



**BULGARIAN
DONORS'
FORUM**

Giving Practices in Bulgaria in 2017

**Research and analysis
of the Bulgarian Donors' Forum**

SUMMARY

Giving Practices¹ in Bulgaria in 2017

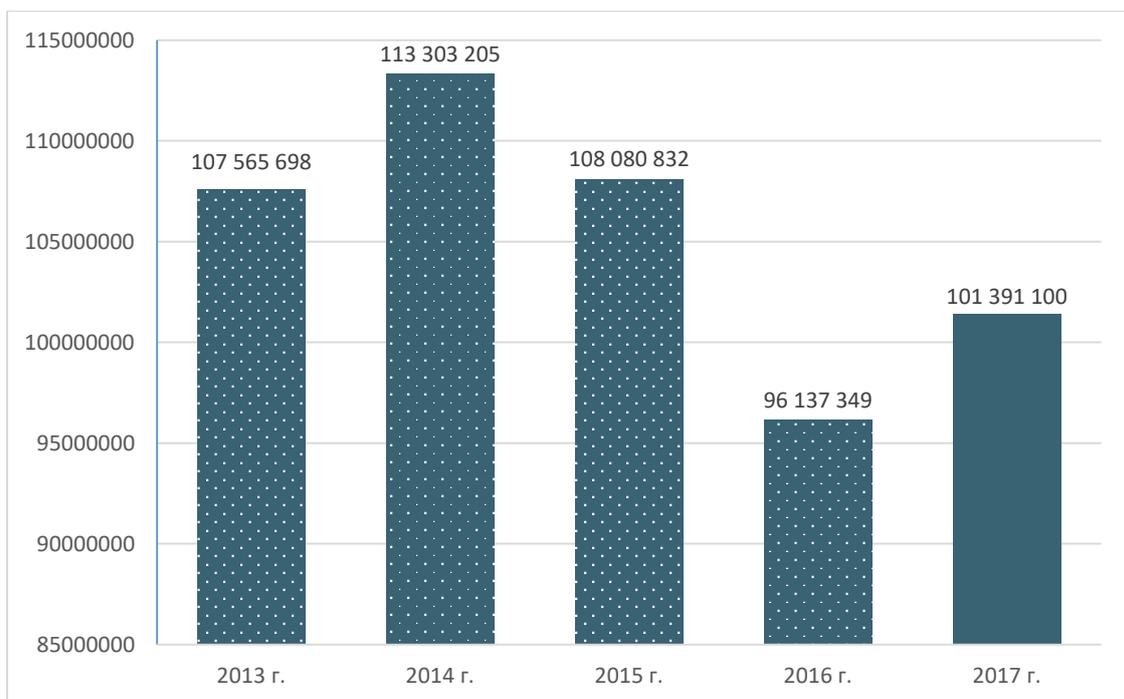
Analysis of the Bulgarian Donors' Forum on Practices and Trends in Giving and Corporate Social Responsibility

SUMMARY

HOW MUCH FUNDS HAVE BEEN DONATED?

The total amount donated by foundations, companies, sole proprietors and individuals in 2017 is **101 391 100 BGN** (51,8 M EUR). In comparison to 2016 there is a slight increase with about 5% (almost 5,3 BGN million more (2,7 M EUR)).

Figure. 1: Total amount of donations in BGN for the last 5 years



¹ The analysis is made on the basis of data of the National Revenue Agency for donations declared by companies, sole proprietors and individuals, review of statements in the Commercial Register and the register of non-profit legal entities, review of statements of international donor organisations, sociological research of Alpha Research Agency conducted in March 2018, as well as detailed questionnaires to companies and foundations within the community of donors in Bulgaria; information from the three mobile operators for donation calls and SMS. The document presents a media analysis on Giving in Media 2017 made by Intelday Solutions assigned by BDF. The analysis further comprises experts' comments with economic and sociological focus. The document is made with the support of America for Bulgaria Foundation and Charles Stewart Mott Foundation.

WHO ARE THE DONORS?

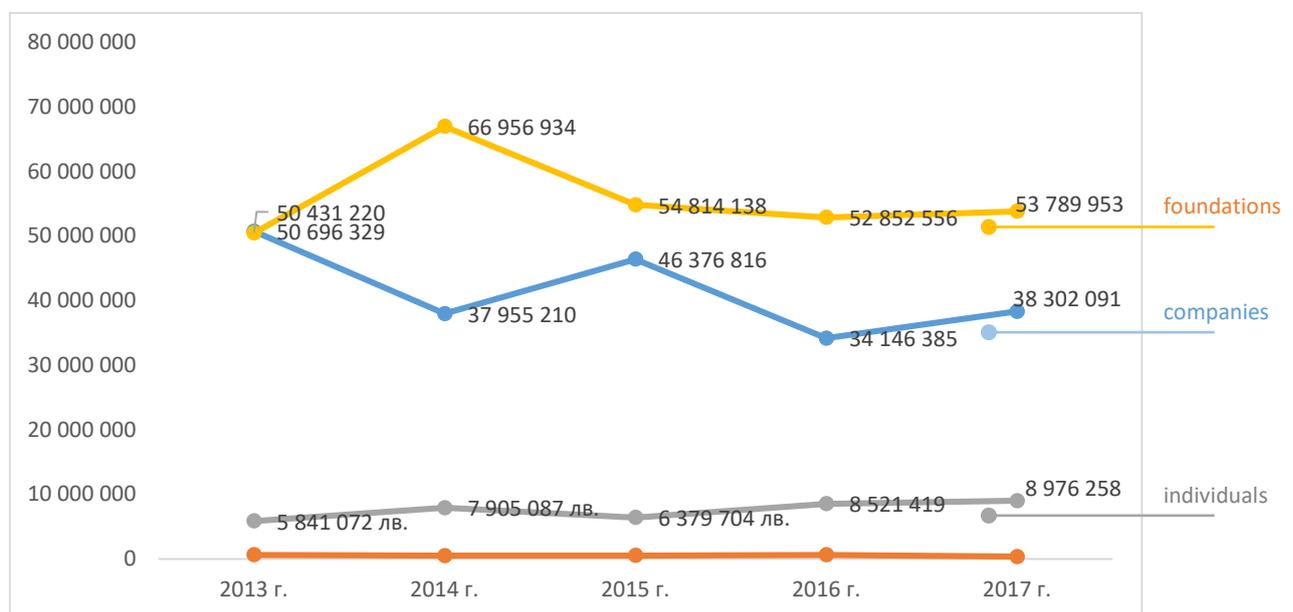
The community of private donors includes the following groups: foundations (international and Bulgarian), companies with financial contributions to different initiatives in public benefit in Bulgaria, sole proprietors (ET) and individual donors.

In 2017, like in the previous three years, foundations are the biggest donor of funds followed by companies. Donations from individuals rank third.

During the last 5 years (2013 - 2017) the following main trends are observed:

- **The amount of funds invested by foundations remains relatively stable**, except the clearly expressed peak increase in 2014 when 22% growth rate has been recorded in comparison to the average annual amount of donations for the period (55,8 million BGN);
- **12% growth of donation investments by companies in comparison to 2016.** With view of the 5-year period, however, a trend of decrease is observed.
- **Slight increase of funds donated by individuals**, which were barely 5% of the total donations in 2013, while in 2017 their share is 9%.

Figure 2: Donated funds in BGN by sources for the last 5 years



Foundations:

- **Amount of donated funds: 53 789 953 BGN (27,5 M EUR)**
- **Fields of support:** More than half of the foundations (55%) actively support the causes 'education and science' and 'children and youth development'. The share of

foundations' investments aimed at changes through community development is also high (41%). The support to the areas of culture and arts is lower (31%).

- **Trends**

For a fourth year in a row, foundations are the biggest donor in the country in terms of total amount of donated funds. The almost 54 million BGN they have invested represent 53% of the total amount of donations during the year. In comparison to 2016 no significant changes exist with regard to the mechanisms and areas of support.

The large amounts of investments in the country come primarily from the programs of the international foundations that operate in Bulgaria. Some of them follow their long-term strategic plans which correspond to the progress in the public and economic life in the country. Some of the foundations that traditionally work in Central and Eastern Europe are following their exit strategies and reducing the funding of projects in Bulgaria due to varied reasons (change of priorities, expiration of 10 years after the accession of our country to the EU, etc.). Other foundations believe it's more urgent to strengthen their support in countries where democracy is exposed to significant risks. This leads to decisions for relocation of funds to foster the role of civic organizations and achieve faster results in benefit of people and the private sector in these countries.

Foundations are leaders among the institutional donors, however the gaps and needs are those that predefine the goals of their donation investments.

Despite the slight decrease of donations during the last year, foundations still play the leading role for the achievement of positive change in the society and development of the organization and administrative capacity of the grassroots organizations. Within the context of strongly expressed political populism and public space dimmed as a result of the existence of false news, the civic sector has more and more urgent need of support for its causes and of resources for defending its role. There is a need of capacity building including organizational and financial, for organizations to be more effective in promoting their specific results and the impact they have.

The America for Bulgaria Foundation remains the biggest donor in the country.

The companies:

- **Amount of donations: 38 302 091 BGN (19,6 M EUR).** In comparison to the previous 2016, a 12% increase in the amount of funds donated by companies is recorded, whereas the number of companies that have declared donations during the year is almost the same.

- **Fields of support:** Companies support the causes ‘education and science’ and ‘children and youth development’ as a priority (68% of researched companies provide donations in support of these causes). The investments in support of culture and arts come next (59%) followed by the social services support (45%).

- **Trends**

In 2016, the most frequent reason given by the companies for the lower amounts of donated funds was the relocation of operational funds for economic and financial stabilization of the organizations. 2017 was characterized with accelerated economic recovery in the country and the Eurozone, and at the end of the year the percentage of companies that expect even higher income in 2018 is extremely higher (almost 85%, reported by Deloitte). The increased amounts of funds invested in 2017 by companies correlates highly with these optimistic business expectations.

Companies continue supporting the areas of education, children and youth development. They also prefer the causes related to the protection of environment which are highly supported by the employees and involve them. Companies still have traditionally low interest in the field of human rights and democracy. Thus, we should note that in 2017 AVON Bulgaria had a firm decision to support the adoption of The Council of Europe Convention on preventing and combating violence against women and domestic violence (Istanbul Convention) by the Bulgarian Parliament, despite of the contradictory public debates.

The mechanisms for support that companies prefer most are as follows: direct donations for implementation of specific projects, sponsorship, cause-related marketing, non-financial donations, and employees’ voluntary work.

The corporate donors rely on well-established partnerships with trusted NGOs, especially where they implement and manage their giving programs together with a non-profit partner.

The individuals:

- **Amount of donations: 8 976 258 BGN (4,6 M EUR)**
- **Fields of support:** health (59 %), social support (38 %), natural disasters and failures (38 %)

- **Trends**

In comparison to 2016, in 2017 there is a slight increase in the number of people who say they have made a donation (from 42% to 45%), which corresponds to the larger amount of donated funds during the last 5 years. People donate mainly money and mostly randomly (and not as a regular act). Health, social causes, as well as cases of

natural disasters and crises remain the leading causes supported by the individual donors. At the same time, there is a small growth (about 2%) in the share of Bulgarian citizens who have made donations for environmental causes (animal rescue, environmental protection). Just 0,7% of people have donated to support culture and arts.

One fourth of people (25%) have stated that a major motive for donation is their willingness and ability to help, even though with small contribution. Almost the same number of people have stated that their personal attitude to a specific issue is their driving motive (24,3%). Less than 1% of individual donors have responded that they donate led by the opportunity for tax relieves.

During the last year, a slight increase is recorded in the amount of donated funds by individuals – from small (from 1 BGN to 5 BGN) to medium-sized (50 BGN – 100 BGN) amounts. The medium-sized donations from 6 BGN to 50 BGN per year are the most common case.

SMS and box donations remain the ways (mechanisms) people use most often to support those in need or the causes they believe in. In comparison to the previous year, however, the share of people who have made SMS donations has decreased almost 15%, and at the same time the share of voluntary work has increased 8%, as well as the online donations are increased 5%.

Giving practices among individual donors are strongly affected by the way media represent the needs and necessities within the society.

WHAT IS THE ENVIRONMENT FOR GIVING GROWTH?

The legal environment in the country which is directly relevant to giving practices development during the last year does not have a decisive effect on the decision whether to donate or not.

The political situation is not considered completely stable. There are cases that challenge the trust in decision makers and the public institutions. This further limits the corporate investments in society because companies are looking for stable economic and political environment when they make decisions with regard to their investments.

The support for philanthropy development through improvement of the public ecosystem is superficial. Institutions have declared optimistic intentions, but their implementation and results require continuous monitoring as some of the policies in practice create additional obstacles before donors and their partners.

A particular example is the amendment of the Value Added Tax Act effective from 1st January 2017. It was aimed at allowing tax relieves for the companies that donate food to people in need through the food banking mechanism. Legislative changes become a fact after many-years of advocacy and varied approaches initiated by the Bulgarian Food Bank (BFB) and supported by a wide range of followers and partners. A year after these changes have become effective, the results are quite different than expected: the food bank donors (food producers, processors and traders) are able to use tax relieves only by covering additional requirements that demand additional time and financial resources. In 2017 the amounts of received donations by the Bulgarian Food Bank food have decreased with about 30% in comparison to the previous year.

Another example is related to the regulation of volunteering – the consultative process of development of the legal framework with regard to the donation of work and time has started again for yet another year in a row.

An attempt was made to make amendments in the Youth Act, which were not supported by the majority of nonprofit organizations, and at the very end of the year the Parliamentary Committees discussed a Bill on Volunteering. The entire process of development and discussion of the main framework that regulates volunteering continues for years. This is mainly due to the inefficient approach of law making, which can be currently described as “partial work” and systematic rejection of the expert opinions and proposals within the public consultations process.

During the year we witnessed the measures undertaken by the Ministry of Education, in regard to a specific case, exposed the implementation of partnership projects and initiatives between schools, civic organizations and donors at risk in general. Thanks to the proactive role of the civic networks and organizations, and eventually the conducted dialogue, the access to joint projects with schools was not stopped and they continued working with external partners.

The need of change in the tax relief rates for different cause donors is still relevant (currently, there are different relieves under the Corporate Income Tax Act, the Patronage Act, and with regard to the donations to the Fund for Children Treatment Center and Assisted Reproduction Center). For another year the BDF analysis of giving practices and trends shows that the opportunity for tax relieves for individual or corporate donors is not the driving motive for their choice to donate funds. To the contrary, individuals and companies that have declared donations upon filing their annual tax returns for the purposes of relieving their tax liabilities for the last year are less than 1%. Different rates also do not affect the choice of causes people and companies make donations for.

The optimistic aspect against the entire background is the growth in the support from individual donors. Gradually, the percentage of people who chose to make a donation for one

or another cause when they understand its significance and feel emotionally bound with it also increases.

WHAT EXPERTS SAY?

Lachezar Bogdanov

Economist, Industry Watch

The dynamics of giving trends needs to be considered within the context of the socioeconomic developments in the country. In general, the observed period (2013-2017) can be characterized with a process of permanent overcome of the consequences from global economic crisis. The actual growth rate has accelerated from about 1% per year in 2013 and 2014, to more than 3.5% for 2015-2017. Upon reaching the lowest rates in 2012, the labor market became more active and created more than 210 thousand additional jobs until 2017, and as a result of long-term demographic trends, the employment rate reached record values, and the unemployment decreased twice reaching the levels of the best periods in 2008. The movement was transferred to the quick growth of salaries and the accumulated growth for the five years is 45%, increasing with about 10% a year during the last two years.

Taking into account the developments in the economy, the total amount of donated funds shows permanent relative decrease – from 0.13% of GDP to 0.1% of GDP, and in absolute values it records 7% decrease from more than 107 to 100 million BGN. During the same period, total budget expenses for education increase by 14.2%, for healthcare – by 23%, and for social security and care (including pensions) – by 13.8%. While the donations from foundations are relatively stable during the period, the donations from economic subjects show a trend of decrease (their amount in 2017 is 24% lower than the amount in 2013), and the funds donated by individuals increase by 55%, despite the extremely low starting level.

In 2017 companies donate 12% more than the previous year, however this change may not compensate the significant 18% shrink in 2016 as well as the general trend of relative decrease of subsidies. General macroeconomic data show quick growth during the last 3 years; moreover, the 100 biggest companies record 14% income growth and 35% profit growth for 2017 in comparison to 2016.

These trends can be explained with several possible reasons. The economic revival and the increase of the budget subsidies for specific activities may have “repellent” effect on the motivation for corporate giving. Such effect may become stronger due to the more active project funding from the EU Funds during the recent years, which increases the feeling that more and more causes and needs have easier access to resources. It is worth noting that during the last 4 years the number of donor companies is constant (however the amounts change), even though the specified share of 0.8% of registered corporate tax payers is misleading.

If we take only the companies with 10 and more employees (which makes up 77% of the revenue for the economy in general), then the share of donors is 9.8%, i.e. every 1 of 10 non-micro companies have donated funds.

The fields, where companies direct their funds are visibly changed in the last year – focusing on activities for children and education instead of on social services, environment, sports is obvious. With regard to individuals, issues like health, social causes and help after natural disasters dominate, even though their share decreases. Practically, education is not among the motives. That probably reflects the approach to the searching of funds – for example, organizations that work for promoting access to and quality of education and for the environmental protection, do not actively look for support by means of direct campaigns among individuals, in contrast to the causes for support of specific people in need who have health issues. With regard to corporate donors, the change in priorities may be also affected by the media environment and the public and political debates – obviously, education became a top theme, while the improvement of the economic conditions, including sharp unemployment decrease and income growth, probably reduces the feeling of not sufficiently funded needs in the social area, sports, and environment. We can assume that companies' decisions are also affected by the “fashion” of the prevailing public moods.

Finally, the superficial contradiction between the trend to a decreasing (or at least stagnating) amount of corporate donations in the context of economic movement, may be explained by more comprehensive analysis of the typology and motivation of different donors. It is not a secret that for most of the companies giving is part of the general policy for establishment of their corporate image. To this end, the more important the positive image for the functioning and the development of a company, the stronger the motivation for incurring expenses for such initiatives. In general, companies that operate for the end users on the internal market or on a market that is subject to the strict control from the government/ municipalities are generally more dependent on the public opinion than those that operate mainly for other businesses or for the foreign market. During the last 5 years, the economic growth has been mainly driven by the export (2.25 times growth for the last 5 years), and mainly export of goods for intermediate use, and respectively, the companies with relatively low exposure to the Bulgarian consumers expanded most. When sources of growth change – for example, increase of internal investments and construction, as well as trade on the local market, the “demography” of successful companies will also change, thus increasing the number of those that would consider the establishment of positive public image more and more important.

Genoveva Petrova

Sociologist, Alpha Research

The details of giving practices for individuals described in the analysis show that this activity among Bulgarians is still mainly affected by media campaigns and public activity that focus the public attention on specific causes. Therefore, the giving practices continue to be strongly dependent on the situation (or particular events) and there is no system approach in the support to a cause chosen by people to which they regularly contribute.

At the same time, the improved economic situation during the recent years determines both the growth in the share of donors and the increase (even small) in the amount of donated funds.

However, there are still serious obstacles before the individual giving activity. The lack of knowledge what happens with donated funds and the lack of communication (i.e. feedback) with the grantees are still the main ones. This raises the typical doubt in Bulgarians that probably there is something wrong in the whole process that makes them refrain from more active giving. Such concerns will dominate in the public mindset until the giving practices themselves are primarily on an ad-hoc principle.

The casual nature of individual donations is also a factor for the still relatively weak role of individuals (in comparison to institutional donors) in the development of philanthropy in general. The majority of Bulgarians believe that this is something which should be done whenever needed, for a specific cause, and not a regular practice or part of the lifestyle.

Giving Practices in Bulgaria in 2017

Analysis of the Bulgarian Donors Forum on the Practices and Trends in Giving and Corporate Social Responsibility

The analysis is made on the basis of data from the National Revenue Agency for donations declared by companies, sole proprietors and individuals, review of statements in the Commercial Register and the Registry of Non-profit Legal Entities, review of statements of international donor organisations, sociological research of Alpha Research Agency conducted in March 2018, as well as detailed questionnaires to companies and foundations within the community of donors in Bulgaria.

The document presents a media analysis on Giving in the Media 2017 made by Intelday Solutions assigned by BDF.

BDF extends its special thanks for their contribution to the Analysis to:

Genoveva Petrova, Alpha Research
Lachezar Bogdanov, Industry Watch

Dilyana Stoyanova, UniCredit Bulbank
Ilyana Nikolova, Workshop For Civic Initiatives Foundation
Iskra Dzhanabetska-Kavaldzhieva, Communitas Foundation
Lyudmila Atanasova, BCause Foundation

The analysis is made with the support of
America for Bulgaria Foundation and Charles Stewart Mott Foundation.



The Bulgarian Donors Forum is an organization that works for the development of the giving environment in Bulgaria. We bring together some of the largest foundations and companies in the country that have active and consistent giving policies aimed at social change. We are trying to ensure a space where they can share their ideas and practices with regard to their giving investments. BDF studies and analyses the practices and trends in the field of giving, initiates and actively takes part in the development of efficient approaches to ensure a giving supportive environment.

The BDF Members:

Companies

AVON Bulgaria
 Job Tiger
 TELUS Int. Europe
 VIVACOM
 AbVi Bulgaria
 Aurubis Bulgaria
 Danone Bulgaria
 Coca-Cola HBK Bulgaria
 Contour Global Maritsa Iztok 3
 Lidl Bulgaria
 Microsoft Bulgaria
 METRO Cash and Carry Bulgaria
 A1 (Mobiltel)
 United Bulgarian Bank
 Pernod Ricard Bulgaria
 Post Bank
 First Investment Bank
 Raiffeisenbank Bulgaria
 Societe Generale Expressbank
 Telenor Bulgaria
 TechnoLogica
 UniCredit Bulbank

Foundations

America for Bulgaria Foundation
 Prof. Dr. Zhelyazko Hristov, MD Charity Fund
 Bulgarian Biodiversity Foundation
 Bulgarian Fund for Women
 Public Donors Fund in Varna
 Municipal Foundation Ruse – Free Spirit City
 Blagotvoritel Foundation
 Bulgarian Memory Foundation
 Georgi Chilikov Foundation
 Dundee Foundation
 Evrika Foundation
 Iskam Bebe Foundation
 Communitas Foudnation
 Tulip Foundation
 Radostina Konstantinova Foundation
 St. Cyril and St. Methodius Foundation
 Maria’s World Foundation
 BCause Foundation
 Habitat Bulgaria

Observers

Open Society Institute – Sofia
 One8 Foundation
 Econt Foundation
 Elizabet Kostova Foundation
 Oak Foundation

REACH FOR CHANGE Foundation
 Workshop For Civic Initiatives Foundation
 Trust for Social Achievement Foundation
 Charles Stewart Mott Foundation
 UNICEF Bulgaria

