**Unlocking private capital for social good
How can we strengthen philanthropy in Central
and Eastern Europe (CEE)?**

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**Abstract**

Over the last three decades, the countries of Central and Eastern Europe (CEE) have made significant progress in socio-economic development. In order to further positively influence the CEE social impact ecosystem in which corporate and individual donors operate, we need to first understand what stands in their way to a greater social engagement. **What barriers do they face, including tax and legal aspects? What are the potential incentives that could positively impact their engagement?** Key objectives of our initiative are: mapping these challenges, identifying tools and solutions to improve the situation and, ultimately, positively influencing the national ecosystems. We carried it out in partnership with key actors and decision makers in each country.

**During ERNOP Conference 2023 we will present the pre-premiere results of our work from the past 3 years.** During this time, we conducted extensive research in 11 countries of the region, including 6,600 quantitative interviews and over 200 expert interviews with representatives of different sectors. Our summary includes country profiles as well as findings and recommendations for key stakeholders divided into capital providers (such as individuals, businesses, investment funds), impact providers (such as social sector, foundations), and the broader support ecosystem (such as public administration, academia). Additionally, we describe issues related to tax and legal.

**Methodology**

QUANTITATIVE STUDY

2020: Poland, Czech Republic, Slovakia, Hungary

2022: Bulgaria, Croatia, Estonia, Latvia, Lithuania, Romania and Slovenia

In each market 600 interviews were carried out with people aged 18-65, reflecting the demographic structure of each society in terms of age, gender, and population of the town/city of residence.

The total results are weighted averages taking into account the population of individual countries.

QUALITATIVE STUDY

2021: Poland

2022: Czech Republic, Slovakia, Croatia, Hungary, Slovenia

2023: Latvia, Lithuania, Estonia, Romania, Bulgaria

In the initial phase, we mapped each country ecosystem in order to identify the key players representing various environments and viewpoints. Experts from c.a 20 carefully chosen organizations per country (more than 200 in total) – mostly umbrella organizations for businesses, investors, nonprofits, academia, as well as public administration and organizations supporting social engagement in CEE countries were invited to participate in individual in-depth interviews, carried out online according to a structured scenario.

**Main text**

The premiere of our report will take place in Q4 2023, and at this stage, we are unable to share all of the conclusions. However, we will discuss some of them during the presentation. In the meantime, we encourage you to familiarize yourself with our previous regional and country reports, which are available free of charge at the following links:

<https://ceeimpact.org/our-initiatives/philanthropy-and-csr-in-cee/>

<https://ceeimpact.org/our-initiatives/philanthropy-in-cee-2022/>

<https://ceeimpact.org/our-initiatives/research2020/>

The presentation will be based on the country-specific studies, and the text will provide a summary of all country profiles, highlighting key insights. The reports also contain lists of barriers and recommendations divided into soft areas and tax & legal sections.

**Country Profiles (alphabetical order):**

**Bulgaria**

Bulgaria, a relatively new member of the EU (since 2007), is taking steps to address a variety of social challenges and has launched a number of initiatives in recent years to build social engagement. As a result, the appetite for social impact is growing, but **many barriers continue to hinder development**. Bulgaria also faces a number of social challenges, including a population decline. In the last 10 years, Bulgaria's population has decreased by over 10% as a result of migration and poor health care. Bulgaria is also a country with a low GDP and GDP per capita, which fuels the migration pressure and encourages young people to seek work outside the country (or move to big cities).

Given the above and other challenges, fostering social responsibility and addressing the difficulties in the cooperation of different groups is extremely important. The consultations carried out showed an increasing interest in the subject, but there is a number of barriers and challenges that need to be addressed in order to accelerate the development of this area.

A major roadblock in developing long-term strategies and actions is the **lack of stability of the central government**.With repeated changes of government in the last 2 years, effective dialogue and implementing changes are difficult.

There is also a lack of cooperation **between sectors and foreign institutions.** Many people insisted that actual change requires collective action, exchange of good practices, ideas, and insights. The role of foreign organizations that can promote modern standards is also important.

Development of competences in different sectors is also a matter of **education and capacity development**.Training programs, access to experts and more funding that is not project-based are also necessary. Many organizations are currently **publicly funded** and this is not sufficient. After Bulgaria joined the European Union, many international institutions withdrew their funding, assuming that EU funds would help sustain the social sector. They are an important source, but **involve a lot of bureaucracy** and therefore many organizations find it **difficult to obtain them**.Businesses (over a half of private funding) and foundations (around 40%) play an important role in funding the sector. It is necessary to shift from project-based to long-term measures and adopt a broader perspective in planning to address significant social challenges.

There are currently about 35,000 non-profit organizations in Bulgaria, but it is unclear what their scale of operations is and how many are actually active. Organizations face a **lack of trust**, which is a remnant of the past. Their reputation slightly improved during crises, when they were **at the forefront of supporting people during pandemics or the war in Ukraine**.It will be a challenge to maintain this direction.

Apart from the soft aspects, tax & legal issues are also important. Many issues need to be addressed to minimize the difficulties of public engagement. Bulgaria has relatively low taxes (10%), which makes it difficult to build an effective tax incentive system for donors. **The current model is not motivating** and sometimes gives rise to doubts (additional accounting requirements, some organizations missing from the list of approved entities).

Since 2019, the Law on Enterprises of the Social and Solidarity Economy, **which regulates the creation and development of social enterprises**,has been applied in Bulgaria. Even though the terminology and definitions in the Law on Enterprises of the Social and Solidarity Economy were developed, discussed and approved by a working group to the Minister of Labor and Social Policy, **lack of clarity and inconsistency is still visible across sectors**.

**Czech Republic**

The Czech Republic is characterized by a **well-developed social ecosystem**, so the country is often presented as a role model for the CEE region. “Philanthropy in Central & Eastern Europe 2020” research indicated that this is where average donations were highest in terms of value, as compared to Poland, Slovakia, and Hungary.

Recent years have seen the importance of social responsibility grow significantly in the Czech Republic. **More and more people are aware of and interested in this issue**. A series of major crises (COVID-19, tornado in Moravia, war in Ukraine) has convinced Czechs that mutual support and assistance is crucial. The social sector and the public administration should **nurture the accumulated social capital** and cultivate the willingness of citizens to act. Not only in times of crisis.

The increase in engagement applies in particular to the **growing group of so-called mid-level donors**, i.e. among individuals donating annually between EUR 400 and 1,000. It is also noticeable in the corporate sector. New EU regulations and legislative requirements are also having a significant impact, motivating companies to take action here and now. As a result, ESG strategies and ESG teams are emerging in major companies. There is still plenty to be done in this area, but many valuable **initiatives that are already taking place deserve appreciation**.

The development of the ecosystem is also very much influenced by social organizations. The Czech Republic is characterized by **high fragmentation of social sector**, which can sometimes lead to excessive competition for donor attention. At the same time, the large number of organizations has its perks, as it facilitates the exchange of ideas and the emergence of working groups. In the coming years, their collaboration should become standard practice.

A key area that concerns all stakeholders is the **legal and tax environment**. Both businesses and the general public see it as complicated. Entrepreneurs often do not know how to proceed in accordance with the law, which entails additional costs associated with, e.g., procuring professional advisory services. With the level of motivation still being quite low, this discourages many companies (especially SMEs that lack in-house advisors) from undertaking socially responsible activities.

Special attention should be paid to the area of **tax reliefs**. Under the current law, the maximum amount of all tax-deductible donations is 10% of the tax base for corporate income tax payers and 15% of the tax base for personal income tax payers. Due to the COVID-19 pandemic, this deduction limit has been temporarily raised to 30% for tax periods 2020 through 2023. The question what to do next remains open – is the 30% limit worth keeping?

Unlike several other countries in the CEE region, the Czech Republic has **no mechanism for redistributing tax proceeds** to social purpose organizations in accordance with the taxpayer’s preferences. Interestingly, many organizations in the Czech Republic have considerable doubts whether such a mechanism would work. Potential concerns include excessive competition for funds, reduced motivation to donate from one’s own funds, and limitation of other government programs such as grants and subsidies.

Notwithstanding, the main point is that **strong social capital has been developed in the Czech Republic**. Maintaining it, while creating a simple and effective legal environment, seems to be key for developing donor engagement and mobilizing private resources for social purposes.

**Estonia**

Estonia is a fast-developing country that is already known throughout Europe for its startup and new technology environment. Over the past 30 years, **Estonia has succeeded in building a culture of entrepreneurship**, and is now strengthening a culture of social engagement. More and more people and representatives of various sectors are aware of the importance of this topic, but the consultations showed that **there are still many challenges and areas** for further development. There are currently around 27,000 non-profit organizations in Estonia, but most of them are very small. Another major challenge is that the organizations **are dependent on public funding**.There is a lack of sustained, continuous, and long-term support from private donors.

The small number of long-term actions is associated with the lack of widespread knowledge about what strategic actions to take and how to implement them. Social engagement is a matter of what we have (capital), whether we want to share it (awareness), and how to take such actions (tools and knowledge). The consultations revealed that there are possibilities and willingness in Estonia, but **education and tools** are sometimes missing.The small number of actions also results from the size of the country. With a small population, some activities are not viable at the local level alone, and international initiatives are needed.

Estonia is a country where running a business is relatively easy and starting a company is efficient and convenient. Digitization has also contributed to greater transparency and reduced corruption. Unfortunately, the growth of companies has not yet been followed by **sustained and long-term actions in the area of social engagement.** There are, of course, very good examples of initiatives, but they are few and involve only the largest organizations that implement ESG strategies and are able to identify the benefits of social engagement. Smaller companies are **not sure what actions to take and how to promote them.** There is also a lack of greater engagement on the part of traditional industries.

Another important area for action relates to taxes and the legal environment. **While tax breaks are motivating for individuals, they are not sufficient for companies.** The current model (10% of income or 3% of salary expenses) is too low a limit. Initiatives are emerging to increase the benefits for companies, which can have a positive impact on their engagement.

Another legislative challenge is **access to capital.** Public law funding is siloed – some is only available to nonprofits, some only to LLCs.

The issue of **social enterprises also needs to be systematized**. Currently, the law does not contain such a definition, resulting in a lack of benefits. Introducing such a legal form does not need to be the first step, but the potential for creating companies interested in impact is high, and this energy is worth harnessing.

The final area that requires action is **impact investing**.Currently, this form of investment is not very popular – there is a lack of good offer from startups, which often choose between profit and social impact, and there is a need for more activity among investors. With such a strong startup environment, it is worth paying **more attention to emphasizing the role of social engagement** among new businesses.

Undoubtedly, the coming years will be very interesting in Estonia. The country is relatively small, but it has big ambitions and an entrepreneurial culture in its DNA. The best practices and success stories of the startup environment in Estonia can be used to increase cooperation between different sectors and build sustainable and strategic support for social goals.

**Croatia**

Croatia, like other countries of the CEE region, is still in a transition period. Because of the war in the 1990s, certain market processes started somewhat later than, for example, in the countries of the Visegrad group. There are **challenges that constitute an important context for the efforts undertaken in the field of philanthropy**. On the one hand, this includes significant inequalities between the rich west and north of the country vs. the poorer south-eastern regions, and on the other, the economy’s heavy reliance on tourism (approx. 30% of GDP), the scale of which was significantly reduced during the pandemic. As a result, so far the economy has been growing towards profit making, not towards being sustainable.

However, the transition to more active social engagement is already visible in Croatia. Due to the experiences of the last 2-3 years (COVID-19, war in Ukraine, the Petrinja earthquake), **individuals and businesses are becoming increasingly aware of the importance of mutual support**. Their social engagement is slowly shifting from reactive giving, focused on minimizing the effects of crises, toward strategic, thoughtful support. **There clearly is a potential to give**, but philanthropy and fundraising in Croatia are not yet well-developed.

A slight but positive change towards more strategic actions is visible in the operations of larger companies, motivated externally by the strong employee market and EU regulations. Social issues are higher and higher on the business agenda as they have a positive impact on **recruiting talents and retaining employees**. Thus, a natural space for social activity is formed. Along with the generational change among employees, as well as the development of the economy and a higher focus on sustainability from the side of investors, social responsibility will become more important. But it must be supported by owners and management.

Croatia has a well-established public support system for the social sector. It consists of three major organization: Government Office for Cooperation with NGO, National Foundation for Civil Society, and Council for Civil Society. However, a **strategic public support system for the private sector is missing**. Tax reliefs for donors are not widely known and – compared to other CEE countries – they are low and, therefore, not motivating. The legal environment seems to be another major challenge – the law is quite complicated and imposes numerous requirements, which discourages companies from getting socially engaged. There is a need to introduce **more tax and legal stimulation of the market**.

L**ow awareness, insufficient cooperation between sectors**, and the level of **private funding** are all areas defined as challenges in Croatia, but they are likely to improve in the coming years. To accelerate this process, more cooperation and better coordination of different actors and sectors as well as the development of common solutions and strategies are needed.

**Hungary**

Hungary, like other countries in the region, has been creating its new identity since the early 1990s. Since then, there has been **dynamic economic and social development**, resulting in the emergence of civil society. Thirty years after the political upheaval, however, Hungary still faces numerous challenges and obstacles hindering the creation of a stable social sector. Analysis of the results of the Civil Society Organization Sustainability Index suggests that Hungary has the lowest scores in the Central and Eastern Europe (further referred to as CEE).

The first important topic is that of funding. The **social sector is dependent on public funding**, which has recently been curtailed. Private funding from companies, private investors, large private donors and foundations is insufficient. At the same time, organizations are not ready to actively solicit such funds.

In Hungary, there is a **2% tax redistribution system** to social causes. The first 1% may be donated to any organization and another 1% may be donated to causes designated by the state (currently church organizations, National Talent Program). Creating a tax mechanism that supports precisely defined social goals, aligned with the country’s social development strategy, is quite a unique approach in the CEE region.

However, there is **insufficient cross-sectoral cooperation**. Business is only just opening up to strategic work with the social sector. Public administration communicates with organizations to a limited extent, trying primarily to cater to basic social needs (i.e. education and health). There is little dialogue. As a result, different sectors operate independently in pursuing their objectives. There is a lack of synergy that could contribute to boosting the impact of the measures they take.

The business sector is increasingly willing to engage in social support and there has been a noticeable change in attitude. The main driver is the labor market. However, **consumers do not exert much pressure** on business, especially if this could translate into higher prices for products and services. Given the high inflation and rising energy costs, many people try to reduce spending and become very price sensitive. Rising costs also have a negative impact on organizations, which are concerned about their operating costs.

However, in the face of challenges and barriers, it should be emphasized that the changes and trends clearly suggest that **the importance of the social sector in Hungary will grow**. The majority of the consultation participants think that business engagement will increase in the new generation of entrepreneurs (the important role of startups) and the social sector will professionalize.

**Lithuania**

Lithuania, like other countries in the region, has been building its modern identity since the early 1990s. Since then, it has experienced dynamic economic and social development, leading to the emergence of a civil society. **There are currently more than 36,000 nonprofit organizations in the country, but only one in six reports their activities**. Many activities and initiatives are undertaken at the level of large cities and large organizations. There is insufficient engagement at the local level, in smaller communities.

**The recent crises may provide motivation for change.** The pandemic, economic crises, and the war in Ukraine increased the willingness to support social goals, and many Lithuanians realized how important it is to be active in this area, and that the public administration is not always doing enough.

Young people will also be a catalyst for change. **The new generation of entrepreneurs and business owners will bring a “new normal”**, as they are naturally interested in and sensitive to issues associated with social engagement. In the coming years, we will see a shift from crisis giving to strategic support.

Another challenge that hinders constant engagement is the **lack of a clear national strategy.** There are many worthwhile initiatives coming from the public administration, but the activities are not comprehensive and cover only selected areas (e.g., only certain ministries).

**Low business activity** is a major challenge.There are, of course, very good examples of initiatives, but they are few and involve only the largest organizations. Social goals are not a priority for companies, and many enterprises simply lack knowledge about the benefits of engagement. Part of the reason is the **lack of a proactive approach on the part of the social sector**, which results in **social organizations being too dependent on public funding**.As in many other countries in the region, this creates capacity problems for organizations that lack the resources for organizational expenses and hiring specialists.

Another equally important area that requires action is related to taxes and the legal environment. **In Lithuania, individuals are not able to take advantage of tax breaks for donations**, and the tax breaks available for business are not very motivating. An important solution for the sector is the option of personal income tax redistribution at the level of 1.2%, but as in other countries, these funds go primarily to organizations focused on emotional causes, and the mechanism is not airtight – not only NGOs can use this funding. There are changes planned in this area, but not until 2025, and their implementation requires a **clear definition of who is and who is not a nonprofit organization.** At the same time **some legal forms are still missing (e.g., social enterprise) in Lithuania.** In the coming years, it will be **necessary to harmonize the nomenclature and terminology**.

Awareness of social engagement is not very widespread in Lithuania. There is a lack of activities that would promote social attitudes and appreciate engagement. **More education is needed at different levels**.

The final area that requires action is **investment in social goals**.Currently, this form is not very popular – there are no incentives or a good offer. Positive changes are taking place here as well, but these actions should be accelerated.

Undoubtedly, the coming years in Lithuania will be very interesting and the changes taking place in this market are worth observing. Significant legislative changes are being planned to facilitate the development of the social economy, and there is an emerging need to share good practices more widely – within the European Union, as Lithuania is a relatively small country.

**Latvia**

Latvia, like other countries in the region, has been building its identity since the early 1990s. Since then, it has achieved dynamic economic and social development, resulting in the emergence of a civil society. Currently, there are over 20,000 social organizations in Latvia. Thanks to the high awareness of the need to take socially responsible actions, there is a great interest in this subject within various groups. However, there are still **few systematized practices and strategic actions** that would effectively address the challenges.

Latvia has a very dynamically developing private sector, which is often cited as the birthplace of numerous valuable impact initiatives. **The new generation of entrepreneurs and business owners will bring a “new normal”** as they are naturally interested and sensitive towards topics related to social engagement. Currently, engagement varies depending on company size. Large enterprises care about their image and being an attractive employer, and they are aware that social engagement can be helpful in these areas. Medium-sized and smaller companies operate more efficiently, but often locally and without committing large resources.

**Investing in purpose-driven companies and organizations** is an extremely interesting and rapidly developing area.The traditional donor-based form of achieving social goals is still relevant, but it is worth paying more attention to investors, who are well versed in the topic of social investment or more and more often want to invest in a responsible and socially effective manner. In their view, it is startups and efficiently managed social enterprises that can deliver impact more effectively.

Among many activities undertaken by the private and public sectors, **many require systematization and macro guidance.** Consultations showed that it is necessary to **focus on education, which will help progress from theory to practice**, while on the part of the public administration and infrastructural organizations, **greater commitment is required to building dialogue and exchanging practices**. The goal for the coming years should be to strengthen strategic and long-term actions.

Activities in tax and legal areas are equally important. The 2018 corporate tax reform is perceived as a good step forward, as the whole tax law was simplified, but the **section on donations was more incentivizing before**. Another challenge for the social sector and social enterprises is **commercial activity, which remains limited**, making it difficult to diversify sources of funding. It is also worthwhile to **simplify and systematize financial reporting**, which is becoming increasingly important due to external regulations and expectations of the financial sector.

Undoubtedly, the coming years in Latvia will be very interesting and the changes taking place on this market are worth observing. The importance of social issues will grow, and all sectors are open to cooperation and exchange of experience both within the country and, more broadly, in the European Union, as Latvia is relatively small.

**Romania**

Romania, one of the largest countries in the CEE region, is taking steps to address a variety of social challenges, and a number of initiatives have been launched in recent years to build social engagement. As a result, the appetite for social impact is growing, as is the market, but **many barriers continue to hinder development**.

A major challenge to long-term engagement is the **project-based approach** of both capital owners and impact providers. Many initiatives are limited by short timelines, detailed and inflexible budgets, and short-term goals. As a result, there is not enough space to focus on long‑term impact and collaboration or develop organizational capacity.

This situation can also be linked to a **‘check-box’ culture**. While it is certainly prudent to be pragmatic about the activities undertaken and to analyze the benefits to be gained by the organization through responsible action, an overemphasis on doing “only what is necessary” limits the room for action. When it comes to non-financial or ESG reporting, many companies act only to the extent required by regulatory compliance, without attempting to introduce any major changes or integrate them into day-to-day business operations.

Undoubtedly, many social engagement initiatives in Romania (like in other CEE countries) are just getting off the ground, so there is a **constant lack of awareness, educational initiatives, tools, skills, and capacity**. Although public administration is conducting intensive training efforts, it also lacks people with a good understanding and knowledge of social engagement. Nevertheless, the number of experts is beginning to grow, and universities are working on developing specific courses that would prepare such specialists.

Launching more initiatives focusing on cooperation would speed up the development of skills in different sectors. The need for proper work training in the field of social engagement is particularly evident when we consider the **high level of complexity presented by regulations, directives, and terminology**.While the topic of social engagement as such may seem intuitive, implementing the associated requirements in an effective and long-term manner requires an entire staff of people with highly specialized knowledge. This constitutes a significant barrier for smaller organizations and companies.

It is worth noting that Romania has a unique tax redistribution system. **Companies operating in Romania can assign up to 20% of their taxes to social causes.** The funds transferred to the social sector under the so-called “sponsorship law” are very significant; however, it would be worthwhile to supplement this mechanism with additional tax benefits that would encourage both private and corporate donors to support social causes with their own resources as well.

Additional tax and legal regulation is needed to address areas such as the **for-profit activities of nonprofits, social entrepreneurship, volunteering, and pro bono activity**. Each of these pillars of social engagement continues to face minor barriers, the effective removal of which could unlock significant potential.

The final challenge worth mentioning here is the **lack of trust**, which manifests itself in the attitudes toward nonprofit organizations, but also in the **fear of tax audits**. Greater partnership and collaboration should help build mutual trust and increase the willingness of capital providers to engage.

**Slovenia**

Similarly to other countries in the region, Slovenia has been building its identity since the beginning of 1990s. Since then, the country has observed a dynamic economic and social development, resulting in the emergence of a civil society.

Taking into consideration the history of this country, **social involvement is strongly embedded in Slovenian society** as such, it is an important characteristic of the Slovenian society. Both individuals and companies take active part in building and supporting the local community. Many Slovenians become involved in crisis situations. Several members of Slovenian society become involved when crisis appears or when demanding situations occur.

Undoubtedly, the country is currently in **a period of transition** when it comes to the development of the social engagement. Slovenia’s history explains the fact that the very term ‘social’ does not generate positive associations while all the players are trying their best to proceed to the next stage of building the ‘impact’. Yet, pursuing this direction requires cooperation which is a challenge due to the **strong silo mentality**, visible in all sectors. Undoubtedly, all sides express their goodwill; however, all possible activities to reconcile different points of view should be strengthened and good practices should act as a driving force triggering changes across the country.

Public education and systematization of knowledge in the area of social impact is very much needed. Different understanding of the subject in many cases accounts for the lack of cooperation. What is missing is one **common standard, common terminology and one coherent system of evaluating the activities** undertaken by different organizations. After all, the definition of impact and social engagement does not have to be narrow, as it is traditionally understood. Academic sector is likely to play an important role here as it develops the skills relevant for this area and gives rise to new specialists.

A **growing business approach to social issues** is the last but not least important area. There are several interesting initiatives in the field of impact investing in Slovenia; yet, even here, more education and more cooperation is required. It is also advised to introduce legal and tax benefits in this domain. Historically, the introduction of the status of social enterprise in 2014 in Slovenia was an important event. Unfortunately, the list of the initially drafted benefits was not put into practice. Nonetheless, it may be worth to revise this project as there clearly is a good will to work on these issues on the public administration side, the need is rather to wisely navigate and coordinate this work.

The years to come will surely be interesting for Slovenia – **the importance of the social issues will only be growing**. All sectors are open to cooperation and exchange of experience both inside Slovenia and, as Slovenia is relatively a small country, more broadly, across the European Union. Integrating with other countries might be advantageous for growth and exchange of information regarding best practices.

**Slovakia**

In Slovakia, the area of social responsibility has developed at a dynamic pace in recent years. Many of the standards and trends present in developed countries can also be observed in Slovakia, but they are not yet fully adapted, which means that **we can expect further development** **of the social ecosystem** in the coming years.

A key change that has already taken place and is linked to an increase in the material status of the population is the **growing interest in social and environmental issues**. Large umbrella organizations that coordinate support and professionalize the entire sector are becoming increasingly important. More and more companies are implementing ESG-based strategies. This applies primarily to foreign corporations, but the role of internationally successful Slovak companies should not be overlooked. The expectations of the business sector and society are followed by the development of the social sector, which introduces modern solutions and professionalizes its activities both in terms of its offer and fundraising.

Unfortunately, the **relatively complex legal and tax ecosystem** hinders greater involvement on the part of businesses, which struggle to comply with existing regulations. The problem can be illustrated by the fact that the top 10 most important regulations from the business perspective (such as the Labor Code, the Income Tax Act, the Act on Social Insurance, etc.) were amended 42 times in 2020 alone. This leaves companies with very little or no extra time to spend on developing CSR practices. Simplifying the law would be especially important for smaller companies that do not have internal tax and legal departments. Integrating small companies into the impact ecosystem is an important challenge for the coming years – according to the European Commission, they represent 99 per cent of all Slovak enterprises.

Slovakia is also a specific country in the region, as **it has not introduced tax relief for donors**. The only mechanism available is tax redistribution, which allows donors to give 1-3% of their annual tax value to a chosen social cause – individuals and legal entities can allocate a part of their paid tax to a specific beneficiary, registered on a list maintained by the Chamber of Notaries. This mechanism is very popular among companies (99%), but less so among individuals (40-50%). This measure has allowed the public administration to transfer significant funds to the social sector, but there is no incentive for private funds to be committed to social and environmental issues. Experience from other markets shows that tax breaks can effectively increase involvement, especially with regard to large sums. A discussion on the possible introduction of this mechanism is surely ahead of Slovakia.

For several years we have been witnessing crises, which on the one hand motivate us to act as we realize that support is necessary, but on the other hand reduce the society’s income. In Slovakia, the difficult economic situation has been observed to reduce the number and value of permanent, regular contributions to the social sector. Reversing this trend is a big challenge, but one that can be tackled by the mutual cooperation of administration, business, individual donors, and the social sector.