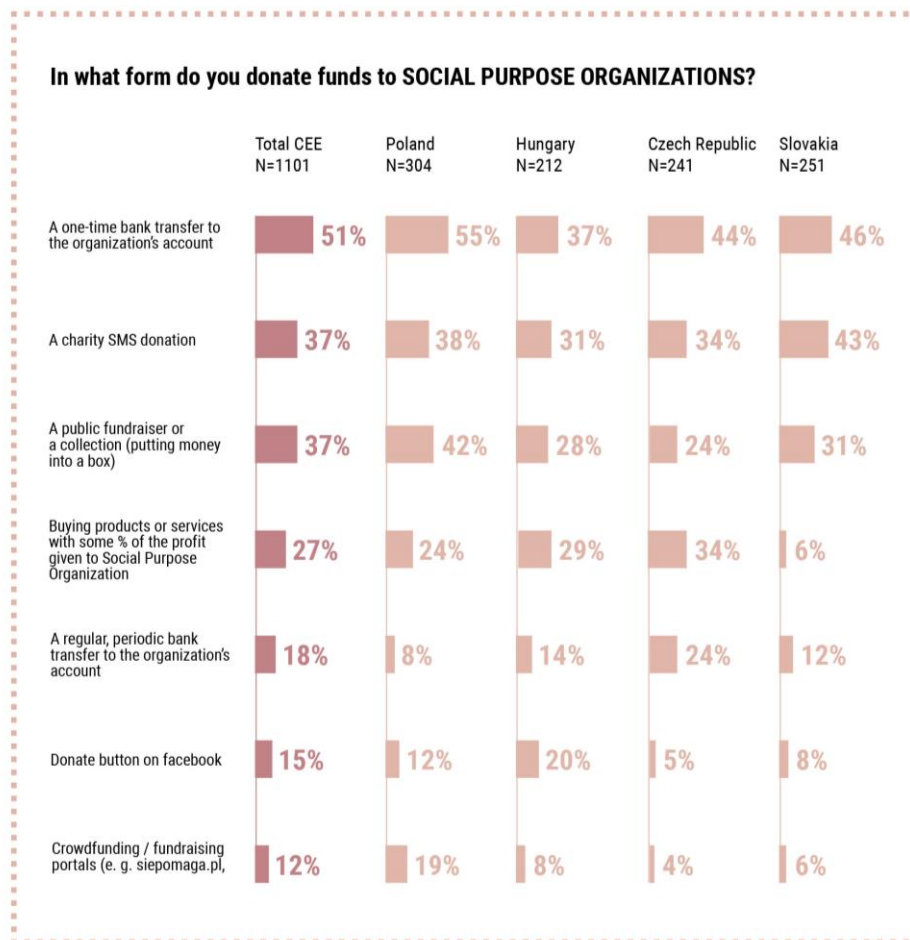
Country	current payments per donor	current payments per citizen	declared payments of donors and non-donors per citizen
Czech Republic	EUR 150 / CZK 3900	EUR 55 / CZK 1,500	EUR 110 / CZK 3,000
Slovakia	EUR 110	EUR 45	EUR 100
Hungary	EUR 85 / FT 30,000	EUR 30 / FT 10,500	EUR 50 / FT 17,000
Poland	EUR 80 / PLN 350	EUR 40 / PLN 180	EUR 75 / PLN 330

But donations are infrequent and irregular

How often do you donate funds to social purpose organizations?



Donation tools are not so innovative

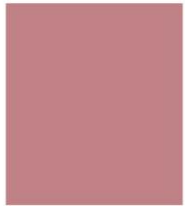


Volunteering is an option

Have you been involved in volunteering in the last 12 months?

YES (%)

33%



CEE
N=2400

32%



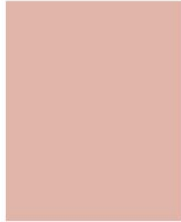
Poland
N=600

31%



Hungary
N=600

36%



Czech Republic
N=600

34%



Slovakia
N=600

38%

AGE: 18-30

... and growing in 2022

What can we do?



What can we do to achieve that?

2,8
bln EUR

→

5,4
bln EUR



We are running consultations to find a way

around 120 organizations from 6 countries... so far

ABRIS Capital Partners
ACT Group
Adris Foundation
Akademia Leona Koźmińskiego
Akademia Rozwoju Filantropii w Polsce
Algebra University College
AMSP
András Nagygyörgy
Ashoka
Association of Social Responsibility
AVPO CR
B Corp / B-Better
BADUR Foundation
BASF
BCC dla Rodzinnych
BNP Paribas
Bride Budapest
Business Leaders Forum
Catalyst Balkans
Centre for Philanthropy
Centrum PISOP
CEZ Group
Charity Compass Foundation
Circular Slovakia
CMT-Advisory

Coalition for Easy Giving
Corvinus University of Budapest,
CRIDO
Croatian Business Council for Sustainable
Development
Croatian Chamber of Economy
Croatian Chamber of Trades and Crafts
Croatian Employers' Association
CSR Consulting
CSR Info
Czech Invest
Day One Capital
Effekteam
ESET
Euroventures
EY
Family Business Network Hungary
FAOO (Fundacja Akademia Organizacji
Obywatelskich)
Feelsgood Capital
Feelsgood Impact Panel
Female Algorithm
FISE (Fundacja Inicjatyw Społeczno
Ekonomicznych)
Forum Darczyńców
Forum Odpowiedzialnego Biznesu
Frank Bold

Global Compact Network Croatia
Glopolis
Google
Green Brands
Hungarian Association of Executives
Hungarian Environmental Partnership
Foundation
ING
Inspired / EVPA
Institute of Family Business
Instytut Biznesu Rodzinnego
Lidl Czech Republic
Milan Gauder
Mladenka Majerić
National Foundation for Civil Society
Development
Netguru
NHOOP CEETRUS (Holding Auchan)
NIOK Foundation
Pontis Foundation
PortfoLion Capital Partners
Prague University of Economics and
Business
PwC
Sawczuk Agnieszka
Scale Impact
Silke Horakova
Simpact

Slovak Business Agency
Slovak Fundraising Centre
Slovak Telekom
Slovenská sporiteľňa, a.s.
Social cooperative Humana Nova
Social Inovators, cooperative
Solidarna / Foundation for human rights
and solidarity
Stowarzyszenie Inicjatywa Firm
Rodzinnych
Stowarzyszenie Klon-Jawor / NGO.PL
Tech To The Rescue
The Entrepreneurs Association of Slovakia
The Government of the Republic of Croatia
The Green Foundation
The Via Foundation
T-Mobile
University of Economics in Bratislava
University of Zagreb, Faculty of Economics
& Business
Vodafone
Vodafone Foundation Hungary
Voice of Entrepreneurs Association
Volunteering Hungary – Centre of Social
Innovation
Zoltán Györkö
....

Philanthropy and Corporate Social Responsibility in Central & Eastern Europe



CZECH REPUBLIC

Ashoka
Association of Social Responsibility
AMSP
AVPO CR
CEZ Group
Coalition for Easy Giving
Czech Invest
EY

Frank Bold
Glopolis
Google
Lidl Czech Republic
Prague University of Economics and Business
Silke Horakova
The Via Foundation
Vodafone

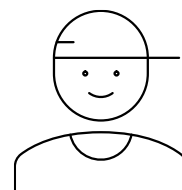
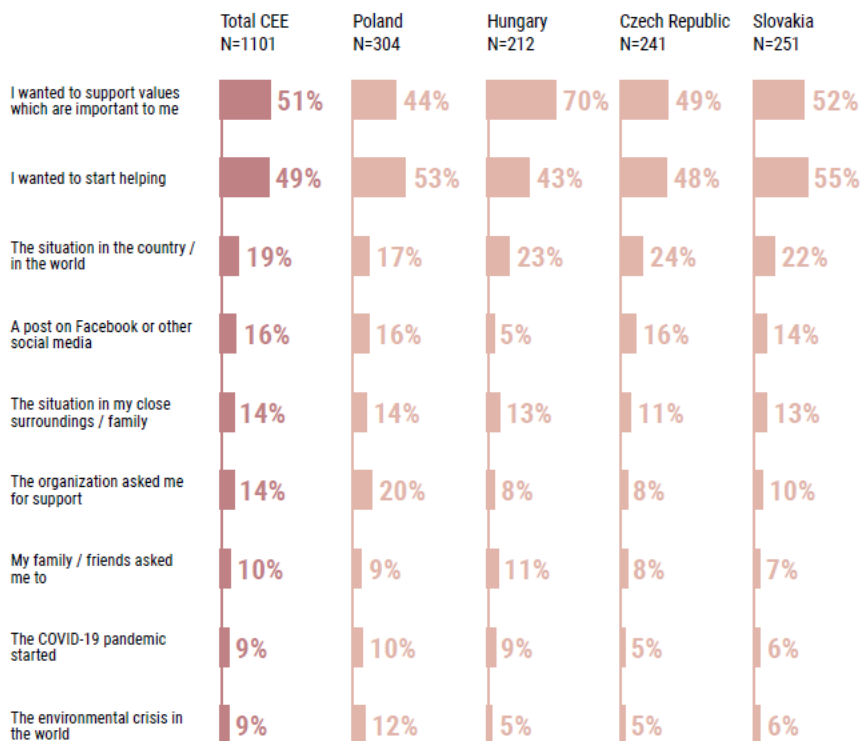
Individuals: Growing potential of mid-donors.

- Growing share of medium donors
- Importance of young generation
- Awareness is constantly increasing
- Visible involvement in large cities, lack of knowledge about smaller centers



Individuals: How to reach them?

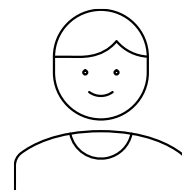
What convinced you to start financially supporting SOCIAL PURPOSE ORGANIZATIONS? What was the impulse?



The important role of social media and direct communication



Lower and less regular payments, but openness to alternative methods of support



Donations higher by 40%, more regular

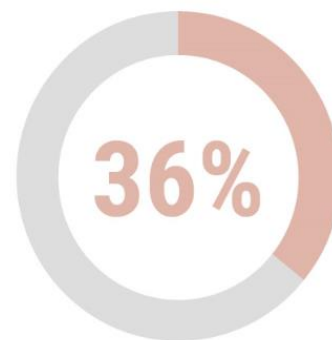
Business: Growing potential in bigger and smaller companies

- Increasing awareness among business owners (especially the young generation, technology industry)
- Transition from CSR to ESG, including social responsibility in KPIs, new legislations
- More direct collaboration with NGOs (but not enough)
- Motivator of the future: pressure from consumers and customers
- Employees' expectations, especially the younger ones
- Volunteering development: employees want to act, and employers create more and more attractive mechanisms
- SMEs are active, but in a local community. No strategies, tools, methods.



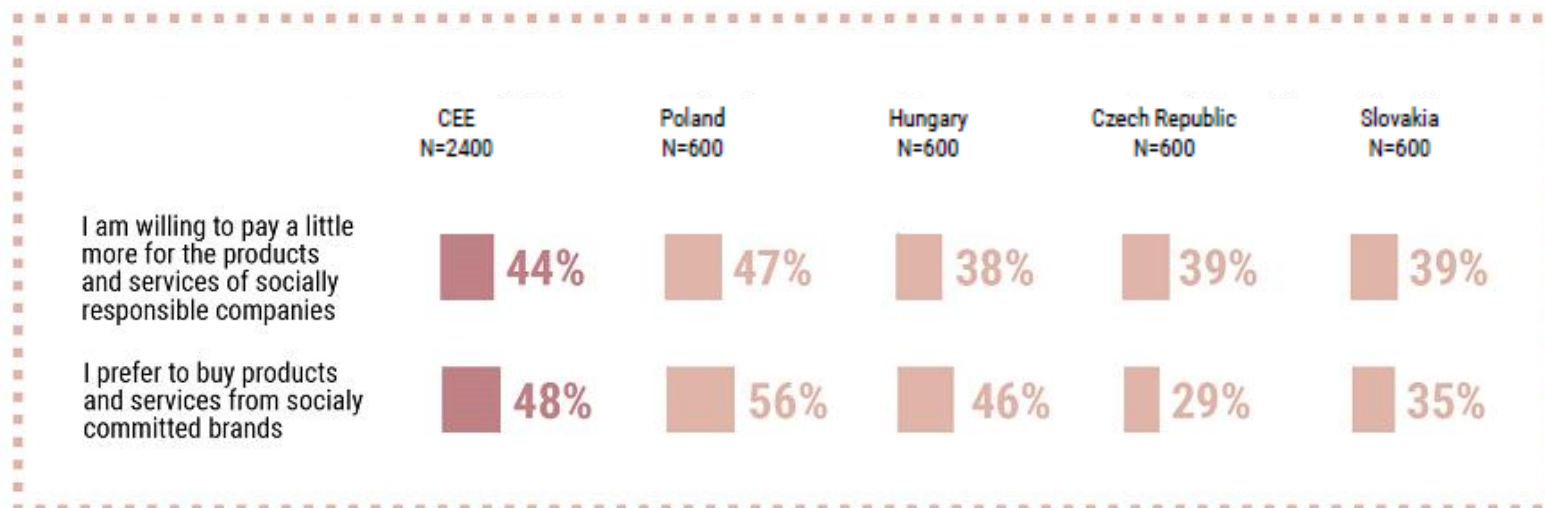
What are the benefits for corporations?

Some companies carry out socially responsible activities (so-called CSR). How does this affect your interest in their products/services?



Rather + Definitely encouraging

Total CEE
N=2400



High employee expectations

Employee volunteering

20%

can do it

38%

would like to, but can't

Pro bono activities

14%

are involved

46%

should get involved,
but don't

Social sector: Strong need for capacity building and stable funding.

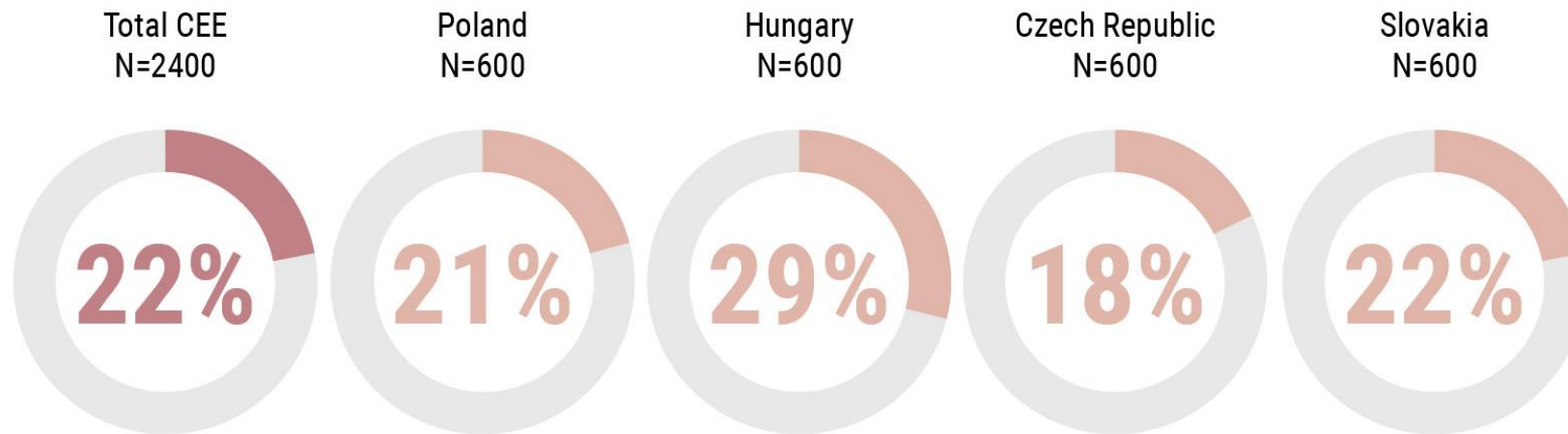
- Negative image of the NGOs
- Lots of non-profit organizations, but also big fragmentation
- Difficulties in secure capacities and resources
- Professionalization of NGOs
- Collaboration with business widely depends on the field in which a NGO operates
- No stable funding
 - Short projects (private and public)
 - Few regular donors
 - Only large, well-known organizations
 - Lack of differentiation in the ways of raising funds



It is not easy to identify the organizations

Would it be easy for you to identify **SOCIAL PURPOSE ORGANIZATIONS** that operate in your area of interest?

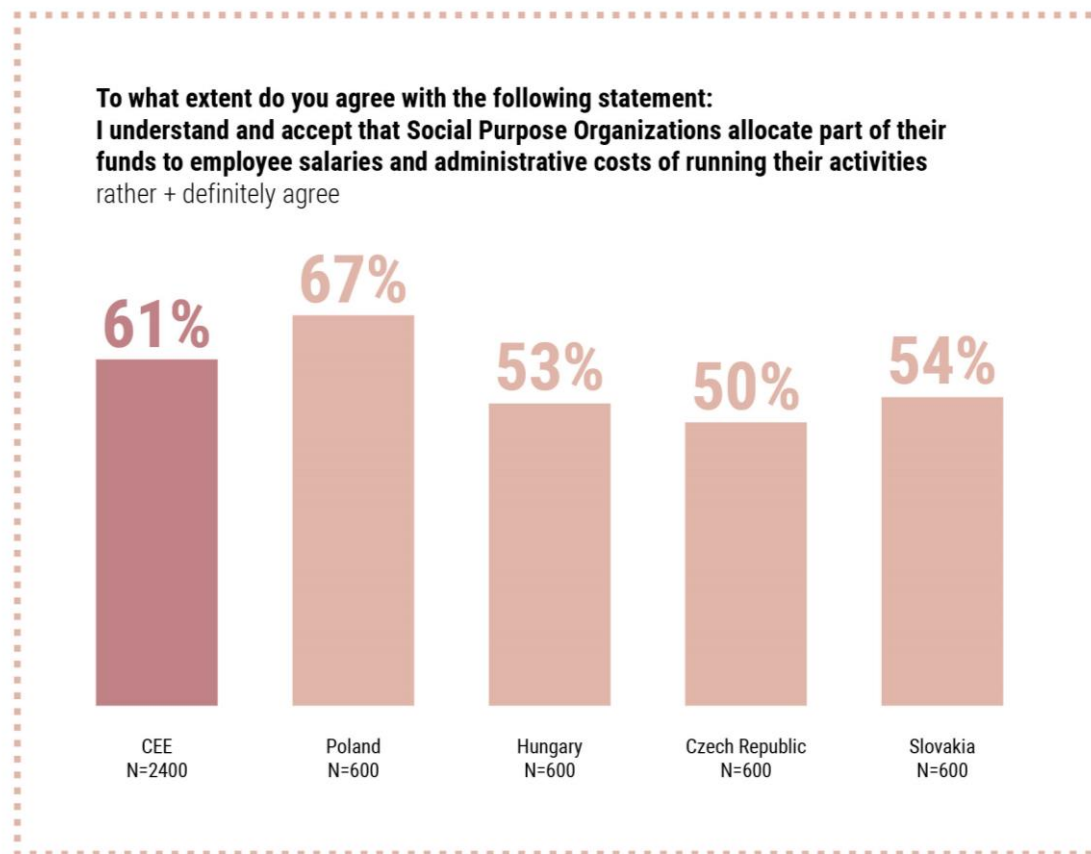
% who declare it would be easy for them to identify Social Purpose Organizations that operate in their area of interest



Donors want to know the purpose



They understand that need for capacity building



Based on the conclusions of the research, we have prepared a list of barriers to be addressed.

CZECH REPUBLIC



soft actions



tax & legal

Key barriers to increase the private funding: soft actions



More education and training



More stakeholder collaboration



Combining social and business goals



Promote good practices and positive narration



Funding social issues: room for improvement



Focus on mid-level donors & the younger generation



More stakeholder collaboration

- The complex challenges we confront today cannot be solved by a limited group of actors or in a limited scope of thematic areas.
- Exchanging ideas and connecting people around impact is what is needed but lacking.
- There is a lack of reliable and consistent data sources.
- Data from tax returns is incomplete, and so is the data on public collections.

Recommendations:

- Share best practices, initiate intra- and cross-sector cooperation.
- Create a space to exchange perspectives, promote collaboration and collect reliable data.
- A single, comprehensive, universal and accessible source of knowledge will help facilitate collaboration and prioritize actions.



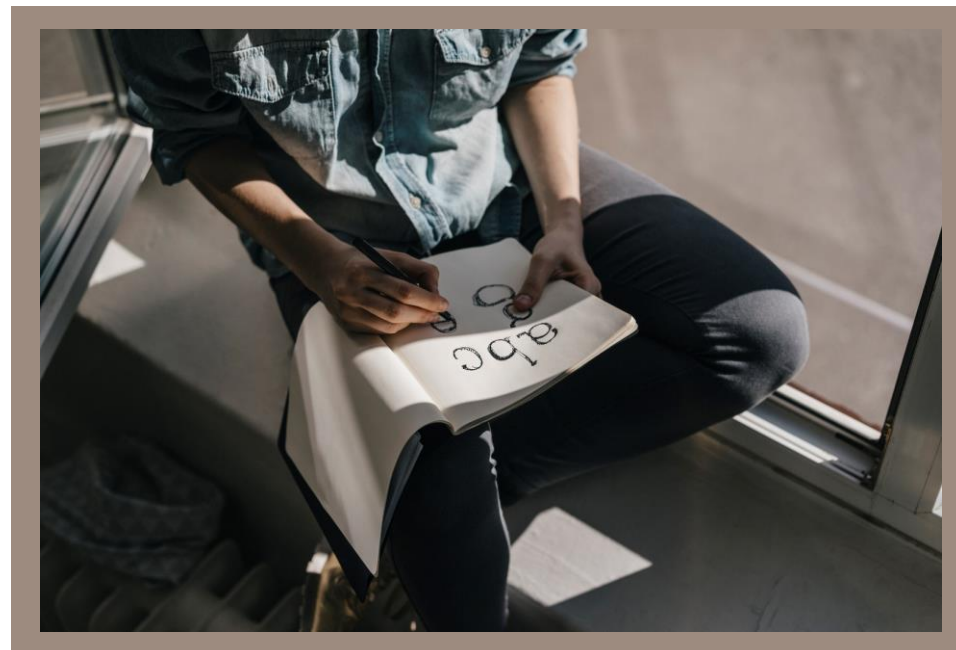


More education and training

- Moving from crisis giving to regular giving is a matter of education.
- Despite the growing interest in this subject among individuals and businesses (especially the boards), not enough high-quality education and training opportunities are being offered.

Recommendations:

- Conducting educational activities related to social involvement at all possible levels.
- Training for companies, nonprofits, and public institutions.
- Providing soft skills education on topics such as working with different actors and opinions.



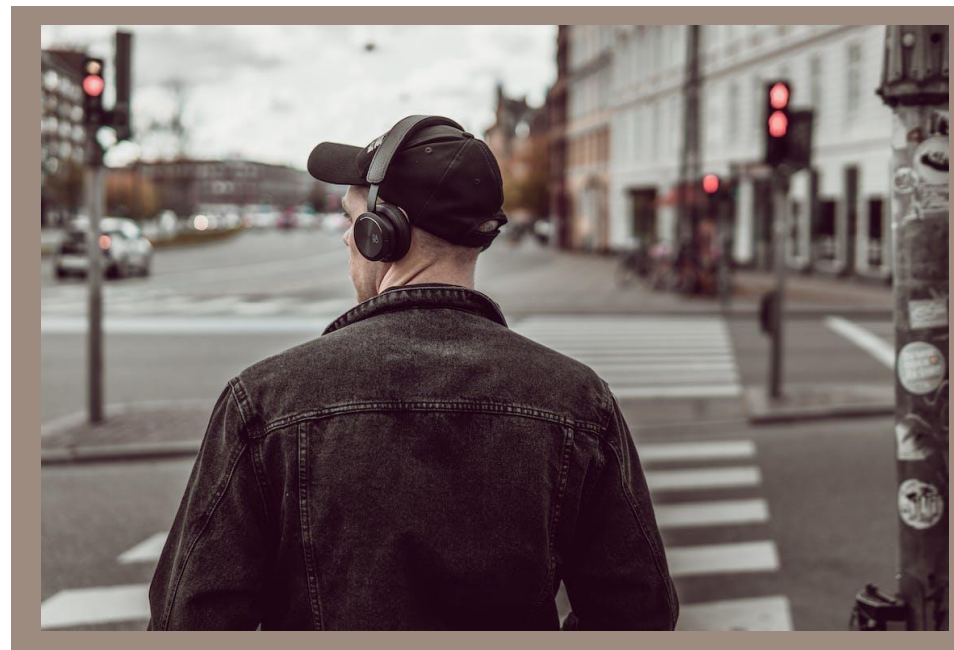


Focus on mid-level donors & the younger generation

- The segment of mid-level donors is growing the fastest due to the increasing wealth of the society, the growing awareness, and the need to make a positive impact.
- The young generation expects a high level of social involvement and feels the urge to act.
 - they engage in volunteering and look for volunteering programs
 - put more emphasis on social responsibility and ESG.
 - more often expect responsible activities from the brands they use.

Recommendations:

- Pay attention to these groups; explore their motivations, needs, and challenges and address them.
- Create tools and campaigns in line with their way of thinking and acting.
- Continuously increasing the involvement of this segment is crucial to popularizing social engagement.

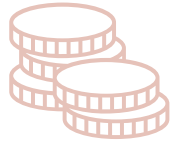


Key barriers to increase the private funding:

tax & legal



Creating a supportive environment by public administration



Tax relief for donors (30%)



Social enterprise



VAT and in-kind donations

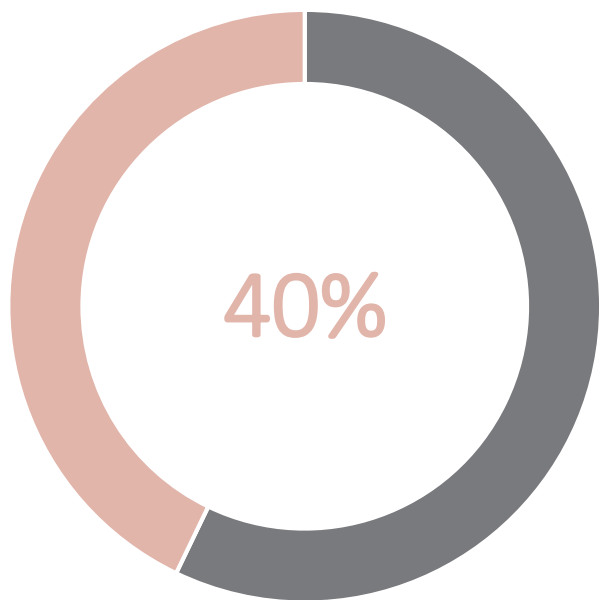


VAT and pro bono services + employee volunteering



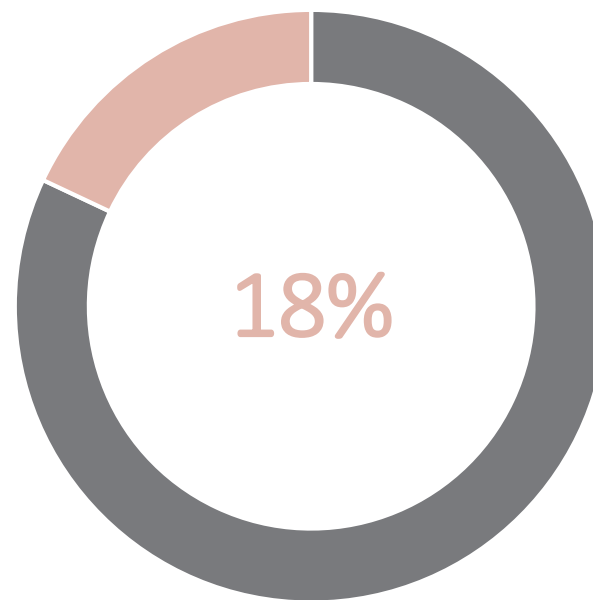
Public collections

Tax relieves are small and not known



have heard about tax reliefs

x

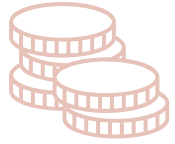


benefited from such a relief

=

7%

of Czech citizens
ever benefited
from tax relief



Tax relief for donors (30%)

- The current tax breaks for donors (10% of the tax base for corporate income tax payers and 15% of the tax base for personal income tax payers) are not a sufficient incentive for individuals and corporations to start donating, but they certainly encourage donors to be more active and contribute larger sums.
- Arguments have been raised for maintaining the currently raised tax relief limit (30%)

Recommendations:

- A financial analysis is needed to verify whether the introduction of the increased tax relief limit has contributed to an increase in donations; if so, maintaining it and making it the new normal should be considered.
- The mechanism should also be further simplified.





VAT and pro bono services + employee volunteering

- Pro bono services also require the payment of VAT.
- EU law appears to allow for national derogations in this respect, and experience from other markets (PL) shows that the practice can indeed differ.
- A number of problematic issues were raised by employers in regards to the volunteering activity performed by employees.

Recommendations:

- There is a need to modify Czech law to allow for VAT-advantageous treatment of pro bono services and to spread education and knowledge on how pro bono services can be provided in the most VAT-efficient manner.
- Legislative modifications are necessary to create new opportunities for employees to volunteer within and not only outside the employment relationship.



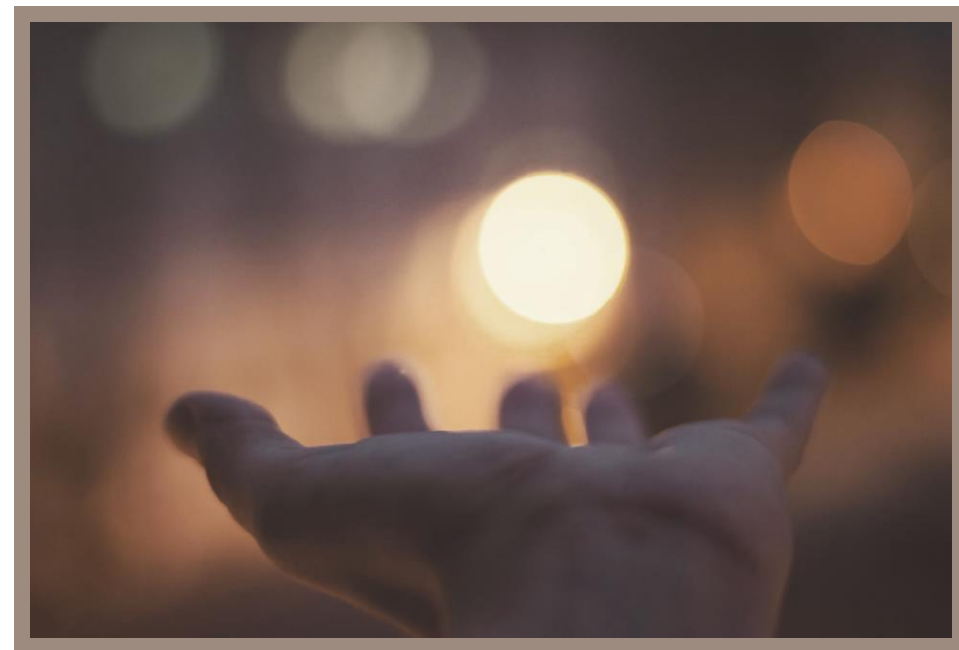


Public collections

- Czech regulations regarding public collections is complicated, bureaucratic, and ambiguous.
- For these reasons, they are often reluctant to organize and carry out public collections.
- The rules for online fundraising, which is governed by the same law as public collections, are also far from being clear.

Recommendations:

- A long-term solution would be to introduce legislative modifications aiming to strike a new balance between protecting the general public against fraudulent collections and serving legitimate social interests by simplifying, de-bureaucratizing, and encouraging giving.

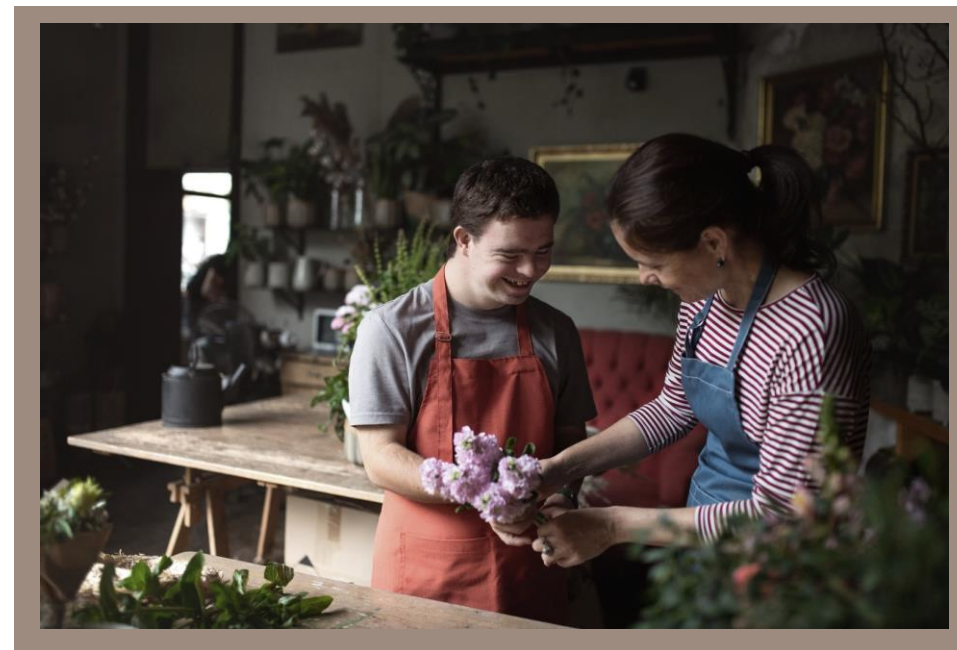


Social enterprise

- For entrepreneurs, the establishment and running of a social enterprise is a complex, time-consuming, and complicated procedure.
- Being classified as a social enterprise does not in itself bring any tax or other legal advantages.
- Consequently, entrepreneurs do not view it as particularly advantageous or beneficial.

Recommendations:

- Promote more extensive use of the social enterprise by granting it tax reliefs similar to those currently in existence for the category of publicly beneficial taxpayers.



Recommendations for Czech Republic

soft actions



More education and training



More stakeholder collaboration



Combining social and business goals



Promote good practices and positive narration



Funding social issues: room for improvement



Focus on mid-level donors & the younger generation

tax & legal



Creating a supportive environment by public administration



Tax relief for donors (30%)



Social enterprise



VAT and in-kind donations



VAT and pro bono services + employee volunteering



Public collections

”

*Money, time and knowledge are limited resources.
If we learn to use them wisely, together we will change the world.*



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