

Business-Non-Profit Cooperation and Partnerships

Experiences from Slovakia

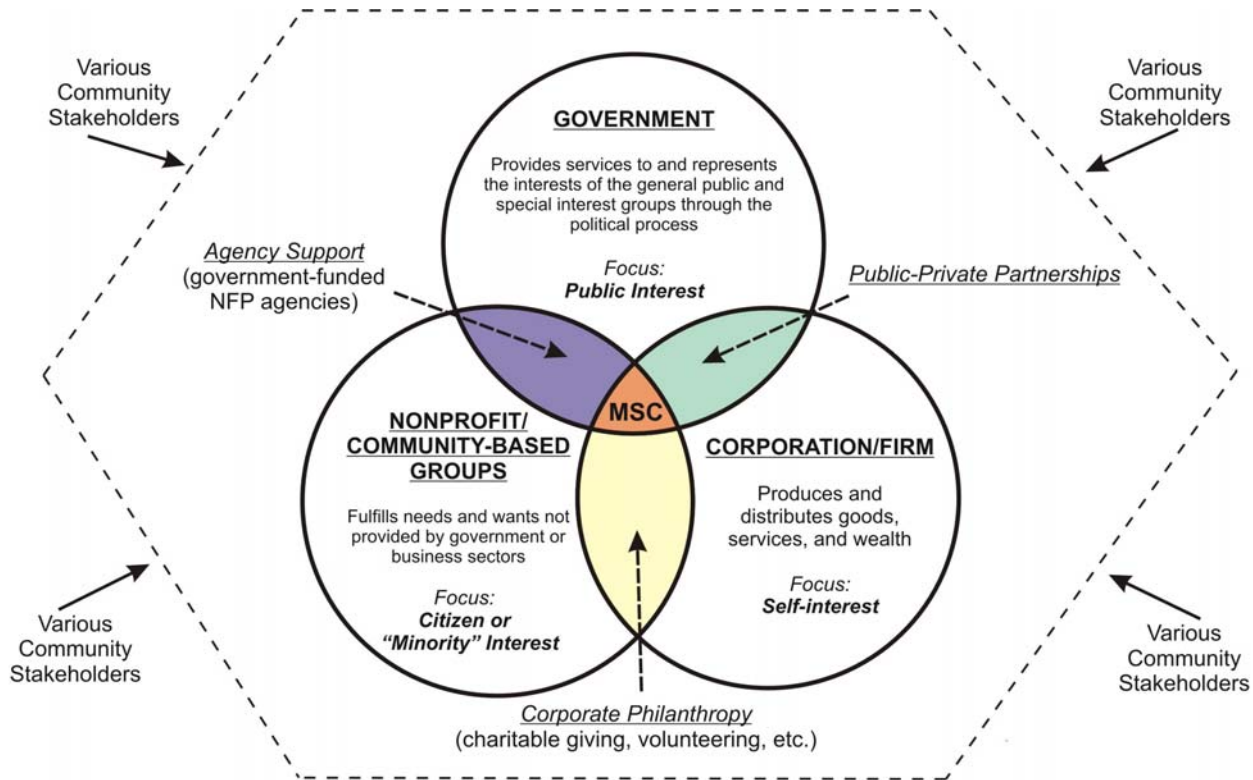
Carpathian Compact General Assembly
Bucharest
3 November 2005

Eduard Marček

CONTENT OF THE PRESENTATION

1. Business-Non-Profit Cooperation, forms and examples
2. Characteristics of the cooperation and changes of the situation
3. Support from business
4. 2% of the corporate income tax allocation
5. Development and challenges in CSR and cross-sector cooperation

MULTI-SECTOR COLLABORATION FOR ADDRESSING SOCIETAL ISSUES



Source: PDCS according to an unidentified source.

MOTIVES FOR BUSINESS-NON-PROFIT COOPERATION

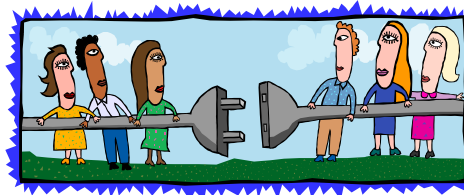


Business' motivations for cooperation

- **Philanthropic** (help)
- **Brand, publicity, customers loyalty**
- **Differentiation from competition**
- **Employee motivation, retention**
- **New customers/markets, higher sales**
- **EU structural funds** (new funds)
- **Community development**

NGOs' motivations for cooperation

- **New funds** (financial, non-financial)
- **Assistance, involvement** (know-how, skills)
- **Publicity** (organisation, cause)
- **Employees > Ambassadors**
- **New clients, supporters, volunteers**
- **More strategic approach, Sustainability**
- **Social capital**



FORMS OF BUSINESS-NON-PROFIT COOPERATION

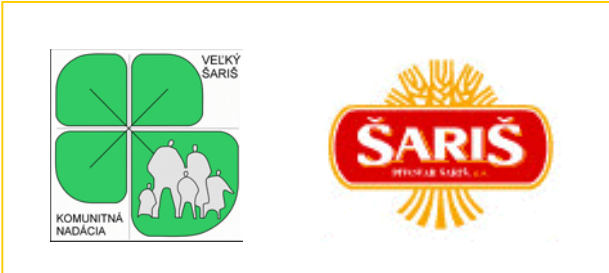
- ❖ Corporate giving, philanthropy
- ❖ Sponsorship
- ❖ 2% of the corporate income tax allocation
- ❖ Campaigning
- ❖ Cause-related marketing
- ❖ Partnerships in regional and community development



EXAMPLES



EXAMPLES



HOW IS THE SITUATION CHANGING?

- ➔ NGOs **more dependent** on domestic funds > **business**
- ➔ **Tax reform** (tax cuts of donations abolished from 2004)
- ➔ **2% of the corporate income tax** mechanism
- ➔ **Motivation for giving** even more **about personal moral and attitude**
- ➔ Companies' **profitability growing** > more sources available
- ➔ **Corporate social responsibility** (CSR) concept gaining in importance



CHARACTERISTICS OF THE COOPERATION AND PARTNERSHIPS

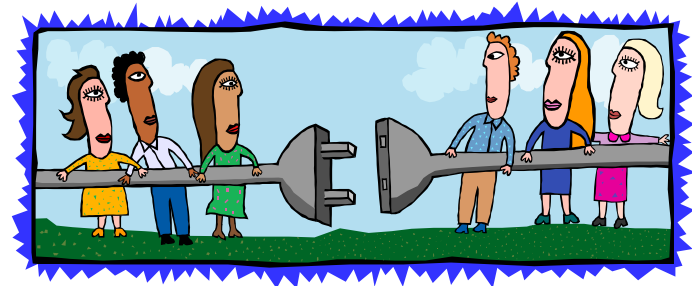
AMBIGUITY IN TERMINOLOGY

Content > Perception > Meaning > Misunderstanding

Cooperation ★ Contractual Relationship ★ Partnership

Philanthropy, Giving ★ Sponsorship ★ 2% allocation, philanthropy ★ CRM ★ CSR

- ★ Rather ad hoc than strategic
- ★ Pressure on commercialisation
- ★ Imbalance of power between partners
- ★ Positive experience helps
- ★ Phenomenon of 2% > Networking > More intensive cooperation
- ★ Cooperation/Partnerships on purpose, Own corporate NGOs



AREAS OF BUSINESS' SUPPORT

Most common fields of support

- Sport**
- Health care** (hospitals)
- Community support**
- Education** (schools)
- Children and youth**
- Social care** (orphanages, social care institutes)

Least supported

- Human and minority rights**
- Environmental protection**



According to surveys of:

- 📖 1996 - Slovenský výbor Európskej kultúrnej nadácie
- 📖 1997 - Nadácia Rozum a cit
- 📖 1999 - Nadácia pre občiansku spoločnosť
- 📖 2002 - Junior Achievement Slovensko – Mládež pre budúcnosť
- 📖 2002 - PANET
- 📖 2003-2004 - Inštitút pre verejné otázky

DECISIONS ABOUT SUPPORT FROM BUSINESS







What helps?

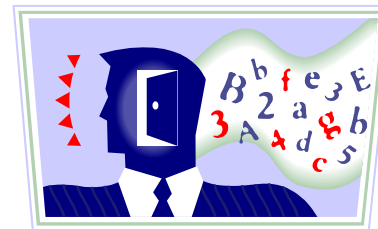
- Beneficiency and quality of project
- Company's financial situation
- Interest in the supported field
- Reputation of supported organization
- Certainty about good use of the funds
- Positive publicity expectations
- Brand support expectations
- Support of company's trustworthiness
- 2 % corporate income tax**

What hinders?

- Mutual distrust
- Misunderstanding, prejudices
- Lack of information
- Lack of available sources
- Worries about use of the funds
- Low professionalism & efficiency of NGOs
- Trustworthiness and transparency
- (Low tax cuts of donations provided)

According to surveys of:

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2 % OF THE CORPORATE INCOME TAX



Characteristics

- ② Public funds allocation mechanism > part of the tax assigned to a public benefit NGO
- ② Individuals > Hungary, Slovakia, Lithuania, Poland, Romania
- ② Slovakia > Individual tax allocation from 2001 (2002), companies from 2003, 1% > 2%
- ② **Slovakia > the only country with the corporate income tax allocation**



Impact

- ② Helps mutual communication, networking
- ② Pressure on NGOs' professionalism, presentation, transparency, „competitiveness“
- ② Businesses more interested in NGOs
- ② **New corporate foundations** - Corporations reduce cooperation with existing foundations



2 % OF THE CORPORATE INCOME TAX

2%

2 % ★ Philanthropy ★ CSR

- ② Use of allocated funds for public benefit sometimes disputable
- ② 2% tax > not philanthropy, nor CSR practise, though considered to be
- ② Own resources put in 2% distribution > philanthropic input and CSR expression
- ② Large corporations: previous donations substituted by 2% tax allocation
- ② Medium enterprises: 2% do not influence giving
- ② Small enterprises: ? another tool for support ?

Consequences

- ② Companies appreciate and use the 2% mechanism
- ② Proceeds for NGOs rapidly growing
- ② Efforts of the government to regulate the mechanism (in parliament)

CORPORATE FOUNDATIONS

- ★ Founder: company, business legal entity
- ★ Funds from corporate donations or 2% corporate income tax
- ★ Capacities/resources sharing with company (organisational, material, personal, financial, etc.)
- ★ Includes company's name or its part
- ★ Goals and priorities can relate to business goals (f.e. publicity, PR)
- ★ Sometimes focusing on the same target groups as business
- ★ Usually without experiences and know-how from the non-profit environment > outsourcing

Foreign: Citigroup Foundation, Shell Foundation, Holcim Foundation for Sustainable Construction

Domestic: ZSNP a Slovalco Foundation, Jednota COOP Foundation, SPP Foundation, VÚB Foundation, ŽP Foundation

Non-investment fund: Konto Orange, n.f.

Foundation funds in other foundations: LION (ING) in SOCIA Foundation, TESCO Stores or ZSE in Pontis Foundation



COMPARISON OF DONATIONS AND 2% CORPORATE INCOME TAX

Year	Amount of donations of legal entities in SKK	2% corporate income tax allocation in SKK
1998	374 834 123	
1999	287 855 110	
2000	577 495 014	
2001	742 458 669	
2002	1 371 931 112	
2003	426 692 517	
2004		569 256 498
2005		582 076 377*

Max. corporate 2% possible:
613 990 561 Sk

Percentage of use: **92,71 %**



Exchange rate: approx. 39 SKK/EUR

* Estimate at the same level of use 92,71% as in the previous year

DEVELOPMENT IN CORPORATE SOCIAL RESPONSIBILITY

- Elements present also in the past – **not called CSR before** (employees, community, etc.)
- **Gaining in popularity** (fashionable concept)
- **More publicity, promotion in media** than few years ago
- **Multinationals: Transfer** of CSR practices **from abroad, Competitors' best practices**
SMEs: CSR practices > company owner's motivation and attitude
- **CSR more about individual moral** (no tax exempts)
- Often **understood narrowly**
- **CSR reporting** starts
- **NGOs: leaders in CSR** enforcement, **Business Leaders Forum, Donors Forum**
Via Bona: award for philanthropy/CSR or TOP Corporate Givers
- **No public policy in CSR** despite initiatives of international organizations

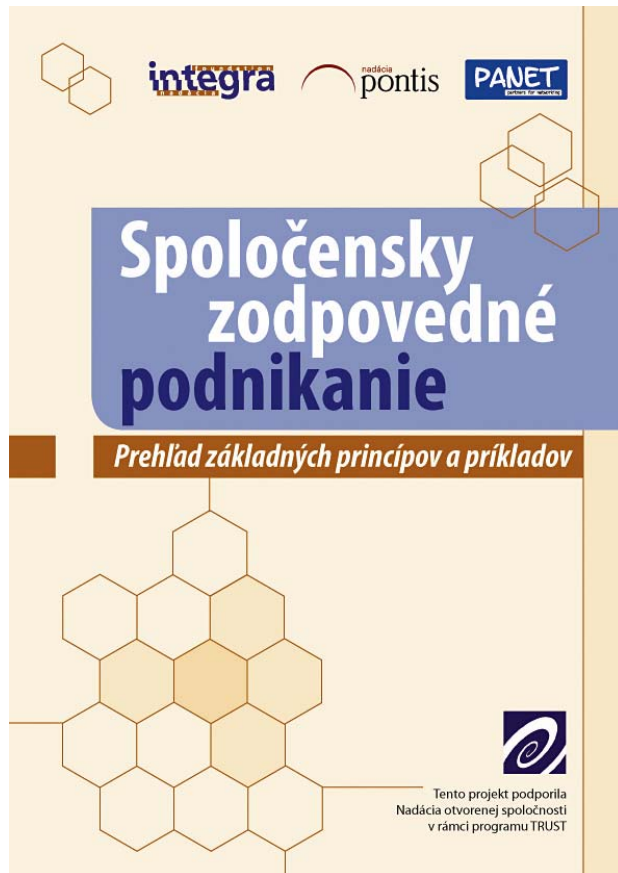


CHALLENGES IN CROSS-SECTOR (BUSINESS-NGO) COOPERATION

- ↪ **Awareness building** – information, data, best practices, registers, promotion
- ↪ **Prejudices, sectoral stereotypes deconstruction**
- ↪ **Development of trust and credibility, transparency**
- ↪ **Higher professionalism, more strategic approach of NGOs**
- ↪ **Standardization** – quality seal of NGOs, community affairs standards
- ↪ **Increase of business/personal motivation, CSR practices**
- ↪ **Government incentives for CSR & philanthropy**
- ↪ **Development of partnership skills**
- ↪ **Higher involvement of media, more promotion**
- ↪ **Pressure for partnerships from above** (EU, WB etc. policies)



CORPORATE SOCIAL RESPONSIBILITY



Corporate Social Responsibility

Main Principles and Examples Overview

- Definition and history of CSR
- CSR of multinational companies in Slovakia
- CSR and SMEs
- CSR in supply chain
- CSR and community involvement
- CSR reporting
- CSR and public policy

Download (in Slovak):

http://www.panet.sk/sk/dokumenty/text_zodpovedne_podnikanie.pdf

CROSS-SECTOR COOPERATION IN SLOVAKIA



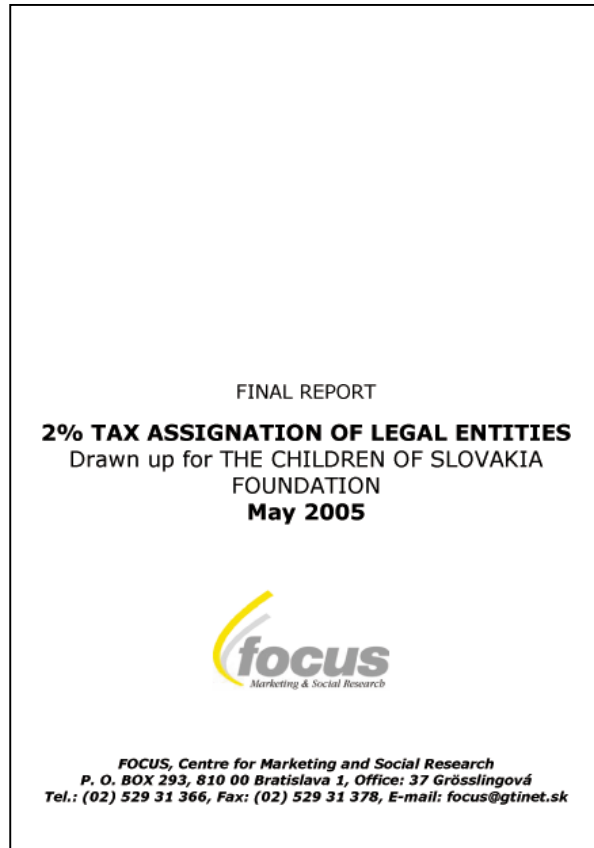
Summary Report of the Program Implementation for the Period of 2002-2005

- Realized activities and outputs
- Information dissemination
- Needs and challenges in the CSC development
- Recommendations for the CSC development

Download (in English):

http://www.partnerstva.sk/buxus/docs/MSS_Summary_Report.pdf

2 % OF THE LEGAL ENTITIES' TAX ALLOCATION



Representative Survey among Medium-Sized Enterprises

- Perception of the mechanism of 2% tax allocation
- Companies' experience with 2% tax allocation
- Control mechanisms of the 2% income tax use
- Corporate philanthropy

Download (in English):

www.partnerstva.sk/buxus/docs/NDS_Research_FOCUS_2_per_corporate_tax.pdf

MORE INFORMATION



NGOs' Financing & Professionalism ★ Cross-Sector Cooperation ★ CSR

News

Glossary

Cross-sector cooperation

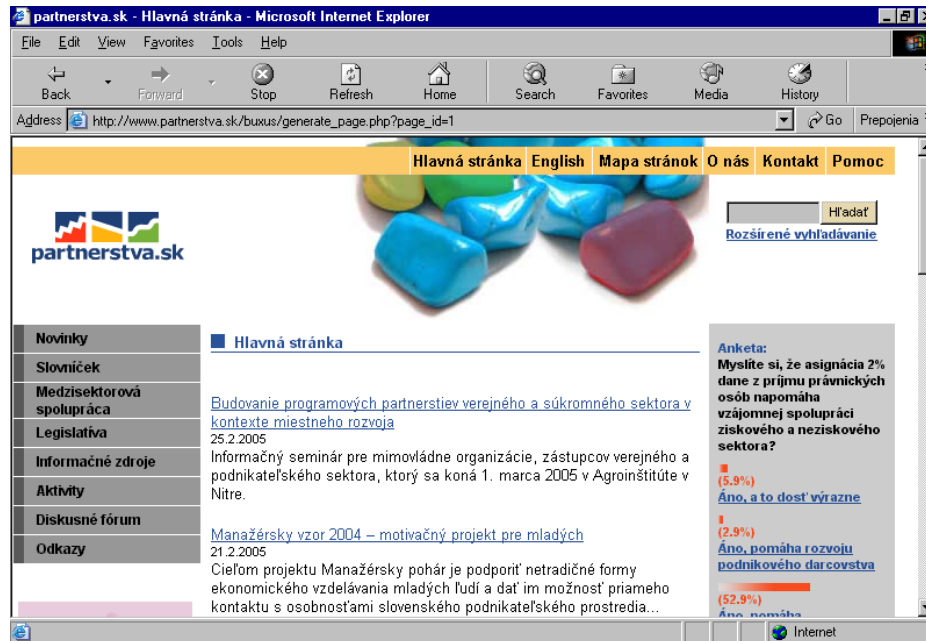
Legislation

Information sources

Activities

Discussion forum

Links



Thank you for your attention!

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