

Different Eastern European Countries at Different Crossroads

Éva Kuti^{1,2}

This paper takes an initial step toward a better understanding of the complex set of pressing problems that need to be addressed by the Eastern European nonprofit sectors and their supporters in the near future. It gives an overview of the main challenges and claims that different nonprofit sectors of the region are at different crossroads. It identifies a general policy crisis that is fueled by the lack of a comprehensive knowledge of the sector and clear political intentions of cooperating with it. In addition, the dependence on foreign funding may result in a sustainability crisis in several Eastern European countries. In the most developed part of the region, the main elements of the present crisis are the fiscal, economic, effectiveness, identity, and legitimacy problems, which have something in common with the challenges facing the much more mature nonprofit sectors of the developed world.

KEY WORDS: Eastern European nonprofit sectors; government–nonprofit relations; sectoral identity; sustainability.

INTRODUCTION

Lester Salamon's paper (this issue) invites us to raise the question of whether challenges and crises facing the nonprofit sector are similar or different on the periphery of Europe. In this context, all countries of Central and Eastern Europe belong to the periphery (Wallerstein, 1983). For this reason, a regionwide analysis seems to be appropriate even in the absence of sufficient information and reliable empirical evidence about the Eastern European nonprofit sectors.

When Salamon states that the American nonprofit sector faces a "significant" crisis (Salamon, 1997), he speaks about what often is regarded as the strongest

¹Researcher, Research Project on Nonprofit Organizations, Budapest, Hungary.

²Correspondence should be directed to Éva Kuti, H-1134 Budapest, Kassák 62, Hungary.

nonprofit sector in the world. The four crises that he identifies are obviously prevalent in many other countries as well, and they can be particularly dangerous in regions where the newly emerging nonprofit sectors are much weaker and must face not just these four, but several other, challenges.

To develop a sensible strategy to respond to this situation, it is absolutely necessary to be able to answer a number of basic questions. Who are the main actors? In what circumstances are they operating? What are their aims, values, motivations, and behavioral patterns? Which rules are they following? And what are the actual results and impacts of their actions? The main objective of this paper is to take an initial step toward a better understanding of the complex set of pressing problems that need to be addressed by the Eastern European nonprofit sectors and their supporters in the near future.

THE POLICY CRISIS

Since the renaissance of the Eastern European nonprofit sectors is closely connected to the denationalization process, public policy has a significant impact on their development perspectives. Whether or not they have an explicit policy toward nonprofit organizations, governments do influence at least the general regulatory framework and economic conditions under which nonprofit organizations (NPOs) work. Policy makers pursue lots of different political, social, economic or spiritual, global, national, organizational, or individual goals, although their knowledge of the diverse and rapidly changing nonprofit sector is quite poor. There is reason to believe then that public policy toward the nonprofit sector is predominantly the outcome of these various intentions and endeavors rather than a set of deliberate government efforts clearly targeted at a well-defined nonprofit sector (Anheier and Seibel, 1998).

In most Eastern European countries, there are several explicit and implicit government policies influencing NPOs and they often lack consistency. This is also true of the general attitude of legislative bodies and government authorities. The explicit, publicly expressed policy can be supportive, but the practical measures and implicit policies developed at different policy levels may be harmful for the nonprofit community. There can be divisions between the legislative and executive bodies, within the national government, and between the national, regional, and local governments.

It happens quite frequently that democratic principles, including the importance of the identity and distinctiveness of civic organizations, have more influence on legislation than on the practice of government policy making. Consequently, regulation at the constitutional level can be significantly different from the actual policy at the operational level. Since the substantive ministries (e.g., Ministry of Welfare, Ministry of Education and Culture) or local governments are interested mostly in providing welfare services on the ground, the quality and availability of

these services may have a priority for them over macroeconomic considerations. They are likely to pay little attention to the overall costs, including direct costs and lost tax revenues of the central budget. For their part, government agencies responsible for the overall performance of the economy (e.g., Treasuries, Ministry of Finance) probably are concerned more about the lack of information on the size and efficiency of direct and indirect support going to the nonprofit sector. For lack of comprehensive data, they may perceive that abuse is more frequent in this sector than in other parts of the economy. Their reaction can be a diffuse suspicion and sometimes even hostility, which may result in cuts of tax allowances and other economic restrictions.

In short, the public policy toward nonprofits is a complicated set of particular and more or less contradictory policies developed by different legislative and government bodies. Open and fully consistent hostility between the state and the nonprofit sector is an exception rather than the rule in the Eastern European region. The experience was mixed even in Slovakia, where the policy environment for the sector was most hostile during the Meciar period. Although the government did initiate a really oppressive foundation law, it was opposed not only by the nonprofit umbrella organization and the numerous supporters of a "Third Sector SOS Campaign," but "The President of the Republic returned the legislation to Parliament with a request that it not be adopted" (CIVICUS, 1997, p. 122). In much less dramatic ways, the same divergence also could be detected between the presidential and governmental policies toward nonprofits in the Czech Republic until the fall of the Klaus government (Quigley, 1997).

The policy crisis that seriously threatens the Eastern European nonprofit sectors is fueled largely by the lack of a comprehensive knowledge of the sector and clear political intentions of cooperating with it. This lack of information and clarity is much more dangerous and harmful than the occasional political attacks against it.

THE IDENTITY CRISIS

The lack of a consistent policy obviously is related to the fact that "despite an enormous upsurge of voluntary organizations after the breakthrough of 1989 and their growing capacity as service provider, formally they are still not conceptualized in terms of a separate and independent sector, similar to the public and private sectors." (Les, 1997, p. 146)

Both researchers and nonprofit activists have made several efforts to map different kinds of NPOs (Bocz *et al.*, 1997; Horváth and Deák Sala, 1995; Hyatt, 1998; Kuti, 1996; Les, 1994; Siegel and Yancey, 1993) and to give a large overview of the various roles that they play in the economy and society (Abzug and Webb, 1996; Coury and Lucanin, 1996; Gassler, 1991; Jenkins, 1995; Wunker, 1991). In spite of these efforts, we still do not have reliable information about either the size or, especially, the structure of Eastern European nonprofit sectors, let alone how the general

public is informed about them. We know that many different types of NPOs are present in the region, ranging from small, mainly recreation-oriented, membership groups to service providers, grant makers, and lobbying organizations. We group them together as a nonprofit (or third, or voluntary, or nongovernmental) sector, but one can hardly claim that they would really work or identify themselves as a sector.

An institutional field can gain collective identity if its members tend to move in concert. The lack of these coordinated movements is one of the most difficult problems in the Eastern European nonprofit sectors. The different roles that they play create some natural divisions between NPOs. Advocacy groups frequently resent the pragmatism and opportunism of service providers, whereas the latter think that their activities are much more important and useful than the ones in which other agencies are engaged. Recreation clubs and membership organizations feel neglected and discriminated against. In addition, there is a deep political conflict between the old-fashioned, formerly government-controlled voluntary associations and the new institutions of civil society. The relatively well trained and well paid leaders of the large grant-making foundations pay little attention (if any) to the problems of the small groups or the sector as a whole. There is some tension between different political groups and also between the heads of government-funded and foreign-funded organizations. Very few of the activists based in small organizations seem to perceive their organizations as belonging to a sector and their problems as challenges to be faced in cooperation with their counterparts.

Developing identity and sectorwide cooperation is clearly a responsibility of the nonprofit community itself. Paradoxically enough, the government helps this process mainly through political attacks and restrictive economic measures, when it appears as a common enemy (Jenkins, 1995, p. 196), thus pushing NPOs into building coalitions in order to protect themselves. As the above-mentioned "Third Sector SOS Campaign" has proved, such an attack can even foster regional and international cooperation.

Strengthening sectoral identity and developing both national and regional cooperation are crucially important for the future development of the state-nonprofit partnership. This partnership may become critical for the sustainability of several nonprofit sectors in Central and Eastern Europe in the very short run.

THE SUSTAINABILITY CRISIS

Though there is precious little empirical information available, the anecdotal evidence seems to suggest that many nonprofit sectors in the region are highly dependent on foreign funding (Table I). The euphoria after the collapse of the Soviet empire in 1989 created an unprecedented flow of grants. Many foreign donors decided to support the democratic transition, several Western nongovernmental organizations (NGOs) opened offices and established local NPOs, support centers, and even umbrella organizations in order to accelerate the democratization in Eastern Europe.

Table I. Dependence on Foreign Funding

Country	Anecdotal evidence
Albania	<i>Rasim Gjoka</i> : "Financial and technical assistance from foreign CSOs are the mainstays of most Albanian CSOs." (p. 1)
Bulgaria	<i>Valentin Mitev</i> : "No reliable statistics are available on the resources of Bulgaria's civic sector, but most funding comes from foreign sources." (p. 18)
Georgia	<i>Ulana Trylowsky and Jesse Doiron</i> : "In Georgia today, CSOs are heavily reliant on outside funding and grants to sustain their activities." (p. 56)
Moldova	<i>Lydia Spataru and Ilya Trombitsky</i> : "Most CSOs in Moldova currently rely on funding from international aid organizations or foundations established by international organizations such as the Soros Foundation of Moldova." (p. 99)
Poland	<i>Ewa Les</i> : "Sixteen percent of Poland's CSOs receive financial support from international nongovernmental organizations." (p. 110)
Romania	<i>Lorita Constantinescu and Stefan Constantinescu</i> : "International aid makes up 52% of the total financial resources available to Romania's civic sector." (p. 114)

Source: CIVICUS (1997)

This foreign aid was quite useful in the western part of the region, where the indigenous nonprofit sectors were developed enough to absorb these unexpected funds without seriously disturbing their organic evolution. By contrast, in other countries—for lack of civic organizations rooted in national traditions—the foreign grants could not build in an existing local nonprofit sector. Consequently, they created new, more or less artificial and outlandish institutions that have remained extremely dependent on foreign funding (Fowler, 1995; Lazar, 1996; Regulska, 1998).

As an American observer stated, "one of the overarching criticisms of Western assistance is that it has artificially created or strengthened certain organizations, organizations that do not necessarily respond to the interests or needs of a local constituency" (Cornell Gorka, 1996, p. 28). For organizations that are not rooted in the local culture, it is extremely difficult to raise local support and become relatively independent from foreign funding. Their dissolution or slow decline would weaken all nonprofit sectors of the region, especially those of the Balkan and the former Soviet republics. If the experts quoted in Table I are not seriously wrong, then, in some Eastern European countries, the majority of the third sector's revenues come from abroad. Therefore, reductions in foreign grants could destroy or at least paralyze these nonprofit sectors.

The sustainability crisis probably will be much less profound in countries where the share of foreign funding is lower, but it still may have a harmful effect on some fields of the nonprofit sector. The figures for Hungary (Table II), where the nonprofit sector probably has a relatively low general level of foreign funding, seem to prove that the extent of the dependence of some nonprofits' activities on

Table II. Foreign Support of the Hungarian Nonprofit Sector, 1996

Field of activity	Share of organizations supported by foreign donors (%)	Foreign support as percentage of total income
Culture	4.8	1.5
Religion	12.5	17.0
Education and research	4.7	9.1
Health and social care	6.6	9.0
Sports and recreation	0.7	0.2
Economic and professional advocacy	1.6	1.6
Economic development	14.0	27.1
Philanthropic intermediaries	6.4	22.4
Other	7.0	9.0
TOTAL	3.7	8.0

Source: Bocz *et al.* (1998)

foreign support is alarming even there. This suggests that the sustainability crisis must be really deep in other countries of the region.

For the least developed Eastern European nonprofit sectors, it is crucial that foreign donors prolong their support and shift it toward indigenous voluntary organizations. It seems clear that the latter are more likely to meet local needs and become financially sustainable than the creatures of international bodies and foreign NPOs (Hyatt, 1998). Fortunately, there are some indications (McCarthy, 1995; Siegel and Yancey, 1993; Vajda, 1997) that several Western donors tend increasingly to turn their attention to indigenous skills and needs and shift from technical assistance to work with grassroots, community-based organizations.

THE FISCAL AND ECONOMIC CRISES

The fiscal and economic crises described by Salamon (this issue) also exist in Eastern Europe, but against a different background, that of a transition economy. The politically motivated renaissance of the Eastern European voluntary sectors can hardly be followed and consolidated by a steady growth without a significant development of the nonprofit service provision. Most of the NPOs are aware of this necessity and they make efforts to enlarge their services. These efforts are in line with the governments' intention to privatize a large part of public services, to transform the state socialist welfare system into a mixed economy.

Whoever is the service provider, one of the most important sources of financing public services is the state budget. This state support comes through grants, subsidies, statutory and fee-for-service payments, and indirect tax advantages. It is crucial for the development of the Eastern European nonprofit sectors if an important role in meeting citizens' needs and shaping a new model of the welfare state in their countries is sought. Unfortunately, the financing obligations are far from

clear. The population is much too poor to buy the services at a market price, or to finance their nonprofit provision through private giving. The government is rather ambivalent. It realizes that there is some qualitative and quantitative shortage in the market of welfare services, and NPOs may contribute to the solution of this problem, but it also has to face an increasing budget deficit and serious economic difficulties. It is therefore reluctant to finance the delivery of new, additional services, and prefers to confine itself to subsidizing nonprofit services that substitute for some public service provision.

The practice tends to be chaotic and contradictory. The tax system is under reconstruction. Neither government authorities nor taxpayers have satisfactory information about the actual performance of the emerging new taxes, such as value-added tax or personal income tax. Tax exemptions and tax deductibility are considered to be possible techniques of government support and already have been introduced in some countries of the region. However, their mechanisms and effects are not yet really understood. Consequently, they are the subject of much debate and criticism, and subject to frequent changes. In the short run, they are therefore an erratic and unpredictable basis of funding and cannot become a source of support upon which NPOs can rely firmly.

As far as direct state support is concerned, the situation is not much clearer or better. The arm's length and subsidiarity principles are not rooted in the Eastern European political culture. They are imported; they represent an attractive element of a recently developed vocabulary that fits, in the best cases, in the ideology but not in the behavioral patterns of Eastern European governments. Competitive tenders are extremely rare. For lack of impersonal rules, informal social networks play an important role in the distribution of public funds. If nonprofit service providers wish to secure state subvention or government contracts, they must convince public authorities that their services are of high quality, necessary for the public, and innovative, whereas the large state-run service delivery networks (e.g., the national health care system) regard service-providing NPOs as competitors and massively lobby against contracting out public services.

THE CRISES OF EFFECTIVENESS AND LEGITIMACY

As Kramer (1992, p. 50) states:

Using NPOs as service providers offers welfare states . . . an acceptable way of dealing with the decline in the legitimacy ascribed to government, and the decreased confidence in its capacity to provide economic, equitable and effective public services. This policy also has considerable ideological appeal because it can be presented as a form of privatization and the promotion of voluntarism, both of which are highly valued in many countries.

If this is true in the developed welfare states, it is even more relevant in the postsocialist countries, which have many more serious problems to be solved. Nevertheless, we must raise the question of whether nonprofits engaging in service

provision will not face the very same decline in legitimacy and confidence from which the government as a service provider historically has suffered.

It is extremely difficult to accept that there are several human and social problems that cannot be solved. Losers are inevitable products of the competition-based market economy; mentally, psychologically, socially handicapped, marginalized persons are inherent parts of any, even the most humane society. Their problems can be alleviated but not really solved by government or nonprofit agencies. This does not necessarily mean that these latter are inefficient (though they can be and quite frequently are), but it makes them particularly vulnerable to criticism.

Given this vulnerability, the Eastern European nonprofit sectors should be more cautious about their rhetoric because it can easily turn against them. Ironically enough, this rhetoric is much more influenced by an Eastern European image of the highly developed countries' nonprofit sectors than by local experiences or by the self-image of Western nonprofit sectors.

As Lester Salamon (this issue, pp. 14–15) states, “significant elements of the American public” . . . remain wedded

to a . . . 19th century image of charity and altruism, of small voluntary groups ministering to the needy and downtrodden. . . . The nonprofit sector thus is being hoisted by its own mythology. Having failed to explain adequately to the American people what its role should be in a mature welfare state, the sector has been thrown on the defensive by the revelations that it is not operating the way its own mythology would suggest.

What happens in Eastern Europe is exactly the opposite. Much less developed nonprofit sectors mainly composed of small grant-seeking and membership organizations claim that they are legitimated by their service provision role and the relatively high efficiency of their services. This poorly documented statement about high effectiveness, together with the somewhat mystified civil society argument, does more harm than good because it is not confirmed by everyday experience. When the overwhelming majority of NPOs are not able to fulfil their mission for lack of sufficient income, well-trained staff, and satisfactory infrastructure and when some big NPOs are seriously discredited by highly publicized scandals, then solemn testimonies reflecting wishful thinking can only result in a legitimacy crisis.

CONCLUDING COMMENTS

The different nonprofit sectors in Central and Eastern Europe have experienced the crises reviewed above in different situations and to different degrees and therefore are at different crossroads. Roughly speaking, three different groups can be distinguished among the countries on the periphery of Europe.

First, there is a small group of countries (e.g., Belarus, Serbia) where even the freedom of association and the very existence of an independent nonprofit sector are threatened. Open government attacks and hostile regulatory measures

constitute the general environment for the everyday life of civic organizations in these countries.

Second, a much bigger group of the Eastern European nonprofit sectors (consisting of the Balkan and the former Soviet republics) is characterized by dependence on foreign funding. The very likely decrease of this foreign support (Hyatt, 1998; Lazar, 1996; Quigley, 1997) will result in a sustainability crisis in the near future; thus, the development of indigenous, community-based voluntary organizations is a question of vital importance for these nonprofit sectors.

Third, in the most developed part of the region (the Visegrad countries), the main elements of the present crisis are the fiscal, economic, effectiveness, identity, and legitimacy problems, which have something in common with the challenges that threaten the much more mature nonprofit sectors of the developed world.

In short, although all three groups of the Eastern European nonprofit sectors have lots of similar problems, the combination of challenges with which they have to cope are different. To have in mind these differences is important for both local nonprofit leaders and foreign supporters if they want to find appropriate answers to real needs, and to develop strategies that can contribute to an organic development of local civil societies.

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