

Reflections on the study tour of Slovak community foundations, September 2014

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Several quotations that caught my attention and helped me structure the reflections I present in this paper

“What kind of giving are we seeing in our community? Transactional-based and/or relationship-based? And what kind of giving would we like to see in our community? Giving based on transactions or giving based on deeper relationships with our donors?”

– An issue that was raised and discussed while visiting Healthy City Community Foundation in Banská Bystrica

“Our task is to build and grow trust in our communities. Trust that things can be done. Trust that community foundations are vital players. Trust that there is a better and hopeful future.”

“How can we measure growth of trust though? It’s not an easy task, but as we know, trust is a very important prerequisite for success in raising support in the community. It could be then that ‘money raised’ is a good proxy for measuring trust.”

– Final discussion in Bratislava reflecting what we observed in Slovakia

“What is the source of hope for CF sustainability in Slovakia?”

– A question posed by a study tour participant

“I do not know at this moment.”

– Honest response from a community foundation leader in Slovakia

Context of Slovak CFs, summer 2014

The community foundation movement in Slovakia has a long history. In fact, the visionary work of Slovaks Juraj Mesík and Beata Hirt led to the establishment of the very first community foundation in the CEE region in Banská Bystrica, Slovakia, 20 years ago (1994). Another 7 community foundations were founded in subsequent years, the youngest in 2005, i.e. 9 years ago.

The cumulative age of those 8 Slovak CFs is 110 years and their cumulative endowment is now slightly less than USD 2 million.

Currently, Slovak CFs are eligible for development funding made available by the Warsaw-based Academy for the Development of Philanthropy. At this moment, no national CF support program is available to Slovak CFs. The Association of Slovak Community Foundations was set up in 2003 and has been operating since then.

My reflections and the following thinking have been informed mainly by my experience of visiting two community foundations in Slovakia, namely community foundations in Liptov and Banská Bystrica. Additional reflections came from our debriefing sessions and numerous discussions in Bratislava when all of the groups came together to share our experience while visiting CFs across the country.

Romania and Slovakia – Freshness and Maturity

Last year in Romania we met with new, ‘fresh’ leaders of emerging CFs – people full of energy, hope and the courage to build new types of institutions. We met with people who are willing to experiment with new ideas, people who understand that somebody needs to step up and lead and inspire others.

This year in Slovakia, we had a wonderful opportunity to enter into very meaningful conversations with foundation leaders which have been around for a long time – people who understand that development (organizational, community, philanthropic, etc.) is not a linear trajectory, people that have lived through many victories and losses, people who have experienced a lot. In other words, in Slovakia we entered the world of ‘maturity’. And that is why we had a unique chance to be part of a different kind of conversation and why we were able to experience a different kind of energy than last year in Romania.

I could not resist looking up the word **maturity** in the dictionary where I was looking for various synonyms. Here is what I found:

Maturity as adulthood, completion, coming of age, fullness, full growth
Maturity as a sense of responsibility, experience, wisdom, sophistication
Maturity as ripeness, perfection

I am sure that many of these meanings of the word maturity apply very well to what we have been witnessing in Slovakia.

What shapes the current philanthropic context in Slovakia?

We talked a lot about **tax assignments** during the trip and I thought it was a fair reflection of how important the consequences of this public policy have been on the philanthropic environment in Slovakia. In fact, many years ago when tax assignments were introduced in Slovakia, something quite unfortunate happened – donors lost their tax incentive for charitable giving. In other words, the option of deducting a gift to a NGO and/or a more sizable gift to a CF is not available to any donor in Slovakia. Not to corporations, not to individual donors.

As a result, tax assignments became incredibly important for Slovak NGOs as well as Slovak community foundations.

Let’s have a look at how tax assignments in Slovakia work:

- They are anonymous = the recipient NGO/foundation does not know the identity of its tax assignment donors
- They come to the recipient NGO/foundation as a lump sum from the Ministry of Finance = the recipient NGO/foundation does not even know how many people/corporations decided to assign their charitable percent income tax to the organization
- The money has to be used for a pre-set charitable goal during the next ca. 18 months, i.e. by the end of the subsequent year (typically assignments are posted to the recipient NGO / foundation’s account in June).

What are some of the natural consequences of this public policy?

- NGOs/foundations cannot thank their supporters or let them know how their assignments were used, in other words NGOs/foundations in Slovakia **cannot build relationships with their supporters** (I prefer calling a person who has assigned his/her charitable percent income tax a supporter rather than a donor, since they have not donated anything, they have just fulfilled their tax duty and decided to use a small part of it for the benefit of a preferred NGO/foundation)
- NGOs/foundations do not even know in which region of Slovakia their supporters live and/or operate
- Foundations/CFs cannot use assignments to build an endowment
- NGOs/foundations in Slovakia have put a lot of emphasis on public relations in recent years (presenting charitable causes to a large and anonymous audience) while they have invested much less time, money and energy into building their fundraising skills and capacities (one probable cause is the fact that most supporters who make tax assignments remain “unknown” to the NGO/foundation they support).

But there are more consequences which unfortunately are not beneficial to CFs:

- In developed and mature donor markets (such as the UK) NGOs typically work with a large number of smaller donors (using various approaches including direct mail, direct dialogue as well as other forms of annual giving) while community foundations use the major donor and legacy mindset to fundraising – but the situation in Slovakia is probably best described as everybody competing with everybody else in terms of fundraising methods and targeting prospect donors/supporters. In other words, community foundations occupy pretty much the same donor pool as NGOs that are supposed to be funded by community foundations.
- It's no wonder that with such a competitive – and pretty narrowly defined – fundraising context, it is not the CF movement that takes the largest chunk of the assignment funding pie. Rather, it is charities with emotional and easy to understand appeals that benefit most from this public policy.
- Since assignments are not based on relationships, they are “underperforming” in terms of renewing trust in society (as we know, we build and nurture trust through relationships) and therefore it is probably going to take a longer time in Slovakia to renew enough trust to render philanthropic giving (not assignments but ‘real giving’) a wide-spread and broadly practiced behavior.

Philanthropy based on transactions/philanthropy based on relationships

Why do donors in Banská Bystrica (a real example given by the Healthy City Foundation) seem to be more willing to support a charitable cause in Africa than a local community-based issue in Banská Bystrica?

Let's try to put ourselves in the shoes of such a donor: *)

- The charitable need in Africa is clear and probably more compelling than the one at home
- One euro does more good in Africa than in Slovakia
- We do not pay taxes in Africa but we do pay taxes at home and many people believe that paying taxes is enough
- Giving to Africa is distant – once the giving transaction is over and the donor gets his/her well-deserved emotional reward, it is basically over; it is hard to imagine that a donor would receive an invitation to a fundraising function, gala event and/or would be invited to a site visit – in other words, giving to Africa is money-centric and donors understand quite well that

(for the most part) no additional gifts will be needed and/or requested – i.e. no gifts of time, attention, know-how, contacts, etc.

**) I hope it is clear I am not being critical here of giving to developing countries.*

This is to say that giving to Africa (when living in Banská Bystrica) is pretty transactional. And let's face it, in today's on-line world we prefer transactions – we do not go to a bus terminal to buy a bus ticket anymore, we do not go to a bank to wire a payment, we do not even go to a store to shop.

In this world, we even expect giving to become an easy, fast and seamless experience, ideally via our smartphone or tablet. And that is perfectly fine for small gifts.

But transactional giving will obviously not work for more substantial gifts since those are based on trust, and trust is based on relationships, and (donor) relationships are nurtured through **meaningful conversations**, where talking and listening are balanced. It is through these very conversations with prospect donors that we learn about their passions and interests and only when we understand those, only then are we ready to develop a meaningful way of working with that donor. Only then we can identify the right way of serving the community while respecting the donor and his/her philanthropic preferences.

All of this is close to impossible to achieve with the transactional mindset.

Therefore I think Slovak community foundations need to be thinking more about how to create and maintain space for relationship-based giving. Which is not easy at all in a country where the giving context is so substantially defined by the transactional nature of tax assignments.

On the other hand, Slovak CFs have amazing insight into various community issues and an amazing long-term history of providing support to a wide range of community-based initiatives. In this regard they are perfectly positioned to begin engaging in face-to-face donor conversations with prospect donors.

That would enable them to slowly leave the very competitive space they currently share with other NGOs. In an ideal world, tax assignments would be used mainly by NGOs while community foundations would move to a new and different fundraising context – one based on relationships that lead to major gifts and eventually to legacy giving in the future.

How do we think about growth?

I wrote about a similar issue last year after the trip to Romania, but I could not resist writing a little bit more about this issue.

It was in Bratislava during the final debrief that somebody suggested: *“The task of CFs is to build and grow trust in our communities.”*

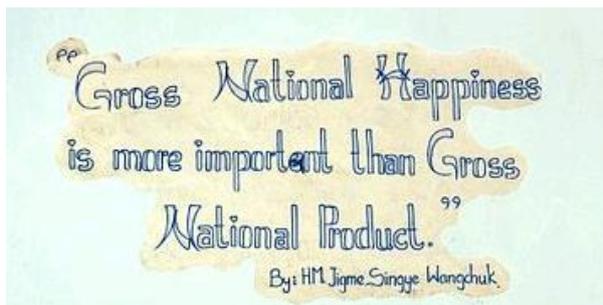
I like this notion since I believe that building and nurturing trust is crucial. To me trust is the glue that keeps societies and communities together – once we lose it, things and life deteriorate. But I also believe that there are other aspirations we may have as we look at community foundations and their role and impact in communities.

Here is a very incomplete list of **qualities** that community foundations **may aspire to grow** in their respective communities:

- Trust
- Hope
- Joy
- Meaning
- Happiness
- Fairness
- Engagement
- Generosity
- Opportunity
- Courage
- Solidarity

Following this line of thought, I want to share a recent experience of one donor of the Via Foundation (the foundation I work with), who just visited Bhutan. This donor came back to Prague full of inspiration from this small country under the Himalayas. He was totally amazed that unlike anywhere else in the entire world, where we measure Gross Domestic Product, in Bhutan measure Gross National Happiness (since 1972).

Now, why they do this? Because they believe that:



In other words, when people in Bhutan ask themselves – what is it we want to grow in our country? – their answer would probably be – we want to increase our individual as well as collective happiness. I think that this is a noble goal and I also think that Bhutan may serve as a good source of inspiration for the CF movement.

I really wonder if we asked a large number of people in our communities what they would like to grow in their respective communities, what would be the most frequent answer? Hope, fairness, resources, jobs, happiness? Who knows, but maybe we'd better start asking.

And finally, when we explore the question of growth in our organizations/foundations I think it is useful to think separately about:

- **Growing our impact** in a given society/community (be that more grass-roots citizen activity, more trust, more opportunity, more happiness, more caring, more justice – however we define it)
- **Growing our skills, capacities, thinking, understanding, resources and processes** – to be able to accomplish the kind of impact we would like to see in the given society/community.

Hope and future

Let me repeat one of the quotes I used at the beginning of this reflection paper.

“What is the source of hope for CF sustainability in Slovakia?”

– A question posed by a study tour participant

“I do not know at this moment.”

– Honest response from a community foundation leader in Slovakia

I know it is a very complex question. And with all respect for this complexity, I would love to offer quite a simple answer for consideration.

The hope for sustainability, the hope for larger impact and the hope for a better future is called: **more philanthropy.**

I can hear some critics saying – not enough of it is happening and it is not happening fast enough. To those reasonable voices I would respond – let’s begin exploring what we need to do to change our own behavior, approach and practice so that we build and nurture more philanthropy in our community.

And understanding that there are no quick and easy solutions, I would suggest a few things to be considered here:

- We need to **believe** that ‘more philanthropy’ is possible
- We need to **begin meeting** community members and prospect donors **face-to-face**
- We need to **enter into meaningful conversations** about community needs, community opportunities and about giving
- In those conversations we need to **listen** a lot, since it is through listening that we learn about the passions and interests of our prospect donors
- We need to **understand more deeply** how our donors and prospect donors think, what their values and aspirations are
- And we need to **grow our courage** and begin **asking** for support, gifts, help, advice - since the No. 1 reason people do not give is this – nobody asked them to give

To conclude I want to share three figures from the Czech Republic that **give me hope** that there is more philanthropy ahead of us:

- The Gross Domestic Product of the Czech Republic has grown 1.7 fold since 2000
- The average salary in the Czech Republic has grown 1.9 fold since 2000
- Private giving in the Czech Republic has grown 2.9 fold since 2000

I believe there is more philanthropy ahead in Slovakia. And I truly believe that Slovak CFs will play a vital role in making this happen.

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