

Struggling to Succeed:

Nonprofit Sector Grows in Post-Communism Era

By Steve Kettle

With the fall of the Berlin Wall in 1989, tens of thousands of non-governmental organizations (NGOs) have sprung up in Central/Eastern Europe and the former Soviet Union to help these countries make the transition to democracy and market economies. The new NGOs seek to address many needs, including social service, environmental, humanitarian, cultural and human rights.

Across the region, the explosive growth of foundations and associations in the immediate post-communist period stemmed largely from the powerful mood of optimism that civil society now could be created or reborn in the region, from the arrival of foreign donors, and from the disintegration of nationwide state bodies and their replacement by regional, independent organizations.

These efforts have been welcomed in some countries and challenged in others. But in all countries the legacy of decades of oppression has left the new nonprofit sector facing an uphill struggle.

Among the challenges to be faced are:

- advocating for public acceptance and supportive legislation,
- training a cadre of NGO leaders,
- providing information and services for countless new NGOs,
- building partnerships with the government and private sector,
- encouraging grassroots citizen action and local philanthropy as a basis for sustaining the NGO sector.

The history of the region helps explain why the concept of a viable nonprofit sector is new for most post-communist societies.

Many countries in the region had thriving civic associations before World War II. Some had a tradition of voluntary organizations going back to the 19th century. Even in Tsarist Russia, for example, charitable organizations were formed to take care of starving people along the Volga river. But this independent sector was squeezed by Stalin, and forcibly curtailed by World War II and Nazi occupation of the region. Whatever remained was destroyed under communism. Under decades of command-and-control economic and

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social systems, citizen actions to support NGOs and a free, independent sector virtually disappeared.

With little opportunity for individuals to participate in private and autonomous groups, the spirit of voluntary cooperation waned. Those groups that were tolerated or sanctioned were almost always linked to Communist parties or otherwise under tight state control. (The strong Catholic church groups in Poland, where Communist rule was more flexible, were an exception.)

The social consequences of the often-painful transformation from central planning to free-market economies---with many people involved in a constant struggle to ensure their own, and their family's, basic needs---has exacerbated the diminution of citizen involvement in civic life.

The communist idea that the state is responsible for all social provisions is still pervasive, hampering the emergence of participatory democracy and civic leadership. Thus, the need to assist citizens in moving from apathy to openness and engagement remains pronounced.

In the last decade of the communist era, as the system started to crumble with the advent of glasnost, voluntary groups began to emerge in Poland and Hungary. But many other countries in the region had to wait for the collapse of communism, after which there was a spontaneous revival of civic associations across the former Soviet bloc and former Yugoslavia.

Since 1989 and the fall of communism, the political climate in which the third sector operates has changed rapidly, and in many cases repeatedly. The fluctuations frequently have precluded any sense of continuity and stability for nonprofits.

Each new election can produce a crop of parliamentarians or local councilors who are not familiar with, or are indifferent to, the NGO sector. As a result, in the past six to eight years, the new political elites have proved in most countries to be as distant from their constituents as their communist predecessors were.

The attitudes of political authorities---ranging from outright hostility to paternalism to real recognition of the need for partnership---vary across the region. These attitudes are reflected in local legislation, particularly in laws concerning the establishment of foundations and associations and their tax status.

Third-sector laws were adopted before the fall of communism in Poland in 1984, and in Hungary three years later. Elsewhere, many burgeoning independent groups still operate under inadequate legislation dating from the communist era. The first law on public associations was passed in the Soviet Union in 1990. Since then, 10 to 12 legal forms have been created for NGOs in Russia. Ukraine gained a law about "citizens' associations" in 1992, but this reflected the 1990 Soviet law and treated political parties, NGOs and charitable institutions as equal and comparable.

The absence of a clear legal framework in the Czech Republic has not stifled the growth of the third sector there, according to Jana Ryslinkova, executive director of the Information Center for Foundations and Other Not-for-Profit Organizations in Prague.

"The law is not very clear," she said. "Registering as a foundation is easy because there are few definitions or restrictions, but there are not enough control mechanisms."

If laws, especially tax laws, frequently cramp NGO activity, part of the reason lies in abuses perpetrated by groups falsely claiming nonprofit status. In many cases, communist organizations changed their names and transferred their assets into private foundations. Other groups also took advantage of the absence of restrictions on the economic activities of NGOs in some countries, prompting governments to enact hasty and restrictive legislation.

In Bulgaria, for example, scandals involving businessmen creating bogus nonprofit organizations as a mask for trading highly profitable liquor and gasoline helped give the third sector a bad name. One-third of the founding members of the Union of Bulgarian Foundations were bankrupted by tighter tax restrictions brought about by subsequent legislation.

Similarly in Russia, financial scandals were exposed concerning social welfare groups, including one incident where an Afghan war veterans' fund was hijacked by racketeers.

Public suspicion of the third sector also was fueled by the initial low level of cooperation among NGOs themselves. Many worked autonomously and in relative isolation from each other, so that there was no easily identifiable and unified third sector.

"There are too many individualists who can't talk to each other," said Pawel Jordan, who runs an NGO support center in Warsaw.

The narrow circle of those involved in developing the independent sector was frequently torn by polarization and destructive jealousies. In some countries, some NGOs were accused of being favored by the national government and of receiving preferential funding. There was a distinct lack of open, accountable competition among nonprofit groups.

Western donors have sought to shortcut the decades of development normally required for the emergence of effective infrastructure organizations. But their presence and support has been used in isolated but well-publicized instances by governments to raise xenophobic fears and mistrust of the third sector, rather than a greater understanding of the importance of civic groups.

At the same time, the economic and social dislocation of individuals and communities caused by free market reforms and the loss of a wholesale state "social safety net," emphasized further by political and social unrest in countries such as Bulgaria and Albania, point to the importance of having a strong third sector in this changing region of the world.

Clearly, NGOs are at different stages of development in different countries, but they have common interests, activities and problems. Addressing these can help ensure that the third sector is not mere window dressing but an integral part of civil society. While the ultimate results may not be evident for years, there are signs that the nonprofit sector is gaining in recognition and increasingly contributing to society.

Building Indigenous Private Philanthropy

A legacy of enforced "volunteerism" and "charitable giving" has left most residents of Central and Eastern Europe skeptical toward outside-influenced plans for increasing philanthropic activity in the region. That is why efforts to motivate charitable giving are best driven by indigenous interests.

Stimulating community-based foundations and promoting corporate philanthropy are two approaches that are helping to encourage government support for the nonprofit sector, which is considered essential for the survival of NGOs.

Local/Regional Foundations

Many observers believe that regional and community-based foundations hold special promise for Central/Eastern Europe and the former Soviet Union. Such foundations can stimulate local efforts and address local needs, provide an avenue for individual and institutional giving, and advance partnerships among local governments, businesses, and NGOs.

The number of community-based foundations in the region is increasing, but they have had limited success in raising indigenous support.

One of the most ambitious is the Fund for the Development of the Carpathian Euroregion, which serves as a philanthropic resource for regional cooperation in Hungary, Poland, Romania, Slovakia and Ukraine.

Another is the Environmental Partnership for Central Europe (EPCE). Founded in 1991, EPCE has received support from the German Marshall Fund of the United States (which has administered the program), the Rockefeller Brothers Fund, the Charles Stewart Mott Foundation, and a number of other funders.

EPCE aims to create a framework for common projects in the Czech Republic, Hungary, Poland and Slovakia, focusing on specific environmental programs and related projects, such as developing greenways, trails and tourist routes.

Through December 1996, it had made 1,211 small grants, totaling \$2.9 million. In addition, it has provided training opportunities, awarded fellowships and internships, increased the involvement of grassroots environmental groups, and undertaken cross-border projects and more strategic grantmaking with grant clusters awarded around a thematic focus.

The need to promote local initiatives and local funding is important, but developing solid, "bottom-up" structures can be difficult, according to Juraj Mesik, director of the EPCE Slovak office.

"People in this region don't have vision; they don't know how to create vision," he said.

"Community philanthropy may be the most important answer to the challenge of the sustainability of the nonprofit sector--certainly in Slovakia, maybe in all of Central and Eastern Europe."

At the local level, the Healthy City Banska Bystrica Foundation in central Slovakia makes small grants for local environmental, neighborhood and youth projects.

Prior to 1994, the foundation had tried to prepare and execute projects itself. That changed, however, after experiences similar to one in 1993, when it planned to build a playground for the children of a grim housing estate on the edge of the city.

The foundation expected residents of the Sasova estate to join the project, contributing time and work to erect the playground. Local children contributed their ideas of what the playground should contain through a picture competition, and an architect produced the design free of charge.

All that remained was for the parents of the children who would use the playground to help build it. They didn't pitch in and the playground remains unfinished to this day.

After that failure, the Healthy City Foundation Banska Bystrica, with the support of city authorities and a Mott Foundation grant, transformed itself. Now its annual report describes it as "a tool for the support of those projects which come from the initiatives of the citizens themselves."

Throughout the region, NGOs are concentrated in capitals and larger cities, and every country is characterized by vast, bleak housing estates; extensive industrial pollution, urban neglect, and indifference.

Addressing these problems with local philanthropy is not easy. During the Soviet era, a whole social class of potential or actual benefactors was destroyed, and traditions of philanthropy in the region were curtailed. Therefore, a basic understanding of philanthropy has had to be rebuilt.

Beata Gasparcova, director of the Healthy City Foundation Banska Bystrica, tells the story of approaching a local businessman to contribute funds. He agreed, but only on conditions that he would effectively own the foundation, change its statutes and put his own people on its board.

"We didn't know how to go about raising funds," Gasparcova said. "We have to learn, and those approached also have to see that it's normal."

In Bulgaria the Open Society Fund-Sofia has been working since 1994 to help clubs or organizations in six cities evolve into self-sustaining community

foundations by the end of this year. They are located in Pleven, Plovdiv, Rousse, Sliven, Velingrad, and Varna, a seaside city that was hit by a violent storm last year. The response by the community at large to this emergency situation was extraordinary, and epitomized the spirit of caring for one's neighbor that is present, but often untapped, in the region.

The United Way of Hungary has also worked successfully with more than 20 communities in establishing locally supported United Way organizations. The network of local United Ways focuses on training and capacity-building, and on developing local sources of funding to wean NGOs away from dependence on foreign donors. As community-based organizations that provide social services, employment training and jobs in areas of central Hungary, the United Ways offer a proven example of how community-wide fundraising can be approached and successfully implemented in a post-communist country, strengthening local democracy and the nonprofit sector at the same time.

Corporate Philanthropy

Building corporate philanthropy in Central and Eastern Europe generally involves a long, hard struggle to find and educate donors.

"We don't really have donors yet. There are more [companies who set up their own] operational foundations with their own programs," said Helena Ackermanova, coordinator of the Czech Donors Forum, which was established at the end of 1995.

"But foreign support is sooner or later going to dwindle or be phased out. We have a responsibility to see what is coming so that it doesn't all come to nothing."

The Czech Donors Forum aims to monitor shifts in donor strategies and focuses, and to facilitate the creation of a base of corporate donors with sustainable, long-term plans.

The first step is education, so the forum holds seminars on corporate citizenship, explaining the business case for philanthropy and technical, legal issues.

"We're taking them by the hand," Ackermanova said. "We are both a catalyst and a facilitator. It's a real uphill struggle."

A study of 60 companies in the Czech Republic, both foreign-owned and local, showed where the fundamental problems lie--lack of a basic understanding of philanthropy, attitudes toward it and ineffective strategies for donating.

Many inquiries to the Donors Forum are made by public relations companies on behalf of clients who are aware of the possibilities of sponsorship but know little about the nonprofit sector.

"They are eager to learn. They're searching for contacts and knowledge," Ackermanova said.

As a starting point, many turn first to the best-known Czech foundation, the Committee of Goodwill, otherwise known as the Olga Havel Foundation, set up by the late wife of President Vaclav Havel.

Fear and shame, not just altruism and certainly not a desire for publicity or power, prompt corporate philanthropy in Russia, according to Olga Alexeeva, deputy director of the Charities Aid Foundation-Russia.

In 1994-95, as Russian companies began to make huge profits, thanks to gaping tax loopholes, they also began making donations to charitable or civic associations, concentrating mainly on social support groups.

Their motives included the fear that large numbers of disgruntled poor or socially deprived people could form the base for the next revolution, and shame at the corrupt ways they had amassed large amounts of cash.

Over the next two years, however, the situation changed as tax laws were tightened.

"Companies had to think about every ruble they gave away. Now, they give much less and want their donations to be focused on specific things," Alexeeva said.

"Western companies in Russia give for the publicity it can generate. Russian companies are the opposite. They often want to be anonymous, and divide their giving between sponsorship and charity."

Most banks in Moscow have set up charitable departments and, once they can reconcile the concept of giving with their business preoccupations, bankers can be generous donors. The feel-good factor applies.

"They're not angels -- they play with dirty money and they can feel criminal just to act like a bank," Alexeeva said. "They come back to their roots by giving. It helps them be like their family and old friends, not just moneymakers."

New NGO Centers Help to Develop Leadership

As U.S.-based philanthropies moved into Central/Eastern Europe in the early 1990s, developing leadership within the nonprofit sector became an important cornerstone of their work.

But accomplishing that goal was complicated by the transitioning governments' varied interest in the sector and by the jumble of NGOs that were springing up after the collapse of the Soviet bloc.

To help the third sector move to more structured management, several NGO resource centers were established. The centers facilitate communication among NGOs, and they also offer training and advice.

"There are two important parts to being a resource center," said Pawel Jordan, director of the Warsaw-based Support Office for the Movement of Self-Help Initiatives (BORIS).

"The first is to provide people with skills, information and help to get them organized. The second, and equally important, is to help them believe in themselves.... In many cases, people are working under difficult circumstances and doing a job which is very often not appreciated. We are giving them the feedback that what they are doing is important."

Resource centers also represent the interests of the sector at a national level, where it is critical to enhance public understanding and government support.

In the Czech Republic, part of the proceeds from its mass privatization program was earmarked to be distributed among independent civic groups. Nothing was done for some years, but concrete proposals on how to hand out the millions of dollars finally began to be discussed this year.

The Prague-based Information Center for Foundations and Other Not-for-Profit Organizations (ICN) is actively involved in promoting the public discussions. One way it does this is by cultivating relations with the media.

"It [the relationship] is not great, but if I write an article and send it to a paper, it will be published," said Jana Ryslinkova, executive director.

In Hungary, the parliament passed a law in December 1996 allowing citizens to donate 1 percent of their personal income tax "for public purposes according to the taxpayer's disposal."

The Nonprofit Information and Training Centre (NIOK) resource center, located in Budapest, set up a hot line and mounted a media campaign to make people aware of the law, advise them of the tax identification code of their chosen beneficiary and give technical advice. NIOK received roughly 150 calls a day, with most callers inquiring about how to donate to children's health services.

But while Hungarians could now contribute some of their taxes to NGOs, a new nonprofit law was still under consideration, so it was not clear what organizations were eligible to receive donations.

Perhaps the greatest mobilization of the NGO sector occurred in Slovakia in response to the government's draft law on foundations and associations. Supported by the Slovak Academic Information Agency-Service Center for the Third Sector (SAIA-SCTS), the Gremium of the Third Sector (the coordinating council for NGOs in Slovakia) launched a campaign in January 1996 called "Third Sector SOS" to oppose a draft law which required foundations and associations to have an endowment which was beyond the means of many NGOs.

Despite a concentrated campaign, the Gremium did not manage to prevent the bill from becoming law. But the campaign did galvanize NGOs into sustained action and dramatically raised public awareness of the sector.

In Ukraine, where development of the sector started later and is still at an early stage, seven regional resource centers have been established and are slowly making headway. "We're not now experiencing a drastic rise in the number of NGOs, but I believe it is going to happen in the near future," said George Khomenko, project coordinator for the regional resource center program, administered by the Eurasia Foundation in Kyiv.

Decentralizing the resource centers contributes to expanding their client base and overcoming the considerable regional differences in Ukraine.

Steve Kettle is a free-lance journalist based in Prague. This article, reprinted with permission, first appeared in the Spring 1997 issue of Mott Exchange, a quarterly publication of the Charles Stewart Mott Foundation, which has been active in promoting NGO development in Central/Eastern Europe. Copyright © 1997. For more information:

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