

**NGO DEVELOPMENT IN CENTRAL AND EASTERN EUROPE:  
AN EMPIRICAL OVERVIEW**

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Recent years have witnessed a tremendous surge of interest in the broad range of social institutions that operate outside the market and the state virtually around the world. Known variously as "nonprofit," "non-governmental," or "civil society" organizations, these organizations have long functioned as providers of recreational and cultural activities, education and health and social care in developed and developing societies alike, but they have grown in importance over the past several decades as funding and other limitations have reduced the capabilities of the state to cope on its own with the social welfare, development, and environmental challenges of our time, and as citizens have sought to take a more direct part in social problem-solving and public affairs. The result has been a global "associational revolution" (Salamon 1994), a striking upsurge of organized private voluntary activity in virtually every part of the world—in the traditional welfare states of North America and Western Europe, in the former Soviet bloc, and throughout Asia, Africa, and Latin America.

These developments have been especially visible in Central and Eastern Europe with the broad-scale resurrection of civil society after the revolutions of 1989 as well as the extensive degree of public and private democracy assistance that has flown into the region (Carothers 1996; Quigley 1997; Wedel 1998; Kuti 2001) to nurture and strengthen the development of non-governmental organizations (NGOs). Despite the growing importance of this set of institutions and the very concept of civil society, however, little remains known about them in solid empirical terms, both in Eastern and Central Europe and elsewhere in the world. As a consequence, it has been difficult to attract serious attention to them, to gauge their capabilities to shoulder the new responsibilities being put on them, or to determine what might be

needed to improve their operations and role. What is the extent, scope, and structure of the NGO sector in the region? Did the initial outpouring of voluntary activity lead to civil society-based organizations that are fundamentally different from those in the West? How firm is the organizational basis of civil society in the region? Did the Central and Eastern European countries follow similar or decidedly different trajectories in this respect?

In an effort to shed more light on this issue, this article presents empirical findings of a comparative research effort—the Johns Hopkins Comparative Nonprofit Sector Project—that is underway in close to 40 countries worldwide (Salamon et al. 1999). We will trace the early development of Central and Eastern European NGOs, utilizing 1995/96 data on the size, scope, structure and financing of the nonprofit sector that are available on 22 countries around the world, including four countries in the region (the Czech Republic, Hungary, Romania, and Slovakia) that form the focus of this paper.<sup>1</sup> As we will show, all over the region, non-governmental organizations (NGOs) have made significant inroads not only in political and social, but also in economic terms in the space of only a few years after 1989. However, the process of rebuilding civil society has been neither an easy one nor an even one. Accordingly, the NGO sectors in Central and Eastern Europe differ not insignificantly in the level of their economic development, although they share many commonalities as well as problem areas and key challenges. The major findings emerging from this work on the scope, structure, financing, and role of NGOs in Central and Eastern Europe can be grouped under three major headings: Size, structure and composition, and revenue structure.

### *Size and Economic Contribution*

In the first place, independent of their social and political importance and in contrast to the West, NGOs are still a modest economic force in the region in terms employment or national expenditures. More specifically, the NGO sector in the four Central and Eastern European countries for which data are currently available (the Czech Republic, Hungary, Romania, and Slovakia) constituted a \$1.6 billion industry that employed close to 173,000 full-time equivalent paid workers as of the mid-1990s. NGO expenditures in these countries

averaged 1.5 percent of the gross domestic product,<sup>2</sup> and NGO employment stood at just slightly more than one percent of all non-agricultural employment. However, there are considerable differences between the four Central and Eastern European countries studied in terms of the economic development of the sector. With regard to the share of total nonagricultural employment, for instance, both the Czech Republic and Hungary, with 1.7% and 1.3% respectively, lie above the regional average of 1.1%, whereas Slovakia is slightly below (0.9%) and the Eastern European country of Romania is trailing considerably behind (0.6%).<sup>3</sup>

Paid employment, however, does not capture the full scope of the NGO sector, for this sector also attracts a considerable amount of volunteer effort. Indeed, at the very least, an average of more than 26 percent of the population in these countries contribute their time to NGOs. With volunteer labor converted into full-time equivalent and included, the NGO sector thus represents, on average, approximately 1.7 percent of the total nonagricultural employment in these Central and Eastern European countries.

**Table 1: NGO Share of Employment, by Region,  
in Full-time Equivalent, 1995/96**

	Paid Employment	Paid Employment and Volunteering
Western Europe	7.0%	10.3%
Other Developed Countries	6.9%	9.4%
Latin America	2.2%	3.0%
Central and Eastern Europe	1.1%	1.7%
Average <sup>a</sup>	4.8%	

<sup>a</sup> Average of all 22 countries.

Source: Johns Hopkins Comparative Nonprofit Sector Project

While NGOs gained momentum in Central and Eastern Europe not only in social and political terms, but also economically, the sector as a whole has not yet reached the level of economic development of its counterparts elsewhere in the world. Internationally, NGO employ-



ment averages close to 4.8 percent of total employment (Table 1), which is approximately four times the size of the Central and Eastern European average of 1.1%. Generally, the four Central and Eastern European countries cluster at the lower end of the range of countries included in this project. Accordingly, Central and Eastern Europe emerges as the smallest of the four regions covered in this study. As shown in Table 1, in both Western Europe and other developed countries, the NGO sector averages about six-times the size of that in Central and Eastern Europe (6.9% of total employment vs. 1.1% in Central and Eastern Europe). Moreover, even in the developing region of Latin America, NGOs account for twice the employment share (2.2% vs. 1.1% in CEE).

Given the initial enthusiasm that surrounded the fall of the Berlin Wall and the re-emergence or "rebirth of civil society" and the high hopes that accompanied the development of NGOs in the region (Siegel and Yancey 1992), the comparatively small size of the NGO sector in Central and Eastern Europe that emerges from this study may appear at first sight to be somewhat counterintuitive. This finding, however, should not necessarily come as a surprise. While the transformation of Communist-era social organizations and, to some degree, the preexisting civil society of the 1970s and 1980s provided some basis for the emergence of the NGO sector, the time frame for the post-1989 development has still been short, particularly compared to the advanced democracies of the West where the expansion of the nonprofit sector was closely linked to the growth of the post-war welfare state.

### *Structure and Composition*

In contrast to Western Europe as well as other parts of the world, the structure of the NGO sector in Central and Eastern Europe is marked, at least in terms of employment and command of resources, by a prevalence of the field of culture and recreation (i.e., arts and culture, sports, social clubs and other recreation). As shown in Table 2, 35 percent of all NGO employment in this region in 1995/96 was in the culture and recreation field, ranging from a low of 31% in the Czech Republic to a high of 38% in Hungary. For the most part, the economic weight in this field lies with sports rather than arts and

culture. With the 22-country average at only 14 percent, the consistently strong position of this field throughout the region is a characteristic very specific to Central and Eastern Europe. Accordingly, the culture and recreation share of NGO employment is three and a half times smaller in both Western Europe and Latin America (approx. 10% each) and four times smaller in other developed countries (8%). While there is a long tradition of cultural activities as well as sports clubs in Central Europe, this situation is also a reflection of the heritage of the socialist regimes, as culture and recreation were among the few fields of social activity that were tolerated and even encouraged under Communism (Kuti 1996; Toepler 2000; Jakobson 2000; Ilczuk 2001). This is not to say that all of the employment in the field is in transformed social organizations, but these organizations still carried a heavy economic weight compared to cultural and sports groups that have emerged after 1989. Significantly, however, while culture and recreation still dominates the structure of Central Europe's NGO sector, its relative share is likely to decline as other components of the sector are gaining strength. In Hungary, for instance, culture and recreation initially accounted for almost two-thirds (64%) of NGO employment in 1990 as opposed to 38% five years later (Kuti 1996; Sebestény, Kuti et al. 1999). While Hungary is the only post-socialist country for which there are comparable data for the immediate post-1989 period, it does seem likely that a similar restructuring of the sector has also taken place in other countries.

While culture and recreation is the prevalent element in the composition of the Central and Eastern European NGO sectors, core welfare services (i.e., health, social services, and education) still play a relatively lesser role. Thus, the combined employment share of education, health and social services in the region with 38% just barely exceeds the respective share of culture and recreation (35%). This is so despite the fact that education with nearly 18% is the second largest field of NGO employment. Social services with 12% and health with 8% lag further behind (Table 2). The relatively underdeveloped position of welfare services in the Central European NGO sector is further borne out in cross-regional comparison. While education, health and social services make up less than 40 percent of NGO employment in this region, these three fields account on average for nearly 80 percent in the welfare states of Western Europe and

other developed countries (Table 2). These significant differences very likely reflect the chronic shortage of resources available to NGOs in Central Europe to engage in the provision of highly complex and potentially capital-intensive welfare service delivery, but also the greater willingness of Eastern and Central Europeans in general, to continue to rely on the state to provide these services. By the same token, it also reflects the greater reluctance of governments in this region to share core welfare responsibilities with the emerging NGO sector, as well as a prevailing ambiguous posture of the state towards these organizations (Regulska 2001).

**Table 2: Composition of NGO Employment,  
Central and Eastern Europe vs. Western Europe, 1995/96**

	Central & Eastern Europe	Western Europe
Culture & Recreation	35%	10%
Education	18%	28%
Health	8%	22%
Social Services	12%	27%
Professional Associations & Unions	11%	3%
Development	6%	6%
Environment & Advocacy	6%	3%
Other Fields	4%	1%

Source: Johns Hopkins Comparative Nonprofit Sector Project

Another sizable portion of total NGO employment in Central and Eastern Europe is in professional associations and unions. This field accounts for close to 11 percent of total NGO employment, which brings the region considerably above the Western European and other developed countries averages (around 3 percent), but above also the 22-country average of 6.5 percent. Only Latin America shows a stronger presence of professional associations and unions (12%). Similar to the culture and recreation field, the relative prevalence of these groups in Central and Eastern Europe at large is at least partially



another remnant of the previous Communist regime. Membership in professional groups and unions often served as a prerequisite for preferential treatment, economic advancement, and even access to higher education (Anheier and Priller 1991). Naturally, a great number of new unions and professional groups did emerge after 1989, but the transformed organizations of the Communist era still have a comparative advantage as they were frequently able to hold on to the assets and resources of their Communist predecessors.

Another interesting feature of the region is the significant scale of employment in environmental and advocacy organizations. At slightly more than three percent, environmental employment in Central and Eastern Europe is relatively speaking more than three times higher than the Western European average (1%). In terms of advocacy and civic organizations (including political parties), the Central and Eastern Europe share is slightly larger than in the West. Taken together, environmental and other advocacy and political activities comprise twice the share of total nonprofit activity in the East than in the West. To a large extent, this relatively strong showing of environmental and advocacy/civic organizations seems to be due to newer organizations that emerged as part of the transition to democracy and attracted Western funding. Many of the earliest NGOs in this region, in fact, were environmental groups mobilizing mass support to deal with the deteriorating environmental conditions in the region.

An important ambiguity is thus evident in the structure of the NGO sector in Central and Eastern European countries. Indeed, the data show that the early post-Communist NGO sector owed considerable parts of its structure to the legacies of the previous regime. This is apparent in the relative strong position of both culture and recreation and professional associations and unions in the employment base of the sector. Both fields constituted the realm of the allowed, and even encouraged, social organizations under Communism. Altogether, these two fields accounted for almost half of total NGO employment (46%). Only five years after the fall of the Berlin wall, the Central and Eastern European NGO sector thus still showed significant structural differences especially to its Western European counterparts. Although—as noted above—the influence of the “Communist heritage” on the current structure of the NGO sector in Central and Eastern Europe is waning, the development of a pronounced

welfare service orientation, like in Western Europe, will still depend on significant changes in the conceptualization of government/NGO partnerships in the region.

### *Revenue Structure*

Consistent with the dominance of culture and recreation as well as professional associations and unions, typically fee-dependent fields, the Central and Eastern European NGO sector receives the bulk of its revenue, on balance, not from private philanthropy or the government, but from private fees and charges. In particular, the clearly dominant source of income of non-governmental organizations in Central and Eastern Europe is earned income, fees and charges. As reflected in Table 3, this source alone accounts for close to half, or 46 percent, of all NGO revenue in the region. By contrast, private philanthropy and government payments provide much smaller shares of total revenue. Thus, as Table 3 shows, private philanthropy—from individuals, corporations, and foundations combined—accounts for 21 percent of NGO income in the region, while public sector payments account for 33 percent.<sup>4</sup>

While the overall composition of the NGO sector in Central and Eastern Europe is fairly similar, there are significant differences in the revenue structure between these countries. Public sector support in both Romania (45%) and the Czech Republic (39%) lies substantially over the respective shares of Hungary and Slovakia (27% and 22%, respectively). In Romania, this essentially reflects the significant investment of international public funding sources, including U.S.A.I.D., the European Union's PHARE Programme, but also assistance provided by a large number of individual, mostly Western European governments (Saulean, Stancu et al. 1999). Domestic government support in this country was extremely limited. In the Czech Republic, the comparatively high share of public sector support may in part be due to the fact that the Communist-era support system for social organizations was largely left in tact after the "velvet revolution." While the system was considered both insufficient and not adequate for the modern realities of the sector (Frič, Deverová et al. 1998), it nevertheless continued to provide not insubstantial state support for the sector.



**Table 3: NGO Revenue Sources, by Region, 1995/96**

	Central & Eastern Europe	Western Europe	22-country Average
Public Sector Support	33%	56%	40%
Earned Income	46%	37%	49%
Philanthropy	21%	7%	11%

Source: Johns Hopkins Comparative Nonprofit Sector Project

The level of reliance on fees and charges, on the other hand, appears to be in an inverse relationship to the level of state support. The share of earned income of total NGO revenue is highest in Hungary and Slovakia (55% each) and lowest in Romania (less than 29%) with the Czech Republic with 47% in between. Private giving ranges from a low of 14% in the Czech Republic to a high of nearly 27% in Romania. In Romania, the high level again is rather due to international private donative support (e.g., the Soros foundations) than to domestic giving alone. Given the comparatively small size of the Romanian sector and its revenue base, international support—even if not higher in absolute terms compared to other countries in the region—does affect the revenue structure in significant ways.

Overall, the revenue structure of the NGO sector in Central and Eastern Europe differs considerably from that evident elsewhere in the world. Thus, as Table 3 shows, while earned income is the dominant element in the financial base of the NGO sector globally, its dominance is still slightly more pronounced than it is in Central and Eastern Europe (49 percent of total revenue compared to 46 percent). By contrast, public sector payments comprise a considerably larger share of NGO income in these other countries on average (40 percent vs. 33 percent in the region). On the other hand, the share of philanthropic income in Central and Eastern Europe is proportionally about 90 percent greater than the corresponding share of private giving in NGO revenue globally (21 percent vs. 11 percent). Compared to Western Europe, these differences are borne out even stronger: public support is considerable more important in the West than in the East (56% vs. 33%) and the share of fee income is substantially lower (37% vs. 46%). The share of private philanthropy in Western Europe, more-

over, is only about one-third of the level in Central and Eastern Europe (7% vs. 21%). Quite clearly, a different pattern of cooperation has taken shape between NGOs and the state in these other countries. Although the government posture towards the sector is generally positive, the Central European NGO sector evidently has not yet established a full-fledged cooperative partnership with the state (Kuti 2001). As indicated above, the sector has not taken over the provision of a significant part of state-financed welfare services, which would result in significantly higher public support, as is the case in Western Europe.

The picture that emerges from this discussion thus draws attention to the fact that the state/NGO relationships in Central and Eastern Europe have not yet reached the level and extent of these relationships in the West. However, the finding that governments across the region are already underwriting approximately half of all NGO revenues in the core welfare fields of education, health and social services signals a significant development. To be sure, the Central European NGO sector in these fields is still small and relatively underdeveloped compared to its Western counterparts, but the fairly high share of state support indicates a changing pattern of increasing contracting out of welfare services in the region that may lead to a redefinition of cross-sectoral partnerships more along the lines of those evident in Western Europe. Nevertheless, open tenders for grants and contracts are still not the norm, and political opposition from state-run service providers in direct competition with NGOs also remains a considerable barrier to a full implementation of Western concepts such as subsidiarity (Kuti 2001; Jacobson et al. 2000)

### *Conclusions and Implications*

Without any doubt, the "rebirth of Civil Society" in Central and Eastern Europe was carried by the initial euphoria after the revolutions of 1989. While this euphoria has somewhat subsided since, it nevertheless produced a vibrant NGO sector that is slowly taking its place in the social, economic and political life of the region. Even so, while the sector has clearly grown throughout the early 1990s, it remained a fragile entity and continued to face numerous "growing pains" in the form of unresolved issues and challenges. Perhaps one of

the most striking results relates to the extent to which the Communist legacy largely shaped the composition of the NGO sector in economic terms, as evidenced by the comparatively strong position of those types of activities that were tolerated and even supported by the Communist regimes. Despite the anti-authoritarian stance of pre-1989 civil society, the post-socialist NGO field remained thus as influenced by the region's communist past as other social, political and economic structures at large (Potůček 2000).

In contrast to the West, NGO activities in the core welfare state areas of social services, health and education are still limited. There are two interrelated reasons for this phenomenon: Firstly, up until 1995, the privatization of cultural and social assets remained contested and began to take place only slowly (Simon 1995; Toepler 2000). Secondly, despite the Communist misuse of the state apparatus, Central and Eastern Europeans appear not to have lost their faith in the government provision of these crucial services. In part this is due to legitimacy problems of the NGO sector in the region: Perhaps most importantly, the development of the sector was not only accompanied by good will, but also with a limited number of well-publicized scams and scandals in many countries. As a result, the public at large seemed disillusioned at times with the promise of the sector, which also translates into the significant lack of trust in NGO organizations that numerous polls have shown. Insofar as misuses of NGOs resulted from early legal ambiguities and loop-holes, however, the situation has begun to improve substantially. Many countries across the region have debated and passed new legal frameworks that spell out the functions and purposes of various legal types more clearly; and some even improved the tax treatment of both organizations and donations (Cerny 1999; ICNL 2002). While there remain legal problems in some countries, others have seized the opportunity to create modern and unambiguous legal frameworks from scratch. In a way, some of the new legal frameworks in Central and Eastern Europe could well serve as examples for reforming the outdated and inconsistent laws governing NGOs in a number of Western European countries.

At last, the project results demonstrate that only a few years after the end of Communism, the Central and Eastern European NGO sector still had some ways to go before attaining the level of sustainability of its counterparts in the West. Accordingly, it seems



crucially important to continue the training and capacity building efforts, that marked the first years of Western assistance (Quigley 1997) at significant levels in the foreseeable future. To grow and nurture a sustainable NGO sector and civil society takes more than just a few years of investment in this area. While the training of NGO managers to handle the growing complexities of partnerships with the government and business sectors as well as increasing accountability demands needs to be continued, more attention also must be paid to fostering a sectoral infrastructure. Such infrastructures will improve coordination within the sector, facilitate training efforts and information-sharing, and provide a unified voice vis-à-vis the government, especially at the national level. In many countries, however, NGO leaders at least initially resented efforts to establish an effective sector infrastructure, based on the negative experiences with enforced, centralized National Front-like organizations under Communism (Frič, Deverová et al. 1998).

As Central and Eastern European NGOs are now well into the second decade of their post-socialist development, it remains an open question how the socio-economic contours of the sector have shifted since the mid-1990s. Most likely though, changes have been incremental and marginal rather than fundamental, and many of the key issues remain prevalent. While the political rhetoric is frequently favorable, policies as well as government commitments to provide financial support remain ambiguous and contradictory; sustainability continues to be threatened by the withdrawal of foreign donors and the persistent scarcity of local funding sources; NGOs rarely coordinate effectively; and the differential between expectations of what NGOs should do and what they actually can do with limited means poses a challenge to their long-term legitimacy (Kuti 2001). With generally positive policy postures towards civic engagement, civil society and the social economy at the European Union level, NGOs in the accession countries of Central Europe should see continued improvements in the near to mid-term future. Further to the East, though, the prospects for NGO development remain perilous for some time to come.

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### Notes

1. For a broader description of this project and more detailed discussion of individual countries, see *Global Civil Society: Profiles of the Nonprofit Sector* (Salamon et al. 1999) and the respective Central and Eastern European chapters therein (Frič et al. 1999; Saulean et al. 1999; Sebestény et al. 1999; Woleková et al. 1999). As of this writing, data covering the mid-1990s were available for 22 Western European and other developed, Latin American and Central European countries. Data on an additional set of countries, primarily in Africa, Asia and the Middle East will be released in the near future. The project is directed by Lester Salamon; Stefan Toepler coordinated the work in Central and Eastern Europe from 1995-2002.

2. Technically, the more precise comparison is between nonprofit contribution to "value added" and gross domestic product. For the nonprofit sector, "value added" in economic terms essentially equals the sum of wages and the imputed value of volunteer time. On this basis, the nonprofit sector in the four CEE countries represents, on average, 0.7 percent of the gross domestic product—a small, but not insubstantial share.

3. In Poland, the nonprofit share of total nonagricultural employment is one percent and would thus fall between the four other countries (Leś et al. 1999). Additional data on Poland are forthcoming.

4. This pattern of nonprofit revenue does change significantly, however, when volunteers are factored into the picture and the monetary value of contributed labor is counted as a private "in-kind" donations. In fact, public sector revenue declines from one-third to one quarter of total revenues and fees and changes drop from 46% to 39%. By contrast, the private philanthropy proportion increases substantially from 21 percent to 36 percent, thereby overtaking public support as the second largest revenue source.



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