A READER
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A READER
FOR NON-PROFIT
ORGANISATIONS

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PARTNERS FOR DEMOCRATIC
CHANGE SLOVAKIA

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The book you are now reading is based upon the principle of diversity – the diverse perspectives that may be employed when looking at the third sector and civil society.

Every member of our team of thirteen co-authors and contributors is a unique individual, which is why it is wonderful to follow their ‘virtual’ discussion and occasional criticism throughout the pages of this volume. We hope that the reader will also engage in this discussion.

Most of the authors finished their chapters for this book in the blazing summer of 2001 – a time of record high temperatures in Slovakia. But we know that this is not the only reason why they sweated over their work so much. They dedicated an unbelievable amount of energy, interest, and dedication to this book. They are worthy of our wholehearted gratitude.

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DUŠAN ONDRUŠEK and MÁRIA ZELENÁKOVÁ

THIS BOOK OWES ITS EXISTENCE TO THE HUMAN AND FINANCIAL SUPPORT OF THE OPEN SOCIETY FOUNDATION BRATISLAVA.
A Reader for Non-Profit Organisations, which we have published in two editions, and A Reader for Advanced Non-Profit Organisations, which we published a year ago, have been the subject of exceptional interest, not only in Slovakia, but also in the Czech Republic. A number of positive responses have indicated the appetite for this type of publication. And no wonder. The civil sector is one of the most rapidly developing elements of society in post-communist countries, and is enjoying a growing influence. The non-profit organisations of today are very different to their antecedents, established decades ago. The people who make up non-profit organisations are maturing; the level of education and demand for information possessed by people whose professional and human interests correspond to those of the third sector are increasing markedly.

This publication is intended primarily for the community of people working in the civil sector of Central, Eastern, and Southern European countries. It is a book for both beginners and experts. It is intended for people who are curious, who like to think independently, and who value questions as much as they do answers. This is not recommended reading for a lazy reader – it rarely provides complete solutions. More often, as a kind of extension to an overview of the facts, it presents opportunities and invites you to contemplate them; on occasion, it also presents stimulating questions or pointers that may lead to other findings and further questions. It is concerned with crucial and sometimes rather intricate issues, and this is reflected in its style and occasionally sophisticated language. Even the illustrations are intended to pose stimulating questions, rather than provide all-inclusive answers to them.

Every chapter essentially forms a compact whole; each of them may be read individually and in any particular order. However, reading this book from top to bottom is recommended, because it gives the reader the opportunity to discover the parallels that emerge from the clarification of the same phenomena as viewed from different angles. Most of the chapters contain a ‘Terminology Corner’. This book has no ambitions to be an encyclopaedia; however, the usage of certain terms in the third sector is so diverse that the explanation of terminology by way of introduction is essential to ensure the book’s overall intelligibility. The lists of recommended publications at the end of some chapters are aimed at those who are interested in learning more about specific approaches or obtaining further information. The four documents listed in the appendix are cited for similar reasons.

Those sections of the book that provide specific examples, case studies, and key charts have been set out in boxes. Exercises designed to stimulate discussion have been set out in boxes with a grey background. Some people will only read the boxes, while others will skip over them completely. The text and the boxes are set out in such a way to ensure that even unsystematic readers will be satisfied. On the other hand, the following overview and justification of the system according to which individual chapters have been arranged will also satisfy our more systematic readers.


A Reader for Non-Profit Organisations comprises four main themes. The first is analytical in nature, dedicated to the roots of philanthropy throughout the world and in Central, Eastern, and Southern Europe. The second theme is dedicated to cross-sector relations, where we map out the relation of the third sector to the state, local government, business, and to the third sector itself. The third theme is of an instructive nature; it describes how ordinary citizens may become involved in public decision-making and defend the public interest, and how knowledge of the law may help them in this. The fourth theme is directed towards the very heart of non-profit organisations themselves, and is dedicated to issues that influence their development – organisational development, strategic planning, teambuilding, leadership, and democratic decision-making.

The introductory chapter, Non-Profit Organisations Throughout the World and in Central, Eastern, and Southern Europe, offers a basic insight into the world of the third sector, as well as its mission, function, and position in the effort to develop long-term, sustainable democracy. This chapter sets out the framework used throughout the book in regard to terminology, research methods, and interpretation guidelines related to the functioning of the third sector.

The next chapter, The Global Associational Revolution, explains what is happening to the third sector in global terms. With hindsight, and from a long-term perspective, it describes the four crises and two revolutions that stimulated the global rise of the third sector. This chapter analyses the challenges and consequences of third sector development, and attempts to present an unromantic, demystified, objective interpretation of the third sector’s position throughout the world. It is perhaps the most wide-ranging chapter, and thus the most demanding. Subsequent chapters contain much less theory.

The chapter entitled Charity and Philanthropy provides a historical, sociological, and in part, political overview of charitable work from ancient times to the present day. On the basis of case studies and statistical overviews, we consider the differences between philanthropy in the USA, Europe, and post-communist countries. We also discuss relations between the church, charitable organisations, and civil society.

A more general chapter entitled Three Sectors in Society: Competition or Co-operation introduces a theme that is discussed more fully in subsequent chapters devoted to relations. Having defined the third sector and civil society, we go on to explain the three-sector model of society. We present the various roles that the third sector plays in society. We describe in detail how to set about the process of cross-sector co-operation and partnership development.

The chapter entitled The Third Sector and the Third Sector is a kind of critical gaze into the mirror. We present the various types of non-profit organisations for those who take the third sector (too) seriously, as well as for those who do not take it (too) seriously. We consider the directions in which the third sector is developing, and what this may mean for its sustainability. This is followed by a great deal of information concerning the various ways and means of encouraging ethical behaviour on the part of non-profit organisations.

The chapter entitled The Third Sector and Business is jam-packed with information. We have concentrated on phenomena that are not particularly well-known within the third sector. Information and the employment of some innovative practices will prove to be crucial for the long-term sustainability of the third sector in Central and Eastern Europe. This chapter investigates trends in fundraising for non-profit organisations and explains the possibilities and limitations of self-financing. In addition, attention is also paid to endowments and fundraising via the internet. The chapter concludes with an overview of different types of partnership between non-profit organisations and business, and with a reflection on the perspective of partnerships and the future of socially responsible entrepreneurship.

The chapter entitled The Third Sector and the State is written in a somewhat of a text-
book style. It contains a delimitation of the characteristics of a democratic state governed by the rule of law, the structures and functions of such a state, and a definition of the framework that delineates relations between the state and the third sector. Any partnership between the state and the third sector involves potential dangers, in addition to clear benefits. This lies at the heart of the considerations presented at the end of the chapter.

The Third Sector and Local Self-Government is the last of the chapters devoted to relations. It stems from the new social situation in this region, which is leading to the decentralisation of power and creating space for citizen self-actualisation. This chapter explains how to apply civic influence through the development of relations between local self-government and the third sector. After characterising the status, structures, and decision-making processes of local self-government, this chapter, using practical examples, explains specific measures that must be employed when co-operating with local self-government.

The chapter entitled The Citizen and Public Decision-Making introduces the third theme, which is dedicated to public decision-making, the legal aspects of citizen activism, and advocacy. In this chapter, we seek answers to the following questions: What is public decision-making, and why should citizens take part in it? How can we even out the imbalance of power between citizens and public officials? What forms can the participation of citizens take? This chapter takes us from general philosophical principles to very specific and practical approaches. It also describes the legal aspects of organising specific civil activities, such as petitions, self-expression in the form of public feedback and complaints, the organisation of public gatherings, and other forms of civic activism.

The chapter on Advocacy deals with the basic aspects of this activity. Step by step, and using practical exercises, it explains how to prepare and plan advocacy activities, and also devotes a great deal of attention to the instruments available, coalition ethical guidelines, and crises during campaigns.

The fourth theme dealt with by this book takes an introspective look into non-profit organisations themselves. In the chapter entitled Organisational Development and Types of Non-Profit Organisation, we turn our attention to the development of non-profit organisations and the forms that they frequently take. This chapter also provides information detailing ideal relations, their possible structural arrangement, and the rights and obligations of non-profit organisations.

The chapter entitled Strategic Planning in Non-Profit Organisations clarifies the various approaches that may be taken toward strategic planning. The reader is invited to review the steps involved in strategic planning, whilst outlining three practical approaches in greater detail – the ‘SWOT’, ‘STEP’, and ‘Force Field’ analyses.

The book concludes with the chapter on Teambuilding, Leadership, and Democratic Decision-Making in Non-Profit Organisations. It describes the team roles that can be found in every team. It speaks about the consequences arising from too little or too much solidarity in non-profit groups or teams, as well as team effectiveness. It presents practical models for the leadership and management of people in organisations, and acquaints the reader with the principles of situational leadership. This chapter is also dedicated to the exceptionally serious issue of power and decision-making within organisations.

This book was written over a period of two years with the direct participation of fourteen co-authors, ten contributors to individual chapters, and three reviewers of the entire publication, along with dozens of people who added their observations to its various sections. It is clear that all these people have contributed not only their expertise and opinions, but also the joy of discovery and knowledge. We would be delighted if, thanks to this book, such joy were to emerge in the much more wide-ranging discussions of both its authors and readers.

Bratislava, 25th November 2002

DUŠAN ONDRUŠEK
Non-profit organisations are not a new phenomenon in Central, Eastern, and Southern Europe; in fact, it could be said that their tradition stretches back to the middle ages. The 19th and the first half of the 20th centuries saw an expansion in group activities and voluntarism in most of the countries of the region. However, the third sector was almost obliterated by the subsequent wave of authoritarianism based on fascist and communist ideologies, only to experience a revitalisation after the revolutionary changes in the 1990s. The non-profit sector is neither a post-revolutionary phenomenon, nor one imported from the Western democracies. What we now refer to as ‘the third sector’ – charity, philanthropy, group activity, and voluntarism – has long been a part of our history; one which is now undergoing a revival.

The third sector in post-communist countries could be compared to a patient who, after a period of imprisonment and a stroke, is now beginning to learn how to walk and talk once more; in addition, the language and lifestyle of others have changed during the isolation, so the ‘convalescent’ is compelled to rediscover the basic principles of his own existence. The 20th century has taught us an invaluable lesson about the mutual relationship between politics and independent, non-profit organisations. It has been seen that periods of freedom and democracy invariably lead to an expansion in the independent third sector, whereas authoritarian tendencies lead to its suppression. The state of the third sector serves as a sensitive indicator of the situation in society, the level of freedom, and the prospect of economic and spiritual prosperity.
The revitalised third sector and the emerging civil society in post-communist European countries today are partially rooted in pre-war traditions; however, people are beginning to realise that this is not enough. During the four to six decades of complete social stagnation in this region, the third sector has evolved and changed in the rest of the world; today, it represents a significant force, not only spiritual, but also political and economic. Voluntarism need not and does not mean amateurism. Non-profit organisations come in a variety of shapes and sizes – from groups of enthusiastic people voluntarily serving those who need assistance the most, to animated, professional teams of experts creating alternatives of public policy and engaging in lobbying or public advocacy. Non-profit organisations frequently discover holes in the social security net and immediately respond to social requirements, so that in time (should the need increase), clients who are prepared to pay for these services may emerge. Sometimes, non-profit organisations become companies; in other cases, their efforts lead to a growth in government assistance. The government gradually takes over financial or organisational responsibility for the regular provision of services in these once-neglected areas. And conversely (as a result of long dialogue and responsible political decisions), other services are decentralised, delegated, or otherwise removed from the government’s sphere of responsibility, passing into the hands of private and non-governmental institutions.

**WHAT ARE NON-PROFIT ORGANISATIONS?**

**WHAT IS THE THIRD SECTOR?**

This book is about the third sector. Although this is a nice name for organisations, civic movements, and activities, it is too general in nature to make its essence immediately clear to everyone. We are not the only people to encounter this problem; it is experienced by anyone who wants to study the third sector. As soon as people try to make a more specific definition of the subject of discussion – which types of organisations, movements, or activities fit into a specific category – difficulties begin. How should the third sector be defined in order to include both a small choir made up of village volunteers and a symphony orchestra organised as a large non-profit organisation with hundreds of employees? How can this definition be worded so as to embrace both a non-profit organisation involved in environmental education and campaigns against large dam projects and a professional members’ organisation of hydro-engineers who support precisely such constructions? What definition could encompass organisations providing financial support for interesting projects and institutions which are dependent on such projects?

A comprehensive definition of the third sector, based upon a number of different aspects, is the simple one formulated by Lester Salamon and Helmut Anheier for the purposes of a research project, in which the third sectors of 22 countries were compared. According to these authors, the third sector can be characterised by five basic particular criteria. You should be aware that they were defined for research purposes, and that they do not include informal, unregistered self-help groups in the third sector.

**NON-GOVERNMENTAL, NON-PROFIT ORGANISATIONS:**

1. **have a formal structure** – they are formalised and institutionalised to a certain extent, and are therefore capable of entering into contractual relations, for example.

2. **are of a private (non-government) nature** – that is, they are not a part of the public apparatus, and their boards of directors are not dominated by public administration officials. However, this does not mean that they cannot close contracts with public institutions, receive government support, or rank government officials amongst their members.
3. are not oriented towards making profit to be distributed amongst their owners. They respect the non-profit system of distributing funds. Any profit made is reinvested into programmes related to their main mission.

4. are independent, functioning on the principle of self-determination. They are controlled neither by the government, nor by institutions other than themselves. After registration, their activities are governed by their founding statutes. They have their own control mechanisms implemented by the board of directors (or the supervisory board), or by their members.

5. are of a voluntary nature; i.e., a certain amount of voluntary participation is present. This is true of both volunteer workers and board members. Organisations receive donations and non-material contributions in the form of unpaid work.

Two criteria are generally added to these basic characteristics, which differentiate them from church-based organisations, political parties, and trade unions:

1. They are not religious in nature; i.e., their main objective is not to promote religion or engage in religious education.

2. They are not politically oriented; i.e., their main objective does not involve uniting political candidates, or attempting to achieve political power. (Although this criterion eliminates political parties as such, it does not affect politically oriented civic associations).

THE DEVELOPMENT OF THE THIRD SECTOR

In democratic countries, the ability to associate is a fundamental issue. In post-communist countries, the right of association has become an essential guarantee against the tyranny of the majority. “Americans of all ages, all conditions, and all dispositions, constantly form associations... (They) make associations to give entertainments... to build inns, to construct churches, to diffuse books... and in this manner they found hospitals, prisons, and schools... As soon as several of the inhabitants of the United States have taken up an opinion or a feeling which they wish to promote in the world, they look out for mutual assistance; and as soon as they have found each other out, they combine. From that moment they are no longer isolated men, but a power seen from afar, whose actions serve for an example, and whose language is listened to”.

The French historian and politician, Alexis de Tocqueville, in his most famous work, Democracy in America, expressed these thoughts in 1832; today, they are receiving a growing response.

The growth in the number of non-governmental organisations, along with the development in association and voluntary activity, represents one of the great social innovations of the early 21st century. For a long time, this phenomenon has not applied to America alone – such organisations can now be found in almost every corner of the world. Two leading theorists, Lester Salamon and Helmut Anheier, speak of the third sector as “a new global force”. This rapidly expanding sphere encompasses the most diverse types of people: groups of neighbours, people united by their interests or professions, organisations providing services, organisations involved in defending the particular principles or rights of
groups of citizens, and other organisations of a religious or secular nature. They are supported by private donations and contributions from the state or international organisations, as well as from the sale of their own products and services. There are undoubtedly millions of them, from the smallest village association to influential international organisations such as Amnesty International, global organisations such as Greenpeace, or the massive service provider CARE, with an annual budget of approximately $400 million. Although some of the more traditional associations in Great Britain (the Scouts and certain religious organisations) have experienced a decline in membership, the increase in the strength and number of other, newer organisations has been astonishing (for example, those involved in environmental issues and human and civil rights). The British authors, Geoff Mulgan and Charles Landry, have written about this, calling the third sector “the other invisible hand” (i.e., in addition to the “invisible hand of the market”). The charitable impulse has remained, although its forms have changed. In a nutshell, this growth represents “the urgent need to belong somewhere, to take part in something, to change something”; relative prosperity provides people with the freedom to cultivate their values and channel their enthusiasms.

The titles of the three cited works – *A New Global Force, Power Shift, and The Other Invisible Hand* – reflect the scale, penetration, and growth of a phenomenon that has fascinated social scientists and occasionally made life difficult for politicians, and which has been brought about by citizens with a cause. These titles reflect the “revolution in association” – the efforts of millions of people throughout the world to participate in something meaningful – activities which, while bringing benefits to these people themselves, also serve the public benefit and go beyond individual human destinies and horizons.

**A SECTOR WITH MANY NAMES**

American historian P. D. Hall writes that non-profit organisations differ from each other immensely in their size and scope of activities, from community and neighbourhood organisations without any property or staff of their own, to wealthy foundations, universities, and health care centres with thousands of employees. They also hugely differ in their activities – from offering traditional charitable help to the socially needy through the production of goods to the performance of qualified research. Their income varies. While some depend on donors, others are funded by governments. Some boards include descendants of the original donor, others are formed as wide representative boards with members elected by organisation members. The principles of charity and philanthropy have been known from biblical times, but some key aspects of today’s non-profit organisations are entirely new.

The question also arises as to whether a coherent sector exists at all. For example, in England, as Mulgan and Landry have written, the Royal Opera is a part of this sector, as well as other national, professional organisations with paid staff and government-appointed directors. However, small self-help groups, along with scouting, sporting, and religious clubs, which operate on a purely voluntary basis and lack their own resources, are also a part of the third sector. Somewhere in-between are the many research institutes, schools, museums, housing associations, and organisations supporting voluntary and charitable activity. Moreover, some organisations are not formally registered as charitable or voluntary in nature, but are nevertheless devoted to such principles; for example, some religious organisations, alternative commercial organisations, agricultural and workers’ cooperatives, self-help health groups, artistic and political organisations, and international organisations and communities.
The term ‘third sector’ has emerged as a précis of these activities. The sheer variety of individual activities also gives rise to a need for other terms of description, each of which emphasizes a different aspect: ‘non-profit sector’; ‘voluntary sector’; ‘public-benefit sector’; ‘non-governmental organisations’; ‘non-state organisations’, ‘charitable (or humanitarian/philanthropic) organisations’; ‘self-help groups, clubs, or organisations’; the British term, ‘non-statutory sector’ (i.e., a sector not defined by the law), or ‘informal sector’; the American term, ‘tax-exempt sector’; the French term, ‘économie sociale’ (used in France and in institutions of the European Union), and the German terms, ‘gemeinnützige Organisationen’ and ‘gemeinwirtschaftliche Unternehmen’. The term ‘civil sector’ is also used.

We also meet with new terms – the cited ‘other invisible hand’, the ‘vita activa’ (active life), the arena for ‘public entrepreneurs’ (used by the Ashoka Foundation), or an arena for ‘public spirited individuals’ (the American philosopher, Michael Novak). The term ‘islands of positive deviation’ was widespread in Slovakia at the end of the 1980s; this was a phrase by which sociologists sought to designate groupings of independent thought and activity that were relatively autonomous, frequently operated on the fringes of officialdom, and were sometimes only semi-legal.

THE LEGAL TRADITIONS OF NON-PROFIT ORGANISATIONS

The development of non-profit law in Central, Eastern, and Southern Europe has been, and still is, influenced by three mutually interconnected yet different legal traditions: the European, stemming from Roman law, the Anglo-American, and the Soviet traditions.

The first, and possibly the most influential, is the legal tradition of Continental Europe (civil law). Legal systems stemming from this tradition generally require that non-profit organisations be placed in two different organisational categories – civic associations and foundations. The basis of such a categorisation can be traced to its origins in Roman law, which defined associations (universitas personarum) as groups of individuals engaging in common activities, and foundations (universitas rerum), on the other hand, as organisations unifying property for a specific purpose. This is why continental legal systems place such heavy emphasis on the legal form of a given entity – the registration process is all-important. Many of the rights and obligations of a given legal entity are dependent upon its legal form; thus, the registration process becomes a mechanism determining whether entities meet particular criteria and hold a particular status that provides them with certain advantages (for example, tax breaks).

The second legal tradition is based upon the legal systems of England and former British colonies, including the USA. In general, ‘common law’ (the Anglo-American or case law), differs from Continental law in that the decisions of judges are important in the creation of legal standards. In accordance with this concept – in the area of non-profit law – Anglo-American legal systems do not concentrate on organisational forms, but on the raison d’être of each legal entity. The status of an entity and the opportunity to utilise certain advantages (especially in the area of taxation), do not stem from an organisation’s form, but from its ability to prove that its objective is a ‘charitable’ one. In most ‘common law’ systems, non-profit organisations may choose from a wide range of legal forms, including associations, foundations, societies, trusts, or non-profit corporations. The registration process itself (generally designated as ‘incorporation’) is an easier and less fundamental affair. However, it is much more difficult to obtain a decision as to whether the objective of a non-profit organisation is ‘charitable’, and that the organisation may therefore utilise tax breaks and other privileges. In the USA, with its federal governmental structure, a legal entity must first register at a state bureau, and then apply to the federal tax office for the
status of a charitable organisation. Attempts to define the nature of organisations’ charitable objectives in precise terms stretch back to the English Statute of Charitable Uses, which was ratified in 1601 in the reign of Queen Elizabeth I. It was then that the term first took on a meaning that encompassed not only the alleviation of poverty, but also other objectives.

The third tradition, which continues to influence the development of non-profit law in post-communist countries, is the Soviet legal tradition. Although the Soviet Union has ceased to exist, it would be a mistake to ignore the lasting effect of its legal traditions in the region. During the Soviet regime, various laws existed in the now ex-communist countries that regulated the operation of precisely defined types of organisation – for example, special laws for youth or arts organisations. Although a universal law existed, which unified legislation governing various types of legal entities, it was inadequate in practice when determining, for instance, the specific legal form of a newly established youth theatre group. And if the bureau of registration decided to prohibit the establishment of an organisation for any reason, it was likely that the selection of a different organisational form would not help to change the situation. The Soviet legal tradition proved itself to be overcomplicated and deformed, posing significant institutional obstacles to the establishment of new organisations.

Every post-communist country has approved different legal types of civic structures, although they are all based upon the elementary differences between associations and foundations. In this region, another legal form of non-profit organisation is sometimes referred to – the public-benefit institution. This legal form, defined, for example, as a ‘public benefit organisation’ in Czech law, provides a legal means of privatising the functions of state-supported welfare and culture. In Slovakia, this would be a ‘non-profit organisation providing generally beneficial services’. Comparable legal entities may be found in Hungarian, Russian, and Ukrainian law, and similar legislation is currently being considered in other countries of the region. More information on the legal forms of non-profit organisations can be found at http://www.icnl.org, which contains an analysis of legislation in most Central, Eastern, and Southern European countries by the International Centre for Not-for-Profit Law. In addition to legislative definitions, a number of other names and abbreviations are used to describe the third sector. If you wish to improve your knowledge of ‘non-profit slang’, please read the box below.

Box 1: Abbreviations in brief

Do you know the meanings of the abbreviations MINGO, PINGO, GONGO, QUANGO, TANGO, MBO, MVO, INGO, BINGO, GRINGO, PVO, CSO, or NFPO...? If so, read no further. This section is only meant for those people who wish to enrich their third sector vocabulary with a few slang expressions to describe several organisational types. The search for the most descriptive term for third sector organisations has also posed a problem outside of Central, Eastern, and Southern European countries. Documents on the subject contain a number of names, abbreviations, metaphorical descriptions, and symbols, and such ‘third sector slang’ is dominated by the English language.

In most post-communist countries, the most widely used term for the organisations concerned is probably the abbreviation ‘NGO’, or ‘Non-Governmental Organisation’. It may be the most popular label, but it is also the least precise; almost all private institutions, such as companies, self-determining organisations, and religious bodies could be described as being ‘non-governmental’ – i.e., independent of the state. This term was satisfactory in the communist era, when only very few organisations were not subject to direct state control and the private sector was almost non-existent. Although it has become too vague to describe third sector organisations, it is still in common usage. No one could categorise Volkswagen, for example (or indeed any other well-known company), as an NGO (although, strictly speaking, it is); instead, people would ascribe this abbreviation to non-profit, voluntary organisations.
The traditional European classification stems from civil rights, where the beneficiaries of the organisations’ activities are taken into consideration when categorising them. In this way, organisations are divided into those with an ‘internal’ orientation, for the benefit of their own members (citizens’ associations, etc.) and those with an ‘external’ orientation – towards assistance for other members of society (public benefit organisations, foundations, or funds). The abbreviations ‘MINGOs’, ‘PINGOs’, ‘MBO’, and ‘PBO’ describe such organisations.

MINGOs (Member Interested NGOs) – organisations oriented towards assistance for their members, e.g., associations, unions, etc. The following, slightly more exact, term is sometimes used to describe such organisations:

MBOs (Mutual Benefit Organisations) – where the organisations’ members or devotees engage in mutual assistance.

PINGOs (Public Interested NGOs) – organisations aimed at assisting the public at large, such as foundations, funds, trusts, etc. Another, more fitting, abbreviation is also in use:

PBOs (Public Benefit Organisations) – i.e., organisations involved with more than simply assisting their own members, and which concentrate upon the well-being of others – even if those making up these organisations are not personally acquainted with the beneficiaries.

In the Philippines and South America, the interests of non-profit organisations are differentiated according to their structure – whether they are organised from below, which involves the mutual assistance of people on a ‘grass-roots’ level (the roots of the grass growing downwards and generously covering the earth), or whether they are organised, non-state institutions providing professional assistance. Grass-roots organisations are often described as ‘POs’ – People’s Organisations. Organisations with a professional character are further divided into those oriented towards emergency assistance and those oriented towards preventive development; or phrased differently, into traditional organisations concentrating on charity, social aid, and emergency intervention, and professionally-organised social development agencies. The traditional organisations, mostly involved in providing emergency aid, are sometimes referred to as TANGOs (Traditional NGOs), while preventive, development-oriented agencies are labelled as BINGOs (Big NGOs).

The third sector community has created a number of humorous, slang abbreviations to characterise organisations sporting a dubious ‘non-profit’ tag, even if they associate themselves with the third sector and are registered as non-profit entities. These acronyms often convey the primary source of funding, or the organisations’ possible dependency upon their founders. Such appellations indicate that they are ‘quasi’ third sector organisations.

QUANGOs (Quasi Public Private NGOs) – ‘public’ private organisations. A more specific term is sometimes used to describe them:

GONGOs (Governmentally Organised NGOs) – or ‘governmental’ non-governmental organisations; in South America, the following term is occasionally employed:

GRINGOs (Governmentally Run and Inspired/Initiated NGOs).

BONGOs (Business Organised NGOs) – i.e., non-governmental organisations organised by businesses. The term is sometimes used to describe non-profit organisations founded and controlled by large corporations.

DONGOs (Donor Organised NGOs) – i.e., independent organisations created solely on the initiative of one or more donors, and which prioritise donor interests to the detriment of their own particular concerns.

Representatives of developing countries sometimes perceive the dissimilarity between the traditions of non-profit organisations, as well as their character and the political contexts of their work that stem from these traditions, as one of the fundamental differences between the developed (northern) countries and the developing south. The abbreviations describing this difference are:

NNGOs (North NGOs) – non-governmental organisations with a ‘northern’ character.

SNGOs (South NGOs) – non-governmental organisations with a ‘southern’ character (the acronym ‘SDNGO’ – South Developmental NGO – is also applied in this context).

INGOs (International NGOs) – international organisations with an international mission and scope, occasionally uniting both types of organisation defined above.

Despite its widespread usage, the abbreviation ‘NGO’ is truly inexact. However, acronyms that do not emphasise the lack of a relationship with the state, or other, more informative terms (such as terms indi-
cating the voluntary nature of organisations or their relationship to civil society), have yet to be brought into common usage. The abbreviations ‘PVO’, ‘VSO’, and ‘CSO’ are used occasionally:

PVOs (Private Voluntary Organisations). This abbreviation has not become popular, although it is frequently used in American texts on the third sector.

VSOs (Voluntary Support Organisations). These are organisations that rely upon volunteers for the support of other, primarily developing, organisations.

CSOs (Civil Society Organisations). This term is the most general way of denoting third sector organisations that promote participation and application of civil principles by the people.

Precise appellations related to organisations’ orientation towards profit have also seen little success. But the following abbreviations are being used ever more widely:

NPO (Non-Profit Organisation), and
NFPO (Not-For-Profit-Organisation).

The latter abbreviation (NFPO) is neither widespread, nor particularly appealing to the ear. Nevertheless, it may be the most precise characterisation of third sector organisations. They stand out not merely because they are non-state entities that may achieve a profit through their activities, but primarily because any profits made are allocated to the fulfilment of the mission and the development of the organisation; i.e., to public benefit aims, rather than for further investment or the financial gain of their members (as is the case with for-profit entities). It will probably take a little time before this abbreviation catches on to a greater extent than ‘NGO’.

Finally, it is worth mentioning some abbreviations that are pure slang, but very inventive. The contraction ‘NGO’ may be pronounced as ‘n’go – (‘and go’). This similarity lends itself very well to plays on words, of which the most well-known are:

COME’N’GO – an ironical label for organisations that vanish before they have fulfilled their objective. Some foreign organisations that rush into activities (“assistance”) without sufficient knowledge of the domestic situation, and subsequently disappear without achieving any significant, positive changes, have also been branded as such.

WASH’N’GO – another satirical label for organisations that are ostensibly humanitarian and charitable in nature, but which are actually engaged in money laundering activities.

THE MISSION AND FUNCTION OF THE THIRD SECTOR

Social anthropologists assert that voluntary associations (in contrast to involuntary associations, such as families, relationships, castes, or social classes) occur more frequently, and are more influential, in situations where changes are taking place – whether in society, technology, or civilisation. Economists perceive the third sector as an institutional answer to the inadequacies of the state and the market. When referring to the state, they point to its weakened ability to satisfy the requests of various minorities to provide public resources. When speaking about the market, they draw attention to the informational asymmetry between the producer and the consumer, in which the third sector operates as a more reputable partner, because it is not oriented towards profit. Alternatively, political analysts emphasise the mediating role of the third sector, working as it does somewhere in-between the state and the market. Neo-corporatist theory perceives the third sector as a buffer zone between the state and society, alleviating social tension and political conflicts.

At least ten important functions of non-profit organisations may be mentioned:

1. **The formulation and interpretation of citizens’ expectations and requirements** through their active participation. In other words, non-profit organisations are a channel expressing and dealing with the varied, complex needs of society. Citizens’ demands are continually monitored and specified, and subsequently transformed into political demands through other channels. Methods of articulating, associating, and representing interests differ from those traditionally used by political parties. Groups of citizens
that may have otherwise been the subject of discrimination, or groups working on a local or regional level, also have the opportunity to contribute. In this case, the third sector plays the role of a defender, or ‘advocate’, of individuals or groups and their particular interests.

2. **The preservation and development of diversity and plurality.** Diversity is one of the most fundamental, indelible elements of democracy. One of the reasons for the third sector’s existence is to increase social tolerance towards diversity. Non-profit organisations increase the plurality and diversity of society by protecting and strengthening the identities of individual groups of citizens in regard to culture, ethnicity, religion, and language.

3. **The opinion-making function of non-profit organisations.** This is one of the third sector’s most essential functions, and is linked in effect to the preservation of pluralist approaches. Non-profit organisations circulate information about alternative viewpoints on various issues, or create these alternatives themselves (in the areas of education, the environment, culture, social welfare, health, etc.). They also create opinion- or action-based platforms, attempting to influence the progress of public debate on important subjects. In some cases, non-profit organisations emerge as an alternative to the government; in others, as a partner with the state in preventing the negligence of public welfare. They come up with new ideas, submit procedural proposals, and often furnish more flexible solutions to social needs, independent ways of thinking, or even bureaucratic regulations typical for centralised state entities. However, the alternatives offered by non-profit organisations need not only come in the form of specific solutions or information. They may also overturn prevailing opinions or stereotypes, providing moral or ideological visions that prepare the ground for social change. Analytical institutions along the lines of think-tanks exist in both the Western democracies and the post-communist world, and prepare analyses of political, economic, sociological, and legal spheres.

4. **Working to promote social integration.** Individual groups of citizens become involved in social life through non-profit organisations. These organisations meet their needs for recognition and approval on the part of others. Association on the basis of common interests has special significance in an urbanised society, where the role of the family, relations, and neighbours is usually reduced, and the family is not capable of providing certain services. Apart from the cited function of a ‘buffer’, another social integration role is the reduction of tension between competing or hostile groups, particularly on a local level. In a national context, many people may be found from various parts of the country, or people with different cultural backgrounds, who are joined by a common interest, a common effort. Ultimately, this also involves international organisations, where the common participation of individuals from otherwise rival states may have a long-term favourable impact on the development of international relations.

One special form of social integration is the legitimisation of state policy through non-profit organisations, which may play the role of ‘public critics’ of government projects. One example of this is a representative of a Czech environmental organisation who made televised comments on the government’s bill on waste. He estimated that the ministry in question accepted about 60% of the organisation’s proposals, describing this as a tolerable compromise; in this way, he inadvertently played a policy-making role.

5. **Non-profit organisations are also agents of political socialisation.** Their members adopt democratic principles, cultivate civic virtues, and train themselves for the role of *homo politicus*. They may be active participants in a new legislative framework – the co-creators of constitutionality. With the aid of non-profit organisations, they can compel
the state to fulfill its duties. However, in some cases, they do not need to wait for a move by the government, or rely on the activity or charity of the state – they can act at an earlier time. Moreover, this need not involve the state alone – many non-profit organisations give people the option of going further than exclusive or prevailing reliance on the advice of ‘experts’ and professionals, and of participating themselves in the search for solutions to their own problems. L. Diamond wrote that individuals with the talent to lead others are sought and nurtured in non-profit organisations; the recruitment and training of new political leaders takes place. Here, leaders learn how to organise and motivate people, discuss problems, raise funds, form coalitions, publicise their programmes and goals, etc. This can be important on a local level, where non-profit organisations promote solidarity and mutual co-operation. They mobilise the public, organise campaigns of support and protest, enable people to communicate their opinions on problems with a national or local impact, and allow them to express themselves politically, even between elections.

6. **Control functions.** Non-profit organisations are watchdogs supervising the observance of democratic rules. Together with the media and political parties, they provide a certain basis for the curbing of state power. They serve as early-warning mechanisms for negative trends. According to one representative of an ecological organisation in the Czech Republic, “non-profit organisations are an all-embracing monitoring service for everything that is negative.” For example, they serve as a counterbalance when political influence joins with the power of capital and the opportunities for regular citizens to match their strength with that of the gigantic economic colossi are reduced. Non-profit organisations are also active in defending the human rights of individuals and groups, such as the monitoring of elections, or uncovering electoral fraud. All in all, non-profit organisations provide useful feedback that enables the correction of flaws in social development. They are also active on the international stage, monitoring state and international obligations, and enforcing their fulfilment. International networks and contacts are important here, which help to distribute information about undemocratic practices and also provide protection against repression by the authorities.

7. **Providing services and public goods,** which are usually not provided by the state or the market. These are humanitarian and social services, as well as services in the area of education, information, and legal matters. They may be organised services connected to socio-economic development, or logistical contacts between various groups, professions, and areas. This function usually takes a very traditional form (care for the sick and the socially vulnerable); however, completely new forms are emerging (such as global information networks in the fields of the environment, human rights, and the women’s movement, amongst others).

8. **Space for social innovation and experiment.** According to the noteworthy reflections of D. H. Smith, the third sector continues to provide a wide range of partially attested social innovations from which the state and the market may subsequently choose, institutionalising those that they regard as the most promising. In other words, it is an experimental laboratory for new social forms and human behaviour – an arena for social innovation and experiment. The voluntary sector provides ‘social risk capital’; it is an experimental component of society, which can afford to try out things that could not be experimented with in the state and commercial sectors.

9. **Conflict solving and prevention** involves mainly ethnic and race-related conflicts. Non-profit activists are often better placed than state employees to engage in programmes for the easing of interethnic tension, because they enjoy a greater level of trust. They also contribute to the prevention of conflicts through their activities in various international programmes oriented towards co-operation and tolerance.
10. Increasing social capital. The common denominator of non-governmental organisations is that they create, expand, and reproduce three specific types of social capital. The first of these is cognitive capital – non-profit organisations come up with theoretical concepts and strategies that respond not only to local needs and problems, but also to the great social challenges faced at the beginning of the 21st century (such as environmental problems). The second is capital represented by practical experience, skills, and the ability to handle complicated situations. The third is capital resting in pro-social examples of behaviour: solidarity, charity, altruism, selflessness, responsibility, and similar attributes – these are values that are cultivated and that multiply particularly in the third sector environment.

THE STRUGGLE FOR PERMANENTLY SUSTAINABLE DEMOCRACY

Non-profit organisations have a special significance in the transition from authoritarian regimes to democracies; they help to weave the fundamental fabric of democratic society and contribute to the development of a more pluralistic institutional framework. One of the legacies of the preceding period, reinforced by one-party government, is the persisting dichotomy of ‘us down here’ and ‘them up there’. Social research indicates that many citizens of post-communist countries feel that politics is not about attendance to public affairs, but rather the assertion of the egotistical interests of those in power. The prevailing attitude is therefore a combination of perceived civic helplessness and political contempt. In such a situation, it is especially important to create space for the eradication of this dichotomy. Citizens who are active in non-profit organisations are usually not counted amongst the ‘helpless’ and ‘powerless’. Although they may be suspicious of high-level politics, they learn – for example, through co-operation with state or public institutions – to move in its world, orient themselves there, communicate with its representatives, and pose questions, ultimately learning to give their own offers, and guarantee their personal participation. Non-profit organisations oriented towards the protection of human rights are particularly valuable when overcoming citizens’ perceived helplessness. On the one hand, their activities appeal to people who are determined to defend democratic rules, and on the other, they help to bring such people into being. In this way, they contribute to the creation of a special niche – a ‘permanently sustainable culture of civil democracy’ that is capable of thwarting any attempt to establish an authoritarian regime. In democratic societies, the belief prevails that freedom of association ultimately strengthens the state. Increasing responsibility and openness towards citizen participation legitimises the political system; people gain respect for the state. Local non-profit organisations can relieve the state of exaggerated expectations, and revitalise the natural bonds of solidarity and mutual support. Positive state building has great significance for post-communist countries, where people do not have a favourable attitude towards the government.

Sociological research has also shown that, in a number of post-communist societies, their members do not trust impersonal, contractual, or institutional relationships. A certain stereotype exists here, which states that people must be cautious in their relations with others: only members of the family or personal friends are to be trusted. Non-profit organisations are a kind of bridge between anonymous institutions (where exclusively contractual relationships exist), and the personal world of family and friends. They have a ‘non-anonymous’, personal character; however, most of them also function as institutions. There are many elements of citizen involvement, mutuality, and trust in their activities. That is why the development of the third sector can contribute to increasing the overall level of trust in society.
A number of new democracies suffer from an over-politicisation of life, which often divides society into irreconcilable camps. However, there is an area where the dividing line between political affiliations are not so significant, because the problems to be resolved are universal and can bring everyone together regardless of political differences. A distinctive life also continues on a local community level, away from mainstream politics, which creates an appropriate basis for co-operation with people of differing opinions. At the very least, in some third sector organisations, antagonistic polarisation is eased; it loses its sharpness, or fades into the background, and the importance of the common goal is universally recognised.

The non-profit sector – as one of the pillars of civil society – can be an impediment to nationalism. The well-known philosopher and sociologist, Ernest Gellner, has stated that communism shattered civil society to such a great extent that when nationalism, which has undergone an incredibly rapid revival in the modern environment, emerged once more, there were very few rivals on the scene to challenge it.

Through the activity of their non-profit organisations, post-communist countries are drawing closer to the European Union, where the belief prevails that democracy cannot exist without a large number of associations outside of state control. In the EU, it is a matter of course that the governments of member states and representatives of the private and third sectors should jointly assess existing legislature and consider possible reforms, with the aim of creating a legislative framework that promotes third sector financing in such a way as to protect donors and taxpayers, and to provide a guarantee that non-profit organisations work towards the goals that they have set out.

THE RISKS AND PITFALLS OF THE THIRD SECTOR

In the preceding section, we have dealt exclusively with the positive functions of non-profit organisations. That does not mean that they are perfect; in fact, they may have serious flaws – from their misuse for money-laundering purposes, through unqualified amateurism, to a disregard of general welfare and the exclusive defence of their own interests. Experimentation with social innovations can be a dangerous thing, and it must not be forgotten that extreme nationalist movements, including Nazism, also began as voluntary organisations.

Some authors (T. Lowi, M. Olson, and L. Brokl) have expressed fears concerning the entry of non-political civil society entities into politics, because this weakens political parties – the most important mediators of interests, and the primary mechanism of formulating, representing, and asserting these interests. Paradoxically, M. Olson sees in de Tocqueville’s “immense assemblage of associations” a threat to the smooth functioning of the state and the market. Associations actually undermine democracy, because they mediate and represent partial (professional or group) interests, and not general, aggregated, or political interests. L. Brokl has asserted that these partial interests are difficult to translate to society at large, are not transparent, and therefore cannot be controlled by the wider (political) public.

In some developing countries, non-profit organisations have not maintained their impartiality, and have become an instrument for the rise of political leaders. In authoritarian regimes, on the other hand, it is common for the state to display a certain level of tolerance towards non-profit organisations in order to create a semblance of democracy, thus diverting the attention of possible opponents to the regime (the active members of the middle classes) from more radical political alternatives.

P. DiMaggio and H. Anheier have warned that, despite the fact that non-profit organisations support diversity in a pluralistic environment, they may monopolise the provision of
social services in corporatist regimes (by creating ‘social welfare cartels’ or ‘oligopolies of social service providers’ – R. Heinze and T. Olk). Alternatively, C. L. Estes and R. R. Alford assert that the provision of services for the state has increased bureaucracy and market orientation in American non-profit organisations, thus changing their character.

According to M. Potůček, the third sector works better than the state and the market in cases where profit is not involved, where it is necessary to appreciate the needs of others, where a willingness to help must exist, where a holistic approach is required, where trust on the part of clients is vital, and where voluntary work is necessary. Differences exist between the so-called ‘professional’ and ‘non-professional’ (or voluntary) ethos. Some of the professional norms include emphasis on rationality, knowledge, expertise, a systematic approach, and standardised activities; the timeframe for service provision is limited. In the non-professional sphere, more emphasis is placed upon emotion, experiences in life, and improvisation, while there is generally more time available. There are also differences between services provided by professionals and those delivered by informal associations. The latter (including families and neighbourhood associations) pay more attention to their members, generally understand them better, and offer ‘care’ rather than actual services; they are often cheaper and more flexible.

However, a number of dangers and dilemmas are associated with the third sector. In particular, experiences in post-communist countries have shown that over-concentration on non-profit organisations may divert attention from governmental responsibility for solving a given problem and increase the sense of resignation towards changes in global society, about which “nothing can be done”; the successful development of non-profit organisations can lead state entities to believe that voluntary associations will automatically assume a great deal of the state’s own responsibilities. Similarly, the Hungarian sociologist, Vera Guthy, has indicated the tendency of the modern state to shift all of its social roles onto the shoulders of voluntary organisations, the market, and local government. And often without creating the appropriate conditions for this – suitable legislation for the non-profit sector and effective mechanisms for financing local initiatives. Another problem is the undermining of independent material assistance, whether from the government or sponsors in the commercial sector. Paradoxically, an increase in the professionalism and quality of non-profit activities also increases the danger that self-help will become bureaucratised, and that the language associated with reports, records, and statements will creep in.

In addition to the problems given above, M. Potůček mentions the third sector’s insufficient capacity for project management. This may lead to difficulties, especially in the case of small, informal organisations, and create a certain amount of uncertainty and instability, which means that the permanent provision of services cannot always be guaranteed. It is also the case that civic initiatives are sometimes absent in situations where they are genuinely necessary (citizens are only active in areas that they consider important or appealing, which need not always coincide with the public interest). Ultimately, the third sector is very sensitive to the personal characteristics of those involved, in both the positive and negative sense. For example, organisations may be over-dependent upon one dominant personality, the departure of whom cripples them; individuals holding such a position may usurp power or exploit the organisation, etc. Today, an increasing number of organisations are being established in Central, Eastern, and Southern Europe on the initiative of particular donors. An inherent risk exists that such organisations will become a mere cog-wheel in the process of realising their donors’ interests, and fail to respect the needs of the environment in which they work.
NEW CRITERIA FOR A ‘GOOD CITIZEN’ AND A ‘GOOD COMPANY’

At the Volunteer Summit, which took place in Philadelphia in April 1997, the then American President, Bill Clinton, described his perception of citizenship in modern America: “To be a good citizen, you have to obey the law, you’ve got to go to work or be in school, you’ve got to pay your taxes, and you have to serve your community to help make it a better place”. George Bush Sr., Jimmy Carter, Gerald Ford, and Nancy Reagan, as well as General Colin Powell, who led the conference, were present to support Clinton – not only in words, but also in deeds. Clinton, Gore, and their wives worked to renovate the local swimming pool, while Bush Sr., Carter, and Powell set off for the most neglected parts of town, where they assisted others to clear away rubbish.

In the USA, a great deal is already being done without the urging of the President. Every year, 93 million Americans dedicate a total of 20 billion hours to voluntary activities. They work in soup-kitchens for the poor, clean streets, parks and schools, bake cakes for schools and deprived areas, plant trees, and train football clubs. They are exceptionally well prepared for natural disasters. Any such event – for example, a flood that devastates a particular area – is responded to by an army of volunteers, who lay down sandbags or distribute food.

Although the non-profit sector is currently the most rapidly growing area of American life, only a few volunteers engage in genuinely complex social problems. Some new efforts are being concentrated on precisely such complicated assistance, including the Philadelphia Summit, the organisers of which outlined very specific ways of helping deprived children, beginning with better health care and job training and ending in the ‘mentoring’ programme, which attracted the greatest attention. The ‘mentors’ are volunteers who work with problem children, motivate them towards better achievement in school, and encourage them to avoid drugs and delinquency. The research group, Public/Private Ventures, in a study of the longest-running mentoring programme in America, Big Brothers/Big Sisters, monitored 959 ten- or sixteen-year-olds for eighteen months; the results showed that children with mentors generally coped better. Fewer children in this group began to use drugs or play truant. They also achieved slightly better grades.

This army of volunteers is incapable of handling large social problems alone. In the USA, this has been recognised on both sides of the political spectrum, although the motive behind this differs. Republican conservatives support voluntarism because they want to reduce the influence of the state and curb government spending. Democrats, on the other hand, favour programmes supported by the government and business. In his inaugural address, the then Republican President, George Bush Sr., announced the ‘Thousand Points of Light’ initiative – an effort to compensate on a local level for services that the government had ceased to provide. President Clinton’s ‘AmeriCorps’ programme proposed that students earn money to pay their study fees by working in the field. His proposal to the Congress encouraged young people, with the support of the church, to dedicate one year of their lives to full-time work in the community.

A ‘good citizen’ should contribute voluntarily to community development. With increasing frequency, the mark of a ‘good company’ is its contribution to the development of the third sector. Employees of the Disney Company have dedicated 1 million volunteer hours to deprived and problem children, Kmart provides its chain of 2,150 shops as ‘safe havens’ for children, Timberland pays each of its employees for 40 hours of voluntary work per year, and Coca-Cola provides money for volunteers working as mentors. A number of companies in the Western world have come to the conclusion that supporting the third sector is in the interests of a good market position. Some companies have achieved this by embodying certain values – Ben and Jerry’s in the USA, Chateau de Lastours in France (which only employs disabled people) or the ecologically minded Body...
Shop in Britain. Other companies have integrated charity into their work; they carry out financial collections amongst their employees, who then decide how these funds will be used. Commercial philanthropy is becoming a common element of managerial strategy and a part of a more responsible approach to companies’ own communities. ‘Corporate citizenship’ has been born; good companies make an effort to also become good ‘collective citizens’.

Globalisation does not only affect business and trade. Voluntarism and civic movements are also becoming more globalised; today’s traveller perceives that people who “have taken up an opinion or a feeling which they wish to promote in the world” are seeking each other out all over the world, and from the moment they associate, they become “a power seen from afar, whose actions serve for an example, and whose language is listened to”.

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THE GLOBAL ASSOCIATIONAL REVOLUTION

CONTENTS: The Global Associational Revolution ■ Processes Influencing the Expansion of the Third Sector: Four Crises and Two Revolutions.

The rise of civic activism, citizen participation, and public involvement are terms that have been broadly discussed, especially in the last two decades. Throughout the world, significant growth in organised, private, voluntary activities has taken place. It appears that a true ‘global associational revolution’ has occurred, which may provide such a foundation for significant social and political development at the beginning of the 21st century as that provided by the emergence of the nation state at the end of the 19th century. Traditional forms of involvement in public life, such as participation in elections and membership of political parties or trade unions are clearly declining. At the same time, volunteerism, philanthropy, and the association of citizens is growing.

In this chapter, we want to use Lester Salamon’s explanations of the processes influencing the expansion of the third sector.

Box 1: The history of the associational movement – an example from Central Europe

ROUTES IN THE CHURCH
The first initiators of associations, fraternities, clubs, and scientific organisations were people active in the church and missionaries in monastic orders; they were later followed by rulers, the nobility, townspeople, and tradesmen. Many societies of the time were closed to the public. They were organised along class lines; involvement in them was limited to the local elite, and came with a great deal of prestige.

THE RIGHT OF ASSOCIATION
In the 19th century, the work of enthusiasts in the associational movement clearly contributed to an advancement in civilisation throughout Europe. In addition, birthright gradually ceased to play a primary role, and citizens could assert themselves in economic, social, and political life, also due to their personal and professional capabilities. In 1875, this was declared by the government of the Austro-Hungarian monarchy, which defined the right of association as one of ‘the most valuable rights’ of a country’s citizens. A wide range of associations existing in the complex socio-political situation in Europe at the time created the natural space and atmosphere for their members to become engaged and take over responsibility.

The social and political life of gentlemen in towns and villages throughout Austro-Hungary in the second half of the 19th century was livened up by the casinos. Their establishment and operation was inspired by English gentlemen’s clubs. These ‘gentlemen’s casinos’ were founded by members of the local elite or the upper class and later by officials, traders, the intelligentsia, grammar school teachers, entrepreneurs, and wealthier tradesmen. Religious persuasion and ethnic background also played an important role.

ASSOCIATIONS AND WOMEN
It was not uncommon for women to associate individually alongside the associations of their husbands; they often initiated and organised collections for those in need. Many established their own associations, were active in religious, humanitarian, and social/health associations, assisted effective-

1 The text is based upon a series of publications and articles by Lester M. Salamon, and published with the kind permission of the author
2 The text in boxes 1 and 2 was prepared by Natálie Kušnieríková
ly, and concentrated upon charitable, educational, and social welfare programmes. The skills obtained helped them to increase their professionalism in areas such as nursing and social work. In Czechoslovakia before World War II, for example, the Unitas Association, the Charitable Women’s Association, and Jewish women’s humanitarian groups were active; in 1921, a self-help institution for impoverished mothers, Protection of Mothers and Infants, was established in Košice.

ASSOCIATIONS AND TOTALITARIAN REGIMES
The totalitarian regimes that ruled over a part of Europe for many decades decimated civil society and the internal structure and stability of associations through their ideas, ideologies, and regulations.

Fascist and communist systems used various methods to ensure loyalty to the regime – from controls on the associational movement and various limitations, to the incorporation of associations into the political system and the liquidation of those who did not cooperate with the authorities.

For example, during the existence of the Slovak State in World War II, members of the Club of Women’s Hairdressers in Trenčín addressed the issue of how to create their ‘own Slovak fashion’. And hikers from the Deutscher Alpenverein declared, and established in their statute, that they wished to experience the beauty of the mountains “in the spirit of the National Socialist world-view”. (Mannová, 1992).

After World War II, some Central European countries embarked on the path towards authoritarian socialist ideology, and the Stalinist model of social transformation replaced and paralysed democratic tendencies. A thousand years of development along Western, Christian lines was interrupted, and the overall situation led to associational politicisation. Social organisations became elements of the state and a part of the socialist political system, subject to the rule of the Communist Party. The 1970s in Central and Eastern Europe were characterised by the construction of so-called ‘real socialism’, which offered socialist consumerism and morally deformed the people. Despite this, the second half of the 1970s in the Eastern Bloc saw the shoots of independent associational life and a quasi-formal social movement begin to sprout, which later formed the basis of civil activism and social change.

ASSOCIATIONS AND PARTY POLITICS
Associational activity (particularly in Central Europe) was always faced with the dilemma of how to survive in a politically unstable environment whilst retaining its independence.

From documents on associations, we can see that some of them deliberately distanced themselves from politics, leading citizens to apolitical standpoints; others were connected to political movements either spiritually or through their members, and their ideology was influenced. The aim of such efforts was, and still is, to obtain the largest voter base for political parties. For this reason, many of them formed their own associations. Conversely, many associations were active in establishing and supporting political parties; paradoxically, after election, a number of parties abolished those associations that helped them to grow. The symbiosis of the associational movement, political parties, and the state is still a relevant topic today in democratic society. It is up to citizens alone as to how long, and at what level, they can maintain civic freedom, responsibility, and independence.

PROCESSES INFUENCING THE EXPANSION OF THE THIRD SECTOR: FOUR CRISSES AND TWO REVOLUTIONS
In-depth studies of global third sector growth over the last decades, based on the work of Lester Salamon from Johns Hopkins University, reveal that grassroots pressure lies in four crises and two revolutions. They offer this explanation of the crises:

1) The crisis of the welfare state
2) The crisis of development
3) The global environmental crisis
4) The crisis of socialism
The growth in interest in private non-profit organisations has stemmed primarily from the perceived crisis in the modern welfare state. There have been at least four key factors in development, which raised doubts concerning the concept of the welfare state: (1) the oil shocks at the beginning of the 1970s, which significantly slowed economic growth; (2) the belief that the government was simply overloaded, overstaffed, and over-bureaucratic, and was unable to carry out the services with which it was charged; (3) pressure for expanded services that exceeded people’s readiness to pay for them; (4) the growing assertion that the welfare state, instead of improving economic performance (by protecting individuals against risk), was actually suppressing initiative, absolving people of personal responsibility, and encouraging dependence. The welfare state became its own worst enemy. By improving living conditions, it promoted a rise in expectations and growing dissatisfaction in regard to the basic level of services that it was able to provide.

The crisis of development became visible when the problem of poverty in many areas of the developing world increased significantly. This resulted in a situation where every fifth person in the world, from a total of six billion, now lives in absolute poverty. The need for ‘structural adjustments’ in the developing countries themselves has become urgent, with the objective of reducing the role of the state and increasing the role of the market.

The global environmental crisis is another key event that stimulated the global expansion of non-profit organisations. As aspects of the environmental crisis have become more apparent, citizens have grown increasingly frustrated with governments and have organised themselves to a greater extent; one indication of this is the spectacular rise of Green parties in Western Europe. Similarly, active ecology clubs have been established in Poland, Hungary, Russia, and the Czech and Slovak Republics. Ecological activism has also motivated the growth of non-profit organisations in developing countries. In the area of development, reliance upon corrective technological measures or government activity has been shown to be ineffective. Non-profit organisations have mobilised those who would have otherwise polluted the environment, and those who would have damaged precious natural resources.

The last important crisis is the crisis of socialism – the collapse of the communist system’s ability to meet its own promises of social justice and economic plenty. Although these promises had long been suspect, the replacement of economic growth with actual recession in the mid-1970s destroyed any limited legitimacy that the communist regime had achieved. This led to a search for new ways to satisfy social and economic needs. One attempt was the market-oriented ‘co-operative enterprise’, which first evolved in Hungary, and later spread to other areas of Central Europe, and even to the Soviet Union. At the same time, however, there were also efforts to form other components of ‘civil society’. Gradually at first, but with growing rapidity, citizens began to experiment with a variety of non-governmental organisations, which were able to fulfil their needs and provide a means for self-expression without their engagement in the activities of the increasingly discredited state. (Lester Salamon, 1995)

Box 2: The influence of the communist regime on associational life in some Central European countries

In socialist countries, the state required the political and civil engagement of every citizen, which was dictated by the communist system. This modelled and controlled associational life, which was limited to political and leisure activities. Even study and professional careers were generally conditional upon political engagement. In the 1980s, due to the weakening political influence of the Soviet Union, there was a growth in the range of dissident, quasi-official, and official initiatives (for example, in 1987, there were 5 active dissident associations in Czechoslovakia; this figure had risen to 39 by 1989). Some
associations radicalised their activities, while others survived by engaging in ‘co-operation with the state’. This meant that the state tolerated, covered, and funded such associations within the system. In return, these associations (often unwillingly) improved its political standing. Apart from these groups of dissatisfied and creative citizens, there were many grass-roots, interconnected groups established on the basis of friendly relations. Their objective was not a change in the political system, but the formation and protection of their microcosms. After work, they locked themselves into their own worlds, and read good, often ‘smuggled’, illegally printed, or foreign expert literature. They were joined by the effort to interconnect with people of the same mould.

For example, in 1988, there were approximately 6,000 non-profit organisations and 600 private foundations in Hungary alone, which covered everything – from small dance groups and self-help clubs to large organisations involved in the protection of the environment and human rights. The ability of these organisations to survive, upon which they were founded, reflected something which one analyst defined as “the deep mistrust of central government and its institutions. People do not want to help the state any longer. They want to control economic, political, and social processes as directly as possible. Voluntary associations and non-profit organisations appear to provide appropriate opportunities for such control”. (Kuti, 1990).

Apart from the four crises, which are important in explaining the global expansion of organised volunteer activities over the preceding decades, these would most probably not have led to such a conclusion if two further factors in development were not included.

As Lester Salamon showed, the first of these is the dramatic revolution in communications that took place during the 1970s and 1980s: the invention and widespread distribution of the computer, the breakthrough made in communications using fibre-optic cables, and the wide coverage of television and communications satellites. These developments created opportunities for the co-ordination of international activities. Communications have significantly facilitated awareness of what other groups are doing, and have helped to create networks of activists in various areas.

The second factor was the revolution in economic growth that preceded it in the 1960s and 1970s. At that time, the world economy grew at the rate of 5% per year, with all regions sharing in the expansion. The growth rate of Eastern Europe, the Soviet Union, and the developing countries actually exceeded that of the developed market economies. The consequence was the creation of a sizeable urban middle class in a number of countries, whose leadership was critical for the emergence and strengthening of private non-profit organisations.

Box 3: Challenges and threats of the third sector

The third sector has become an influential economic force. In 22 monitored countries, 19 million people worked in the non-profit sector full-time, representing 5% of the working population and 10% of people involved in the services sector. If we were to compare the non-profit sector to a national economy, it would be the eighth most economically powerful state in the world. In the USA, 8% of people work in the third sector, but in Ireland, Belgium, and Holland this figure is 11% – 13% (see also the chapter entitled ‘The Third Sector and the State’ and Annex 5). For all its dynamism and growth, however, the third sector remains a fragile ecosystem that is vulnerable, imperfectly rooted and legitimised, and ironically, often jeopardised by its own success. Therefore, the third sector continues to face challenges and threats in at least four different forms: the challenge of legitimacy, the challenge of effectiveness, the challenge of sustainability, and the challenge of collaboration.

THE CHALLENGE OF LEGITIMACY

The sector is systematically ignored in official economic statistics, rarely mentioned in public policy debates, overlooked in the press and in public education, and a blind spot in academic research. In
many countries of the world, non-profit organisations operate in a legal vacuum. In addition to the legitimacy problems of the sector, there have also been a variety of abnormalities that have recently tarnished the sector’s reputation, such as a series of scandals over salaries and benefits in the USA and the UK, the fraudulent use of NGOs as a means of channelling public subsidies to politicians in Brazil, and the improper use of foundations as vehicles for tax fraud in Central and Eastern Europe.

THE CHALLENGE OF EFFECTIVENESS
Third sector organisations will be forced to improve management and management systems and to create the infrastructure institutions that allow their sustained, long-term effectiveness.

THE CHALLENGE OF SUSTAINABILITY
The decline of foreign assistance in recent years has made the third sector fiscal crisis particularly acute; ever-increasing numbers of organisations are forced to compete for an ever-diminishing piece of the pie. Third sector activists find themselves drawn into governmental positions to replace the traditional officials they had worked so hard to depose, whilst at the same time weakening the human resource base of their original non-profit organisations. The third sector is thus the victim of its own success. Ironically, while the third sector significantly contributes to democracy, in the short term, developing democracy may undermine the third sector’s strength. The decline of foreign sources must be balanced by an increase in domestic sources of support and greater willingness on the part of third sector organisations to reach out to the commercial sector. However, the third sector must avoid the trap of total reliance on private philanthropy. This is only one source of long-term support, and is not the dominant source anywhere in the world. Even in the USA, only 11% of total support comes from philanthropy (including individuals, companies, and foundations). In Western Europe, the figure is much lower than this – 5% to 10%.

THE CHALLENGE OF COLLABORATION
In a system of ‘third-party government’, government relies largely on other social institutions, including particularly non-profit groups, to deliver the services it finances. Throughout Western Europe, government functions as the tax collector of the third sector. The government is the overwhelmingly dominant source of non-profit financing, accounting for as much as 77% of total third sector income in Ireland and Belgium, 64% in Germany, and almost 60% in the Netherlands. Nor is this a mere coincidence; on the contrary, it is a result of specific third sector policy, as reflected in the German doctrine of ‘subsidiarity’ and the Dutch practice of ‘pillarisation’ (or organising social tasks such as education, health care, and social services along religious, ethnic, and other lines, and providing public subsidies for the resulting institutions). This naturally raises fears of a loss of independence in the third sector; however, the key to avoiding this is not the refusal of government support, but ensuring that other sources of support are also available.

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CHARITY AND PHILANTHROPY


Words such as ‘giving’, ‘philanthropy’, ‘charity’, and ‘sponsorship’ are now beginning to see more regular use in the non-profit sector. They have a certain tradition, and it would be beneficial if they became more recognised by the public at large.

One nice aspect of the theme of ‘philanthropy’ is that it is intrinsically inter-disciplinary. No approach or discipline can define it absolutely on its own; a holistic approach by a number of fields is necessary. That is one of the reasons why this chapter reflects upon the transformation in the perception of charity on a global level, from ancient history to modern times.

Firstly, we will describe the roots and the present understanding of the terms ‘philanthropy’, ‘charity’, ‘patronage’, and ‘sponsorship’. We will then consider the phenomenon of charity and giving, and try to emphasise certain social, historical, moral, and philosophical contexts, which were, or may be, related to them. This will be a brief overview of links between philanthropy, reciprocity, and giving, poverty, charity, and justice, and between modern philanthropy and various concepts of the state. In conclusion, we will delve into the contexts of philanthropy at the end of the 20th century and look at its effects in the USA. We will not discuss economic aspects, although they are undoubtedly important, and should appear sooner or later in such considerations. We are aware that other aspects of giving also exist, which are not mentioned in this chapter, and we do not rule them out from further discussions.

ON THE TRAIL OF PHILANTHROPY, CHARITY, PATRONAGE, AND SPONSORSHIP

Everyone has probably come across the term ‘giving’. It is immediately obvious, and needs no special definition. In the context of the non-profit sector, however, we also come across the terms ‘charity’, ‘philanthropy’, ‘patronage’, or ‘sponsorship’. Although aware that we are still in the area of giving, we also feel instinctively that each of these terms expresses one of its many forms. Let us spend some time discussing individual terms and discover their origins and meaning. We shall imagine that charity and philanthropy are siblings living somewhere in the area of Greek/Roman civilisation, and that we are on their trail.

Charity has its origins in the Latin words ‘caritas’ or ‘carus’, which means: 1. – dearness, dear; or 2. – value, respect, or favour, as a colloquial form of the ancient Greek ‘charis’ or the Old French ‘charité’. The Vulgata\(^1\) translates the Greek ‘agapé’, which means ‘love of the giver’ (as opposed to ‘love of the desirer’ –’eros’) into the Latin ‘caritas’. The origins of this word stretch back to an Indo-European root meaning ‘desire’ or ‘request’.

The term ‘charity’ in a modern context has a number of meanings:

\(^{1}\) A canonised translation of the Bible by St. Jerome.
1. In the general sense of the word, charity is spoken of in connection with the desire and will to do good;
2. In the Christian/theological meaning, it denotes the love of God for people or people for others – universal love;
3. It is also commonly identified with altruistic actions by individuals or institutions, denoting the voluntary provision of money or other assistance to people in distress, poverty, and pain;
4. The term ‘charity’ is most often used and probably perceived as a noun generally denoting institutions that receive and provide aid (foundations, funds, etc.), or the system under which this is realised (‘charities’, ‘charitable giving’, etc.).

It would be a mistake to perceive charity only in its social guise of alleviating inequality and injustice, and thus to ignore the efforts of charitable activities to change society for the better. In this area, however, we are crowded out by the term ‘philanthropy’, which is used increasingly often in texts on foundations and non-profit organisations, but less among the general public.

**Philanthropy** is a word deriving from the Greek ‘philein’ (to love), and ‘anthropos’ (man). Philanthropy is spoken of in connection with rich individuals who donate a part of their wealth to noble causes (such as the well-known financier, George Soros, or the computer billionaire, Bill Gates). Philanthropy became a phenomenon at the end of the 19th century in the USA, where nouveau riche philanthropic industrialists appeared, and donated a part of their wealth for cultural, artistic, educational, and social purposes. Since then, the term ‘philanthropy’ has been used on an international level. **Philanthropic** means the expression of interest in general human well-being by providing large gifts to charitable institutions.

It is interesting to concentrate on the American aspect for a number of reasons. 20th century philanthropy in the USA was an important social phenomenon, or even an ‘industry’, the influence of which continues to grow. Since 1989, the influence of American foundations in Slovakia has been significant in comparison with that of European foundations, which is partially related to the different status philanthropy takes in Europe and the USA. It appears that the American version of philanthropy is more professional, visible, and institutionalised, and society accepts it as an established part of social life. The European philanthropy does not appear to be so visible or institutionalised.

Currently, the term ‘philanthropy’ is also used in connection with the socially responsible actions of companies (‘corporate citizenship’, ‘corporate philanthropy’, etc.). Many companies engage in so-called ‘strategic philanthropy’, which not only fulfils their social objectives, but also improves corporate identity, public relations, and overall communications policy and strategy (see also the chapter entitled ‘The Third Sector and Business’).

Historically, philanthropy is connected to wealthier members of society and assumes a certain expansion of individual giving. If we consider this statement in the current context of Central and Eastern Europe, we can say that large donations to be used by various independent charitable institutions or domestic foundations have not been provided to such an extent for philanthropy to enter the wider public consciousness, or create a demand for more specific terms to define this phenomenon. Perhaps this is the reason why the term ‘charity’ is more widely used here, describing primarily virtuous activities, assistance to the poor, the homeless, and others in need, while the term ‘philanthropy’ is less often used, and has yet to find a place in common language.

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2 A simple expression of this can be found, for example, in Matthew 25: 35-36: “For I was hungry and you gave Me food; I was thirsty and you gave Me drink; I was a stranger and you took Me in; I was naked and you clothed Me; I was sick and you visited Me; I was in prison and you came to Me.”
Although it is not usual to differentiate between these two terms, there is at least one fundamental distinction between them related to the purpose of the donation and the level at which the donation is made. Philanthropic giving is more concerned with the ‘development’ style of giving, which is based upon the principle of “don’t give a fish – give a fishing rod”, or “help those who are able and willing to help themselves”, and which is oriented more towards education, culture, and social innovation. Ideally, philanthropy endeavours to solve social problems selectively so that society is better and more just. Charitable giving is generally perceived as aid to those in need and pain. The main objective of charity in this respect is the alleviation of inequality. In any event, this difference is a simplification, and does not mean that, for example, Catholic charity is not interested in the field of education – the reverse is true. However, the above statement remains valid for the everyday perception of these terms.

Two other terms are connected with charity and philanthropy – the related words ‘patron’ and ‘sponsor’. We can also find their roots in Roman civilisation.

A patron is a wealthy person supporting literature or the arts. The word itself is derived from the Latin word ‘pater’, ‘patronus’, meaning ‘father’ – here in his supporting and protecting role. One of the earliest patrons, whose surname is still used to describe a rich supporter of the arts, was Gaius Cilnius Maecenas, who lived between 80 and 7 BCE and became famous for his support of the famous poets, Virgil and Horatio. In the late Middle Ages, with the emergence of the Renaissance, there was a renewal and development of the arts, which was linked to patronage; ancient history was regarded as an ideal in Renaissance times, thus leading to a return to Maecenas’ ideals as a model of support for the arts. The church also played an important role in supporting literature and the arts; however, patronage was something more than this.

The rise of patronage occurred particularly during the Renaissance, when the development of science and high arts was often the sole domain of rich patricians and nobles; i.e., patrons. Among the most famous patrons of the time were the Medici family – a rich Florentine family that held sovereign power at the turn of the 15th and 16th centuries. It could be said that patronage flowered at that time. Rich families commissioned artists to create various artistic works without interfering in the creation process – they maintained their trust in the genius of the artist. A relationship was formed that came to be known as ‘patronage’, contributing significantly to the flowering of Renaissance art and allowing for the creation of the many priceless works of art produced in that period.

Leonardo da Vinci, Vasari, and Michelangelo are only some of the artists who received support during the reign of the Medici family. Later, artists, scientists, and even philosophers were employed at the courts of important kings and nobles. Some of these included the important Renaissance painter, Titian, at the court of Charles III; one of the leading thinkers in the new age, the philosopher and mathematician, René Descartes, at the court of the Swedish Queen, Christine III, or the astronomer Tycho de Brahe at the court of Rudolph IV. This model was applied on lower levels – down to ‘local’ nobles – not only in Western, but also in Central and Eastern Europe. However, this was a strictly individual relationship that had no institutionalised form.

Patronage also represented a part of lifestyle and social prestige, and thus a certain convention that transformed into other shapes with the disintegration of traditional social structures. However, this modern form of philanthropy continues today. The orientation of significant Western philanthropists was, and still is, oriented towards the arts, and to a certain extent, science; however, modern science, with its utilitarian nature, has become a subject of interest for industry, which either independently, or with public support, ensures its financing. The arts and culture, however, have remained more of a subject of individual sup-
port by modern patrons and sponsors. In the 20th century, this area was affected by modern ideology, bringing with it a certain element of public support. Today, one can find modern patrons of an institutionalised character (such as the Guggenheim Museum of Modern Art in New York), and individual patrons, who sometimes wish to remain anonymous.

The modernisation of society and the development of industry led to a greater structuralisation of financing for the arts. Capital was accumulated, which was essential for the support of the arts. This development was perceived at the end of the 19th century by the American steel entrepreneur of Scottish origin, Andrew Carnegie (1835 – 1919)\(^3\). In his essay ‘The Gospel of Wealth’, he stated that mankind would not have reached the level attained in the arts, literature, and human advancement without the creation of wealth, and would thus have been deprived of works of significant value, many of which are now regarded as the common heritage of humanity.

**Sponsorship** is currently a term in wider use than ‘patronage’. It is particularly visible in connection with the support of culture, but is not limited merely to this field. Sponsorship is the modern equivalent of patronage, without the Renaissance ethos, but including principles linked to the identification and recognition of market brands. Sponsors are people who bear a part of the responsibilities of those sponsored, or for some activity – for example, they may cover the costs of a concert. In the audiovisual media, sponsors pay costs associated with broadcasting, for which they receive advertising space for their products. Sponsorship represents a reciprocal relationship, with financial support on one side in return for the promotion of the sponsor’s name on the other. There are also sponsors who do not provide support in order to receive specifically defined returns, but rather provide it for various, intangible motives.

Even though the differences between patronage and sponsorship are small and the two terms often merge into one another, one could say that sponsors are interested in a return on their investment through a public presentation of their name (service, product), and are active in a wide range of both minor and major forms of art, culture, science, and sport. Patrons are those who, through their commissions, primarily finance ‘higher’ art and culture, receiving works of art and the increased social prestige that comes with patronage in exchange.

**Terminology corner**

| **Altruism** – is a general term denoting various activities motivated by love of people and efforts to help a person, humankind, or the world; in short it is an effort to do good. |
| **Giving** – this may come in the form of material gifts, financial gifts, or by giving time (providing voluntary work, advice, or assistance). |
| **Charity** – a more traditional way of denoting giving and aid, emphasising assistance to fellow persons and people in need. It is generally perceived as trying to alleviate immediate suffering, poverty, and distress. |
| **Philanthropy** – one of the more modern forms of giving, which designates giving that attempts to solve social problems through the promotion of education, innovation, and the development of human talent, so that people become able to help themselves and cease to be reliant on alms. |
| **Patronage** – a name to describe support oriented predominantly towards the arts and literature by wealthy individuals, placing no limits on the creative freedom of artists. |
| **Sponsoring** – one form of commercial relationship enabling the support of various non-profit activities, usually in exchange for the promotion of the sponsor’s name. |

\(^3\) His company, the Carnegie Steel Co., was the main member of the US Steel Corp., which is interesting in view of the purchase of VSŽ, a.s., Košice by U.S. Steel.
HISTORY, MORAL PHILOSOPHY, AND PHILANTHROPY
(a Brief Overview of Contexts)

Philanthropy is closely linked to the values we acknowledge and the rules we observe, to ensure that our lives are better and more correct; i.e., it is linked to morality and ethics. When we start to speak about philanthropy, we find ourselves, like it or not, coming into contact with moral philosophy, history, ethics, sociology, economics, etc.

How can we explain philanthropic behaviour? Why does it exist at all? How has this behaviour been perceived and assessed? What variety of forms has it taken? What is behind it? Can we believe these good ideals, or is it all a fraud? Is it not simply business and manipulation? Is it worth giving at all? Why do some people give, while others do not? Why do some people give and expect that they will receive something in return, while others give without any expectations or from a feeling of duty? Why do some people give and take no interest in what happens to their money, while others are concerned how their money or property may be used? Why is it in the interests of everyone that people give? Why is the support of giving worthwhile?

Even though there is not enough space here to answer all these questions, in the following section we shall at least try to outline briefly the transformation in the perception of giving in various periods throughout history and within the ethical systems linked to these periods, along with some of the philosophical/historical contexts of giving.

PHILANTHROPY, RECIPROCITY, AND GIVING

Since the dawn of human history, giving and gifts have represented an important part of social existence. In meetings between various tribes, cultures, etc., gifts were always a part of the ritual. Let us recall, for example, the records of famous explorers and conquerors from the 16th and 17th centuries, where they describe meetings with native tribes on Pacific islands, or contact with the native inhabitants of America, Africa, or Asia. However, the gift has had other dimensions throughout history than that of simply showing respect, and reflections upon giving are closely tied to the concept of reciprocity.

A gift for a gift

The principle of reciprocity in giving in ancient and traditional societies took the strange form of the ‘binding gift’. This did not involve a gift to God, but to another person, clan, or society. The gift held supernatural powers, which were apt to become dangerous if a similarly valuable gift were not given in return. This created a certain ‘spiritual economy’. However, if the law of reciprocity were not observed, then fatal consequences could follow – for example, the rejection of an invitation or a gift was equivalent to a declaration of war. The French sociologist, Marcel Mauss, stated that the giving of alms has its roots in this ‘morality of the gift’. This type of giving is described in his classic study, ‘An Essay on the Gift’, and represents a certain antipole to pragmatic giving, which involves a social or other reward for the contributor.

In return for a gift – aid from the transcendental

Another form of reciprocity is sacrifice. Sacrifice was, and still is, a part of liturgy, and an important term in both polytheistic and monotheistic religions, invariably as a means of communication with the gods and as a way of appeasing the supernatural. The expectations of those making the sacrifice were clear – an improvement in their situation; however, the gods were not obliged to accept it.

Customs of giving continue today. The most common of these is to give gifts to our friends; it is appropriate to bring a gift when visiting someone, and the bride at a wedding still brings a dowry – a gift from her parents. However, along with the visible, material, or pragmatic elements, giving also contains an invisible, transcendental element. There is a tendency to forget this dimension, this morality, of giving in the everyday rush of modern life; we are reminded of it by tradition, religion, and culture in the wider sense.
The right virtue for the right gift

The first person to formulate the principles of (classical) ethics was Aristotle, who shifted the perception of giving from religious or community-oriented reciprocity to one involving virtues. These represent inner values such as the search for happiness, which bring meaning to giving.

In his system of ethics, Aristotle did not connect giving for the public good with the obligation originating from respect for the gods, but rather with the virtues originating from a duty to civic life in the polis\(^4\). He also emphasised the practical dimension of giving – the right amount for the right purpose.

However, the principle of reciprocity in the ethics of giving does not end with Aristotle. Stoical ethics, in line with this core principle, assert that giving creates friendship and helps maintain the system of social bonds. It is therefore necessary to show caution when choosing the recipient of a gift, as well as when deciding as to whom we wish to become indebted (Davis, 1996).

The hidden reciprocity of Christian philanthropy

The principle of reciprocity was also transposed into Christianity, albeit in an altered form. The gift again takes on a transcendental aspect in the light of God’s presence. The New Testament repeatedly refers to this principle in this new light: “But when you do a charitable deed, do not let your left hand know what your right hand is doing, (so) that your charitable deed may be in secret; and your Father, who sees in secret, will Himself reward you openly” (Matthew 6:3-4), or “…he who gives, (let him give) with liberality…” (Romans 12:8). St. Augustine, in his writings (De Civitate Dei) states that virtues alone, without a relation to God, cannot be virtues. On the contrary, they are filled with pride, and thus sinful. In other words, it is necessary to avoid hidden self-interest by asking for something in return, or to buy one’s way out of a sin by donating a gift or alms.

A breach of the fragile balance between the gift and the gift’s motivation, such as the sale of pardons in the Middle Ages, led to a deformation of this type of giving and became a target for reformative criticism. The early form of Christian charity also found an outlet in the activities of individual monastic orders, which saw their service to God as an unselfish service to their fellow men (such as the Benedictines and the Johannines, the later Knights of Malta, the Franciscans, the Lazarists, the Camillians, and the Vincentians).

POVERTY, CHARITY, AND JUSTICE

Poverty at the centre of attention in mediaeval charity

Both of the cited, ancient types of ethics of giving (the Aristotelian and the Stoical) address giving from the perspective of the donor, not the recipient. This changed with the arrival of Christianity and the period after the fall of the Roman Empire, which was a period of chaos, poverty, and economic collapse. The mediaeval experience of poverty was based on two facts – on the one hand, the effort to eradicate poverty from society, and on the other hand, its permanent presence.

Until the 12th century, monastic orders and the church were the main providers of charitable services in the Christian world. Other societies (such as those of the Arabs and of the Jews), maintained their own forms of self-help, which existed in parallel with the Christian model, but which will not be discussed in this book. Economic development, fuelled by the towns, gradually led to a secularisation of charitable activity. Towns themselves began to take on some charitable roles, and various supporting fellowships and treasuries were established. Charity in the late Middle Ages was not represented solely by leper colonies, hospitals, and the provision of alms, but also had a specialised and institu-

\(^4\) An ancient city-state, or the society living there.
tionalised aspect. Regardless of whether charity was provided by the church or fellowships, it was primarily dependent upon individuals capable of taking on responsibility for people in need (Roberts, 1996).

Economic development also precipitated a change in the perception of poverty. While paupers were regarded as a symbol of God in early mediaeval times, they were perceived as a negative and possibly harmful phenomenon in the late Middle Ages. Voluntary poverty ceased to be holy, and began to be perceived as suspicious and dangerous to the stability of town life. Paupers were relegated to the level of beggary. The attitude towards poverty began to change, leading to its systematic repression, which was in contrast to the mediaeval perception of poverty as a moral value in itself (Mareš, 1999). The French philosopher, Michel Foucault, has provided a compelling study of this in his work, ‘Madness and Civilisation: A History of Insanity in the Age of Reason’.

Two trains of thought in the new age

The Renaissance and Baroque periods continued along established lines, while the influence of the church and religion on charity declined. In accordance with this, charity as the teaching of Christian love began to take on a new role in teaching the ‘creation of benefit’ for the widest possible range of people in society. Although the new-age philosophers of the 17th and 18th centuries, such as Grotius, Locke, or Hume, never formulated this explicitly, their thoughts were trained in this direction. One of their successors, the philosopher Jeremy Bentham, continued along these lines in the 19th century, along with others who dared to state that it is up to the individual to compare the level of benefit, regardless of any higher principle.

The second line of thought maintained the ‘absolute’ value of virtue as had been formulated by Christian ethics. It was represented, for example, by the German philosopher, Immanuel Kant: “…the starry heavens above me and the moral law within me”, some of the French thinkers, and later on by Hegel, for whom the ‘higher principle’ was not attributable to the individual, but to the transcendental. However, discussions on ways of solving the problem of poverty continued, and were critical to the concept of philanthropy (Schneewind, 1996).

Charity or justice?

Charity was long regarded as a sufficient response to poverty and misery. However, it gradually proved itself to be ineffective, and the non-sustainability of the situation due to the growth of poverty in society necessitated a search for other solutions. Anarchy, communism, and Luddism were movements that offered a specific solution to this situation – the endeavour to eradicate injustice in society. The thinkers of this age discussed various methods of solving the overall problem of poverty, through new social orders or new forms of social justice – i.e., by eliminating inequality.

This chain of thought did not acknowledge the previously recognised role of charity, because it was not considered capable of systematically eliminating such injustice. Despite this, Hegel and Bentham agreed that charity has an irreplaceable role alongside systemised solutions, because it would always provide for a subjective need – sympathy or love – that institutionalised justice could not supply. We should add that charity is able to address anything falling through the social safety net, something that is always changing. Issues that were the subject of charity centuries ago later become subject to social justice. (Buchanan, 1996)

Let us concentrate now upon the term ‘justice’, because it is a crucial term in modern ethical theory as well as in the theory of law and political philosophy (Buchanan, 1996).

What is the difference between charity and justice as a legal principle? In contrast to charity, justice may be debated. If rights are restricted or infringed upon, the possibility exists to demand redress, in order that justice be achieved. There are precise rules defi-
ning what is and what is not a right, and these rules form the basis of decisions by which justice is implemented (Buchanan, 1996).

Both, however, are connected to duty. When implementing justice, the obligation to act is set out in legal regulations. In the case of charity, the obligation to act is determined by moral pressure, individual motives, and often by social pressure and the principles of cohesion and solidarity. However, charity is not subject to debate, and is voluntary by definition. It cannot be enforced by any institution or law, and is dependent upon the free will of the individual. No-one has a right to charity, while everyone has a right to justice. In that case, what should we do about the inequality in our world? (Buchanan, 1996).

**Injustice rules the world**

A number of thinkers, among them Kant, believed that the world is essentially unjust, because people are born into a certain environment without being able to affect it (this is another way of expressing the basis of conservativism, which accepts the fundamental inequality between people as both established and necessary). That is, if a person is born with a physical or mental handicap to a lower-class family, he/she will begin life on a different basis to someone who is born in good health to a family of prosperous entrepreneurs. It is therefore the moral obligation of society to compensate for this disparity – for instance, through charitable deeds. Later, solutions were conceived to address the situation of disadvantaged individuals by establishing ‘special’ rights to provide them with basic justice. This trend may be perceived in the developed world – for example, in the area of minority rights. The question remains as to how extensive these ‘special’ rights should be (Buchanan, 1996).

The dilemma as to whether to follow the path of defining such ‘special’ rights for disadvantaged groups faces us today; for example, in the case of ethnic and social minorities. Policies such as ‘positive discrimination’ or ‘equal opportunity’ have yet to be implemented in practice.

Another issue is how to avoid a situation where such laws, in a state in our region that is still too custodial, lead to a decline in individual initiative; in other words, that they not be misused by people who do not wish to work. In any event, if the disabled were to fight for such special rights, allowing them to assert themselves more effectively in society, thus reducing their dependence on charity, then this must be regarded as progress.

**Human rights only for us!**

The concept of social justice has developed steadily, and the range of issues addressed by justice has expanded over time. In the past, law and justice were only applied to members of the community, and did not apply to people outside this community (they could kill each other or be stolen from simply because they were outsiders; this, however, was forbidden for members of the community). Only a few centuries ago, justice merely affected white people, not those with other colours of skin or those from other cultures (the native population of America and Australia, slaves, etc.). The universality of human rights is currently under discussion, theoretically extending justice to the whole of humanity. This expansion and positive delimitation of rights represents a fundamental change in the perception of justice.

Until recently, justice was understood to be reciprocal; i.e., it applied only to those who were able to mutually influence each other, either positively or negatively. The solution was that we would rather not cause harm to each other (otherwise, a war between all people would break out – homo homini lupus – as was contemplated by the 18th century English philosopher, J. Hobbes). On the other hand, justice did not apply to those who were unable to harm others, or did not have the power to do so. The doctrine of the universality of human rights means that power ceases to be a criterion for inclusion in the ‘realm of justice’; everyone becomes subject to justice, regardless of the power at their disposal. The
only criterion is membership of humanity. That is what human rights are all about (Buchanan, 1996).

And what about dogs?
...or other living creatures? – a question that may be posed by an animal rights activist. Anthropocentrism is a harmful approach in the view of an ecological activist, as, figuratively speaking, it undermines the foundations humans stand on. However, is ecocentric or biocentric ethics a solution? Development in this area suggests that, perhaps in 100-300 years, the positive definition of rights will have expanded to cover more than human beings alone.

Back to inequality
There are a number of inequalities – in inherited abilities, income, wealth, consumption, and lifestyle, or access to resources, education, work, and rights. The issue of what is and what is not inequality has become a subject of conflict and contending opinions. The socialist tradition is unable to reconcile itself to the concept of inherent inequality, and questions this hypothesis. It asserts that the problem of inequality lies in our unequal access to resources as a result of various privileges, and that we are all essentially equal (Rousseau). The debate concerning methods of eliminating inequality in society affects us continually on a practical level, such as the amount of tax we should pay, or the (non-) reform of the pension system; moreover, an agreement is not in sight, because the premises of this conflict are fundamentally diverse.

It appears that inequality is a crucial condition for philanthropy. The reason is simple: philanthropy represents a way of dividing wealth – if inequality did not exist, philanthropy would lose its justification, sources, and recipients, and therefore its meaning. Throughout history, such a society has only ever existed on paper and in the minds of (mainly socialist-oriented) visionaries, and the efforts of egalitarians to eradicate inequality from society have been in vain. Through such endeavours, however, socialism succeeded in eliminating individual initiative and responsibility, which is only being rejuvenated with difficulty.

It is obviously cynical to speak about philanthropy as a solution to the problem of inequality in a poverty-stricken and closed society. In modern societies, where the division of income is such that the wealthy deviate from the average to a greater extent than the poor, philanthropy is both possible and meaningful. However, it is important that inequality in society not become extreme, as this has a destructive effect. That is why so much is spoken about the importance of the middle class, which fills the gap between extremes of inequality and has a stabilising influence on society and philanthropy.

MODERN PHILANTHROPY AND VARIOUS CONCEPTS OF THE STATE
From the liberal and conservative perspective of political philosophy, philanthropy and giving are desirable phenomena, providing greater decision-making power to individuals in regard to the use of their own funds. Collectivistic and etatist doctrines do not consider philanthropy to be such an important element, and replace it with the welfare state.

PHILANTHROPY AND THE STATE IN THE 19TH CENTURY
The increasingly powerful modern state became involved in charity and philanthropy at the beginning of the 19th century. Philanthropy complemented the social side of early capitalism at a time when the state, in comparison to today, was still relatively weak in its provision of various types of social service, such as education (universities, grammar schools, local schools, etc.), health care (hospitals), and social care (old people’s homes, asylums,
shelters, etc.). At the same time, philanthropic behaviour was regarded as virtuous, moral, generally beneficial, and laudable.

In the 19th century, it was not common in the Western world to build hospitals, schools, or universities. This was a period in which even elements of serfdom, or serfdom itself (in Russia) survived in some areas; the late feudal system was breaking down, agrarian societies were urbanising, and wider foreign trade and colonisation was emerging. At the same time, various social doctrines and movements were forming in Europe, from proto-socialist to liberal in nature.

The provision of various services, such as education, health care, and social welfare by the state has a number of origins. One of these was the wave of anti-clericalism, which, as early as the 18th century, brought the Enlightenment, and which culminated in the French revolution. In our region, the reverberations of this movement were seen in the closing of monastic orders and the overall trend towards secularisation. Emphasis on the education of people from a wider range of social classes was reflected in education reforms during the reign of Maria-Theresa and Joseph II at the end of the 18th century.

The French revolution brought with it great change in political thought and practice (the gradual retreat of the monarchy in favour of the republican system). At the same time, it also led to changes in attitudes as to how strong or weak the state should be, regardless of the type of constitutional system. Paradoxically, while the concepts of the French revolution helped to model the American Constitution, they also led to European ‘liberation’ in a social, welfare state, which assumed many responsibilities. However, the welfare state was never so strong in the USA as in Europe. The current differences between the USA and Europe derive from this.

**Philanthropy as a duty**

Liberalist concepts, which began to spread more rapidly in the 19th century and brought more freedom to the individual, also weakened the state; however, the level of influence of non-state institutions in social areas remained the same. This situation naturally solicited the activity of patrons and philanthropists, who had many opportunities to increase their visibility.

The French sociologist, Gilles Lipovetsky, indicates in his book, ‘The Twilight of Duty’, that the decline of the culture of duty is a symptom of changes in, and the destruction of, traditionally coherent moral values, and of their steady disintegration in modern, 20th century society. This is illustrated, for example, by the boom in various moralistic and charitable movements, which endeavoured to find a logical path between the (as yet unrealised) social engineering of the socialists and individualistic liberalism in the second half of the 19th century. What they had in common was education and the ambition towards the public good. These movements or individual philanthropists, who, along with educational work, carried out health research, family studies, etc., rejected the principles of ‘traditional charity’. They believed these had never aspired to solve the social problem. The new movements preferred to concentrate on an ‘effective solution’ to this problem. Although this philanthropic spirit never derived its primary motivation from religious principles, it had Christian roots nonetheless. It also contained a powerful moralistic element, with emphasis on general well-being (now referred to as ‘the public interest’). At the same time, this period was characterised by its orientation towards the future and development. Even though reformist and progressionist movements existed in Europe, they were probably most prevalent in the USA. At this point, it is probably necessary to seek out the roots of large foundations, which were founded by *nouveau riche* entrepreneurs, and which are currently known for their various, particularly educational, programmes.

**The rise of modern philanthropists**

In the USA, which represented a goal for many Europeans, the situation was different
due to the different conditions under which the USA was constituted. The end of the 19th century was a period of innovation, paving the way for a period of rapid growth in the first half of the 20th century; this growth was enabled by the accumulation of enormous wealth in the hands of individuals or their families. Names such as Andrew W. Mellon (1855 – 1937), Henry Ford (1863 – 1947), Andrew Carnegie (1835 – 1919), John Rockefeller (1839 – 1937), Will K. Kellogg (1860 – 1951), and Charles Stuart Mott (1875 – 1973) are symbols of this period, and a part of their wealth, in the form of endowment capital, is still managed today. These funds are used to support various charitable, cultural, or educational programmes and projects. The American state, however, habitually held minimal competences in the provision of social services, which, together with the industrial boom and the entrepreneurial ethos, provided space for modern philanthropy.

The rise of these progressive philanthropists also led to a shift in overall thinking – they alone endeavoured to formulate the principles upon which their philanthropic activity was based. One crucial essay on this theme is ‘The Gospel of Wealth’, written by Andrew Carnegie at the end of the 19th century. In this short article, Carnegie emphasises the obligation of the wealthy to assist others in order that they become able to assist themselves. He warns against the provision of aid that may become counterproductive, where recipients become dependent upon such assistance, criticises communist and socialist tendencies towards egalitarianism, and places emphasis upon endeavour and individual initiative, which lead to success and wealth. He also criticises those who leave their property to their family or charitable organisations after their deaths, stating that wealth had caused problems and conflicts in many families, and very few inheritors had ever been found capable of increasing such wealth. He criticises bequests as a lingering aristocratic principle, which is outdated and baseless, and also condemns those who leave their money to charity after their deaths, because if they could, they would take it with them; in other words, such giving is neither virtuous nor sincere. He urges the wealthy to lead unassuming lives and to use their surplus property and finances to help the deserving – not individual aid, however, because it is not in the power of individuals to know and understand other individuals perfectly, or even exclusive aid, but to provide space for education and the development of the intellect, the spirit, the body, good taste, etc. to the citizens of their communities. This is why the period witnessed a boom in the private establishment of libraries, museums, swimming pools, parks, hospitals, and so on. Carnegie is fervently opposed to almsgiving, which, he asserts, gives rise to precisely those afflictions that it was supposed to prevent.

**The USA and Europe, or two conceptions of the state and the consequences for philanthropy**

From its inception, the USA was always more liberal than Europe. Whether in the economic or political sphere, the state placed greater emphasis upon the free will and decisions of individuals, families, and municipalities than upon its own role. It is true that the USA experienced periods in which the state played a greater role in dividing up public wealth (such as the era of progressivism at the beginning of the 20th century, or the economic policies of J. M. Keynes), but despite this fact, relations between the citizens, the tax burden, the civil service, the federal government, and services provided by the state to its citizens were always more closely bound together in the USA than in Europe. Moreover, the USA was founded upon the basis of opposition to British colonial rule, which epitomised an outmoded regime; therefore, a significant element of separatism from the state resulted from this anti-colonial tradition.

The USA therefore represented, and still represents, a ‘weak’ state in regard to the distribution of public resources and the state’s influence over the economy. From the aspect of giving, voluntarism, or association, the USA is a world-wide leader. In contrast, in European countries (perhaps with the exception of Great Britain), the state still plays a much
more significant role. Nevertheless, in both the USA and Western Europe, the state in general is ‘strong’ in regard to the stability of institutions and law, which has a positive effect on the overall development of society. In this respect, the legacy of socialism, along with the current period of transformation in post-communist countries, has led to a completely opposite situation – ‘strong’ states in the area of distribution, and ‘weak’ states in the area of stability of law and institutions. Some observers of contemporary development in Russia, for example, point to the necessity for state support in the area of institution building. Otherwise, reforms will be unsuccessful.

The influence of the state on the citizen in Anglo-American countries is traditionally less significant than in continental Europe, which was influenced by the ideals of the French Enlightenment, whether in their republican, monarchist, or absolutist forms. These developments in Europe had common roots in the feudal system, elements of which still survived in the 19th century (especially in Central, Southern, and Eastern Europe). In defence of the European tradition, it must be added that slavery as an institution was, in contrast to the USA, unknown in Europe, even though Russia abolished serfdom as late as 1861 (which, on the other hand, predated the American Civil War of 1861 – 1865).

At the end of the 19th century, both the USA and Europe had much larger holes in their social safety nets than today. For this reason, a number of social services were naturally provided by associations, churches, and charitable organisations, or by the newly emerging philanthropists.

Differentiation also occurred in the ‘strong states’, in which an etatist tradition prevailed. There, the role of the state in providing social services was strengthened in proportion to its capacities. Prussia, France, and even Austro-Hungary set about strengthening their bureaucracies and implementing a number of social reforms due to the growing pressure of social movements, as well as strengthening the state as a whole and the regulations associated with this. Even in these states, however, traditional elements of support, patronage, and charity connected with the church, the wealthier classes, and the particular ethos of the period, were maintained.

**Box 1: The state, the market, and philanthropy**

The character of the state is important in attitudes to, and deliberations upon, philanthropy. In short, we could say that in situations where the state provides for everything, the initiative and will of the people to do something to help themselves is discouraged. If, on the other hand, the state only looks after the bare essentials, the gap left may be filled by the individual, the family, associations, self-help, or the market. The weaker the state in this sense, the greater the belief of society in the strength of the individual and the greater the opportunity for philanthropy to develop. Conversely, this also leads to greater pressure on the state to provide these donors with an adequate legislative and tax framework.

The reality is, of course, somewhat more complicated, but an awareness of this can help us understand why, for example, the development of modern philanthropy was so marked in the USA and less apparent in Europe.

In the context of political ideology, it is now an oversimplification to say that the political right wing regards a weak state as its objective, while the left wing supports the establishment of a strong state. The development of post-communist countries shows (according to Fareed Zakaria), that the existence of a strong state (in the sense of the rule of law, not in terms of interference with economic policies) is one of the conditions necessary for stabilisation, while a weak state is a source of chaos, disorder, and instability. The instrument of philanthropy is used by individuals who are willing to accept responsibility, and for whom the usual answer to a social problem is voluntary initiative. When the state begins to take on the entire burden of our responsibilities, when it begins to ensure that no-one is suffering for their own mistakes, that is when charitable giving and individual initiative begin to deteriorate (Scruton, 1997).
How was philanthropy regarded? Surprisingly, tax and fiscal incentives, although in demand, were not the main motivating force behind the development of giving. For example, tax legislation stimulating the establishment of foundations and philanthropy was only approved in the USA in the late 1960s and early 1970s. In industrial, more liberal societies, such as the USA, the accumulation of capital provided by far the greatest incentive for the development of giving. Europe concentrated more on the construction of welfare states, and giving merely served as a trivial supplement to a state which gained in strength. At this time (the first half of the 20th century), economic growth in the USA had outstripped that of Germany, which, after the end of the short life of the Weimar Republic, rapidly transformed into a totalitarian regime in which philanthropy had a limited status.

The same was true of Russia, in that the Byzantine tradition of the Orthodox Church did not create the conditions for the type of philanthropy that had long been stimulated by the Catholic Church in Western societies. To put it more simply, it seemed as if the Orthodox Church was more the recipient of gifts than a provider, in contrast to the Catholic Church, which had a significant social function in Western society from the early Middle Ages through gradual secularisation, culminating in the French revolution.

Box 2: The ‘invisible hand’ of philanthropy

From one aspect, philanthropy may be perceived as a mechanism of unregulated social justice – the division of wealth in the conditions of a liberal market economy and a relatively weak state. The weaker and wealthier the state, the greater the intensity and visibility of philanthropy as a redistribution mechanism. The weaker and poorer the state, the more philanthropy represents charity and a part of a system by which the wealthy wish to buy their way out of sin. Tsarist Russia may be cited as an example, where the royal family spent large sums on almsgiving and charity, although the country was on the brink of absolute poverty. On the other hand, the world is now a slightly better place due to philanthropic activities.

There are a number of examples that confirm the rewards brought by philanthropic support for innovative thinking and ideas that bring benefit to society. For example, the yellow fever vaccine was developed in 1936 on the basis of long-term research support by the Rockefeller Foundation; similarly, the polio vaccine was produced thanks to support from grants provided by private foundations. The examples set by George Soros may also be cited – he has provided hundreds of millions of dollars for the support of Russian scientists after the fall of the Soviet Union, and contributed to the establishment of a Central European University based in Budapest and Warsaw, which represents a gateway to education abroad for students throughout Eastern Europe and Central Asia. Moreover, his support has given hundreds and thousands of children and students the opportunity to study, become educated, and develop their values and ideas in a creative and open atmosphere, not only in Central and Eastern Europe. These are only a fraction of the activities that he supports in this region.

POVERTY IN THE 20TH CENTURY

Over the 20th century, states playing key roles in the world arena (including the USA), have undergone rapid development, a typical characteristic of which involved strengthening the influence of their social services, along with the involved increased tax burden. The 20th century significantly contributed to this development by bringing a boom in etatist, totalitarian ideologies and their application in practice (fascism, communism, etc.), which led to global conflicts (World War II and the Cold War). In such conditions, the space for philanthropy as a virtuous and moral ideology and as a means for evening out differences in society was reduced; however, it never disappeared completely. In the same way that the question of what is ‘good’ represents one of humanity’s fundamental existential questions, philanthropy as a form of practical activity has never been in danger of disappearing from the world altogether.
Only the strengthening of the role of the state in the 20th century could have led to a certain reduction in European philanthropic activity, which did not go on to achieve such dimensions as those seen in the USA. There, the federal state had not undergone the strengthening witnessed in Europe, partly due to the continuing aversion of a number of conservative states in the South towards the federal state.

**Philanthropy communist style**

The communist system destroyed the manifestations of independent association in society, as well as elements of philanthropy.

Over the communist period, society, from the socio-cultural aspect, was characterised by an interesting ambivalence to the official socialist regime, which “was not desired by a more traditional society; however, people were later attracted by state paternalism, collectivism, secretiveness, egalitarianism, redistributionism, authoritarianism, and anti-intellectualism...” However, citizens also, “regardless of the official system, created their own system based on the family, friends, and self-help, which circumvented the official approach...” (Krivý, Feglová, Balko, 1996).

Over the socialist period, the so-called ‘Solidarity Fund’ was established in some Central European countries. This fund – a caricature of true philanthropy – functioned as an anonymous redistribution system for supporting friendly communist regimes in the third world through wage deductions. It is important to mention the Solidarity Fund when discussing philanthropic mechanisms such as the United Way, which also involves the deduction of a certain proportion of people’s wages for charitable purposes. The discredited Solidarity Fund is a phenomenon that must not be forgotten.

Until recently, the communist state was the all-powerful provider of public services. This fact culminated in a high level of public dependence on the state, and the suppression of individual initiative (although many would take exception to this). This phenomenon is probably typical in all post-communist countries.

**PHILANTHROPY AT THE END OF THE 20TH CENTURY**

**THE BOOM IN THE FOUNDATION SECTOR IN THE USA**

The development of philanthropy as an economic sphere in the USA has taken various forms. In 1999, it was estimated that American foundations possessed assets with a value of over $US 330 billion, and distributed over $US 20 billion per year for the support of educational, humanitarian, and cultural activities. In recent years, these figures have continued to increase with the growth of trade on the American capital market, where foundations invest and increase their funds (Porter, Kramer, 1999). Most recently, however, the assets of US philanthropic institutions decreased after the economic downturn following 11th September 2001. However, the volume of philanthropic giving has increased after the events of 11th September. It has provoked a strong wave of solidarity in the US and in global terms.

Along with an increase in the assets and the overall giving of foundations, the contributions of companies and individuals have also increased, along with donations in the form of legacies. While in 1986, the overall level of donations provided by such donators in the USA was $US 83 billion, this figure had risen to $US 150 billion by 1996, and $US 190 billion by 1999. Of the $US 150 billion donated in 1996, almost 80% was formed by gifts from individuals, with the rest coming from legacies, companies and foundations. This confirms that giving is a part of American culture and represents an expression of trust in the individual and individual initiative. It also confirms that the foundation sector; i.e., institutionalised philanthropy, does not constitute a significant quantitative proportion of overall giving, which may not seem to be the case at first sight.
Studies of the overall distribution of these funds reveal that 43% was donated to churches and religious organisations, 14% to education, 9% to health care, 9% to other socially-oriented services, 6% to art and culture, 3% to the environment, 1% to international affairs, and 15% to other causes (Time, 24th July 2000).

The favourable conditions for philanthropy in the USA were also attested to by the relatively recent mega-donations made by ‘self-made men’ such as Ted Turner ($US 1 billion) for UN humanitarian purposes and by Bill and Melinda Gates ($US 22 billion), which is the largest amount ever provided by individuals in history. Even when taking into account the value of the dollar at the time, legends such as Andrew Carnegie or John D. Rockefeller provided only about a quarter of that donated by the Gates family (Time, 24th July 2000).

According to Time (July 2000), the significant American philanthropists of today are George Soros, who is in second place with donations of $US 2 billion, and Ted Turner, with donations totalling $US 1.4 billion, followed by donators who have provided sums of around $US 300 million.

Diagram 1: The total amount of donations made in the USA in $US billion

These funds were donated to various causes: the massive international vaccination campaign supported by the Gates family, educational programmes, public health programmes, research into biomedicine, or the support of art. However, critical voices have also pointed to the stagnation in giving by institutional donors, arguing that an enormous amount of money is used only to increase the assets of foundations, and not for giving itself (Aldrich, 1999).

As regards, for example, Slovakia at the beginning of the 21st century, where the building of the endowment capital and assets of foundations is regarded with the hope that this will lead to the strengthening of long-term financial stability in the non-profit sector, this criticism has yet to be voiced (for more about endowment capital, see the chapter entitled ‘The Third Sector and Business’). In our post-communist context, it appears that long-term stability is still the objective, as a means by which to evade straightforward orientation towards the ‘here and now’ and social scepticism (which is still concerned with short-term consumption, and therefore merely short-term solutions).

In the USA, however, giving is not only concerned with money, but also time, which is spent by an ever-increasing number of Americans on charitable activities. The most recent study by the Independent Sector reveals that over the last ten years, the value of volunteer time expressed in dollars rose from $US 149 billion in 1987 to $US 225 billion in 1998,

6 Source: the Trust for Philanthropy.
while the proportion of volunteers in society rose to over 56% of the overall population. This figure is many times greater than that seen in Slovakia – similar research here over preceding years has revealed figures of between 15% – 20%, even though such a comparison is difficult to make in view of the different context and different research methods (Focus, 2000). It is interesting that, in the USA, fundraising represents the second most popular form of charitable activity (as much as 16% of the overall total).

**WE GIVE TOO MUCH AND NOT ENOUGH**

The situation in Central and Eastern Europe is different to that found in the USA. Philanthropy and charity under socialism were widely vilified and condemned as bourgeois relics, which left an impression on the collective psyche. Furthermore, the very substance of unselfishness and charity were devastated by the overall social climate; trust in such activities fell, and the difficult process of renewing confidence in this type of social activity has only recently begun.

In Slovakia, for instance, this has been confirmed by the small amount of data related to this phenomenon. Research in recent years has shown that approximately 40% – 45% of all Slovak households have provided a material or financial gift for the support of non-profit organisations. In the USA, this figure is 70% (again, we have come up against the problem of data comparability, as the definition of a non-profit organisation may include, for example, the church).

For the purposes of further investigation, we have concentrated upon available data from various sources, which only partially restricts the usefulness of the following analyses.

From an overview provided by the Central Tax Office of the Slovak Republic, we may obtain an impression of ‘donors’; that is, an overview of those who, between 1996 and 1999, donated a part of their taxable income to charity, using the opportunity provided by the Income Tax Law.

*Diagram 2: The number of individuals and the value of donations (in SKK) as declared in tax statements*

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7 Source: the Central Tax Office.
Even though the decline in the number of individuals utilising such tax deductions may be a subject of speculation, the growth in the absolute value of donated funds is encouraging. In 1999, individuals provided a total of SKK 195 million ($US 5 million); this can be seen from their tax statements as deductions from their taxable income for that year. From the aspect of the recipients, however, the situation is different – this figure is probably many times greater. The basis for this assertion is the virtual certainty that not all those who donate money to charitable and philanthropic causes declare this in their tax statements. This assumption is indirectly confirmed by statistics gained from a research project by Johns Hopkins University, which registered private donations by individuals to the non-profit sector of SKK 881 million ($US 27 million) in 1996. Although a part of this sum was donated by foreigners, it is still many times more than that deducted by Slovaks from their taxable income.

A similar situation applies in the case of companies. For example, in 1996, SKK 415 million ($US 14 million) was deducted from taxable income, although the total amount registered for that year by recipients was SKK 1.3 billion ($US 43 million). The negative trend indicated in the graph (diagram 3) is also questionable, as this trend is not necessarily significant.

Diagram 3: The number of businesses and the value of donations (in SKK), based upon data from income tax return statements

According to the cited research by Johns Hopkins University, foundations contributed SKK 93 million (approximately $US 2.5 million) to the overall amount of private funds donated, which, if this is to be believed, represents nearly 6% of total private donations (SKK 2.3 billion) as recorded by the recipients – non-profit organisations. A roughly equal proportion of donations from individuals and companies formed the remainder. In this case too, the actual situation probably differed slightly from the official statistics – after all, the budget of the Open Society Fund was almost $US 4 million in 1996, made up of private funds from abroad, but managed by a domestic foundation. In all probability, the figure is higher – around the $US 4 – 5 million level. These figures stem from official statistical data based on reports by the recipients of these funds. Contributions from abroad represent almost one quarter of all private donations.

Source: the Central Tax Office.
Box 3: A comparison of private giving in the USA and Slovakia based on data from 1996 ($US)

<table>
<thead>
<tr>
<th></th>
<th>Private giving expressed as % of GDP</th>
<th>Total amount of private giving in $US ($US= SKK 33)</th>
<th>Giving in $US per inhabitant</th>
<th>Foundations</th>
<th>Organisations (Corporations)</th>
<th>Individuals</th>
<th>Legacies, Wills, Inheritance</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>2.01</td>
<td>150 bil.(^9)</td>
<td>600</td>
<td>8%</td>
<td>6%</td>
<td>79%</td>
<td>7%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>0.38</td>
<td>55 mil. $US (SKK 1.8 bil.)(^{10})</td>
<td>10.2</td>
<td>6%</td>
<td>59%</td>
<td>35%</td>
<td>10 bil.</td>
</tr>
</tbody>
</table>

\(^*\) This figure does not contain the estimated proportion of foreign donors – 25 %.

This table reveals great differences between the two countries, reflecting above all a disparity in the ratio between individual sources of giving. While individuals sustain the overall level of giving in the USA, this role in Slovakia is played by organisations and companies. The low level of contributions from foundations is interesting; however, this could result from the methods used to collect these data, or from the fact that recipients of donations from foundations only represent one part of the third sector while donations by companies and individuals are directed into the non-profit sector as a whole, and not only into its institutionalised structures.

A similar situation to that in Slovakia may be found in neighbouring post-communist countries. At the same time, it must be said that the overall picture of giving in this region changes dynamically from year to year.

Diagram 4: The structure of giving in the USA\(^{11}\)

Diagram 5: The structure of giving in Slovakia\(^{12}\)

WHO GIVES, AND HOW?

Few people think about the structure of their giving. In general, only foundations and other organisations representing an institutionalised form of giving are concerned with this.

Mark Kramer – a person who regularly contributes to various causes – has provided an interesting view of the structure of giving. He distinguishes three categories of giving:

a) subjective and obligatory giving, which does not require a specific purpose, or an evaluation of donated funds – it is an expression of loyalty, sympathy, or membership of a community, and is both wide-ranging and untargeted.

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\(^9\) The World Almanac, 1998, USA.


\(^{11}\) Source: Time, 24\(^{th}\) July 2000.

b) social giving, which is motivated by the principle of conscious reciprocity (co-operation with a commercial entity, public reputation, etc.).
c) strategic giving, which endeavors to solve a problem; donors are involved in evaluating the effect of their gifts.

This categorisation of giving has the potential to be used for both individual donors and foundations, and represents an improvement in categorising various expectations over the division of grants into categories such as seed funding, endowments, operating support, etc.

Another view of differing philanthropic styles has been provided by other authors (Prince, File, Gillespie, 1994). They approached 218 significant donors who had given large sums to charitable causes over the preceding two years. They determined their motivation in structured conversations, and 33 various areas of motivation were grouped together using ‘cluster’ analyses, which are capable of establishing complex correlations. This resulted in 7 styles of philanthropy, which characterised various types of donors and their motivation. The authors set out brief characterisations that attempted to define these styles.

The research revealed that the following philanthropic styles may be identified:

1. **The Communitarians** (91% of this group were men) – donors who value neighborly relations and bonds in the community. They may be described by the phrase, “My family has lived here for over two generations, and I will never leave. I give money to my community because I have my roots here”.

2. **The Saints** (84% were men) – who orient their gifts primarily towards religious activities. One of them gave his reasons as follows: “God gave me the talent to make money. He gave me this gift so that I could share it with others. If people want to grow spiritually, they should become involved in charity”.

3. **The Investors** – who support umbrella and development organisations (such as community foundations) with a long-term effect and a higher probability of success. These are mostly successful entrepreneurs, and their typical attitude was: “I know that if I give my money to a community foundation, it will not disappear. The question does not lie in whether to give or not. Of course it is necessary to give, but in such a way that this investment brings the greatest benefit”.

4. **The Social Capital Builders** (mostly university-educated women) – who support art, education, and religious activities – anything that promotes meetings between people. A typical phrase heard in this group was: “I wanted to do something beneficial and meaningful. It is wonderful that people capable of making changes can be brought together this way”.

5. **The Reciprocal Helpers** – who help because they feel the need to ‘repay their debt’ to others, because their loved ones have social or health problems, or because they expect that other people will be more willing to help them if this becomes necessary. The typical members of this group are high-ranking, successful professionals (neurosurgeons, businesspeople, etc.), who support the schools at which they studied. A typical comment from a wealthy owner of a travel agency: “I have just given a large gift to the social institutions that fed and clothed me when I was a child. I would like to offer other children the same things that once saved me”.

6. **The Altruists** – who seek self-realisation through helping others. They are mainly oriented towards the elderly and the poor. Reasons for this include: “Giving is a path to self-realisation. Gifts must be made on principle; it gives meaning to life”.


7. **The Dynasts** – who are concerned with social status, recognition, and position. Most of them own inherited family businesses, and there has always been a tradition of charity in their family. They are happy when they can help a visible project or charity (hospitals, museums, etc.). They are characterized by comments such as: “Charity was always encouraged in our family. We didn’t have much money, but we always gave to charity. At home, I learned that we must always help those who are less fortunate than ourselves. My mother would be proud of me”.

So, have you recognised yourself in these statements? What would be your primary motive for giving?

## CHURCHES, CHARITABLE ACTIVITY, AND CIVIL SOCIETY

Many people, when hearing the words ‘church’, ‘religious charity’, or ‘diaconate’ have the feeling that they are entering a museum of the Middle Ages. In other words, something nice and organised, but at the same time slightly mysterious, rather incomprehensible, and certainly outdated. However, there are also people who do not regard them as historical relics; on the contrary, they feel that the church and charity revive the modern world with modern methods. These people are often members of a church and at the same time, run non-profit organisations, which we now refer to as the third sector.

When looking at the church in a modern context, it can be characterised by a number of aspects. One of these is doctrine, including dogma and morality. Another dimension is represented by ceremonies and internal religious life (services, religious holidays, and the practice of religion). No less important is the social aspect of the church, which is oriented internally towards church society and externally to the public at large. However, that which the church perceives as an integral part of Christ’s Message is divided by modern society into religious and public benefit activities, which are a part of the third sector. Because of this fact, it is sometimes difficult to draw a definitive line between the evangelism and social aid of religious organisations, whether this be the work of missionaries in Africa or summer camps for children in Slovakia.

Throughout the world, religious organisations are most often oriented towards education, culture, social aid, health care, the defence of human rights, and the protection of the environment. Churches develop their activities in these areas in various ways. Apart from founding typical non-profit organisations (primarily humanitarian and charitable/social in nature), they also establish schools, universities, hospitals, trade unions, sporting clubs, and professional associations. They also set up supporting economic activities (such as publishers and pharmacies), and independent entrepreneurial entities (such as property administrators, forestry companies), the proceeds of which are used to cover their operating costs. In Central and Eastern Europe, religious non-profit organisations working in charitable/social, health care, and educational spheres are the most highly developed.

The attitude of official church institutions towards the principle of civil society is not clear in any post-Communist country. On the one hand, churches and the institutions that represent them largely support democracy, the free market, and the freedom of speech and religious belief; depending on the facilities available to them, they also promote the development of democratic institutions. On the other hand, however, they perceive an open, pluralist society as a threat to moral principles and church authority. This contradictory attitude is also reflected in the ‘non-religious’ part of the third sector. On the one hand, there is an effort to utilise the great potential possessed by the church for the development

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13 This section was written by Juraj Kušnierík and Juraj Barát.
of civil society; on the other, there is an aversion towards the promotion of religion and any possible political influence wielded by the church.

Throughout its history, the church has had to come to terms with the issue of power and authority. Its tangible or potential rival was always ‘secular authority’, formalised in a kingdom or republic. In every historical era, the church has challenged the absolutist and totalitarian aspirations of secular leaders, who were forced to deal with this fact in various ways. Political pragmatism and a sense of realism occasionally led to peaceful coexistence and co-operation. Ideological radicalism, and much more often, personal ambition cloaked in such radicalism sometimes led to direct confrontation and even armed conflict.

The situation today shows no qualitative differences; only the balance of power and the social mood have changed. Slovakia, for example, is perceived as a ‘Christian’ country; however, within the framework set out by the principles of an open, liberal society, Christianity is not a ‘state’ religion in any of its forms. All registered churches and religious communities are equal in the eyes of the state and its laws.

It is worth noting the fact that the church, in decisive political upheavals over recent years, has almost always taken an unmistakable stand on the side of freedom and democracy, despite its reservations in regard to Western liberalism. Maybe the most important example of this was the crucial support of the Roman Catholic Church for the Solidarity movement in Poland in the 1980s. Churches and monasteries at this time provided refuge for non-conformist artists, independent philosophers, and the leaders of the trade union movement.

This apparent paradox – mistrust of an open, civil society in ‘normal’ circumstances and support for it in times of crisis – may be explained by the equilibrium between the culturally dependent forms of the church and its fundamental nature. While the church has a tendency to act as a social institution fighting (through legal channels) for recognition and status in society under peaceful circumstances, it has a tendency to return to its roots, to the values and principles upon which it stands – respect for truth, freedom, and justice – during decisive periods of social conflict with totalitarianism.

In all probability, the relationship between the church and civil society will always be a dynamic one. Let us speculate as to the practical outcome to be expected from this relationship. What should the church discuss, and what should civil society consider in its debates?

**The church will probably never fully approve of the ideals of a civil society**

From the viewpoint of the church, the same could be said about civil society that Winston Churchill once said about democracy: “Democracy is the worst form of government, except all those others that have been tried from time to time”. It is naïve to expect that the church will ever completely and unconditionally approve of the ideals and principles of civic society. The church is, and always will be – probably with good reason – critical towards it, and keep its distance. Many dignitaries in the church will feel threatened in a pluralistic civic society. However, based upon our experiences, along with the experiences of our post-communist neighbours, it could be expected that in times of crisis the Christian community – and probably its leaders – will support freedom, justice, and democracy.

**The more of a ‘church’ it is, the more it will be active in the third sector**

There is a seemingly simple answer to the question of how the church could become more active in the third sector: it should be more of a church in nature. However, it is more difficult to define what it means to ‘be a church’. From the aspect of the church itself, we would probably not be mistaken in saying that the church should be ‘a place of deep worship for God’, reflected in responsible and deep human relations. These relations should not be introverted. In essence, they should be fundamentally amenable towards those who
differ, involving open co-operation with other people, local government representatives, and activists from non-profit organisations, even though they may not agree on every issue.

The church creates an environment of responsible freedom – let us start taking it seriously

The church, in all its forms, creates an environment of responsible freedom by placing emphasis on the higher perspectives of life. It leads its members to the understanding that the world in which they live did not come to exist by chance, and that people are free beings “created in God’s image”. Despite the church’s many serious deficiencies and problems, this view of the world and people has been maintained, and is spreading. Although it will never fully be a part of the third sector, its significance for this sector is enormous. As long as third sector activists and donors continue to endeavour towards greater co-operation with the church and its organisations, the benefit may be mutual.

PHILANTHROPY IN THE CONTEXT OF POST-COMMUNIST EUROPE

Post-communist Europe is gradually trying to dust off the old traditions of self-help and charity, because it is aware of their social function. However, the legacy of a powerful state in this area has so far prohibited the political elite from coming up with innovative proposals to improve the environment for charity and self-help. Although many forms of support for such activities exist in many countries, they do not represent a significant political declaration of the value of such a way of life. The governments of these states are too cautious, and do not truly believe in the abilities of civic society. Nor is this surprising when there is a continuous threat of a collapse in the economy, morality, or inter-ethnic relations. The incorporation of significant components for stimulating philanthropic activity into the legal and economic systems of individual states remains a challenge for the future. It can be only hoped that the EU accession process will encourage positive changes in the legal and fiscal framework for philanthropy. The accession into the European Union may increase the wealth of the region, which is one of the factors influencing the level of philanthropic giving. However, the EU institutions and policies are quite self-centered and there is a good reason for scepticism as far the EU stimulating role in increasing individual or philanthropic giving is concerned. It will be up to the initiative of individual accession states as to what extent they will use their transformations of their legal and fiscal systems to create an environment encouraging philanthropic giving.

Western Europe remains uncharted territory from the aspect of supporting charity and its manifestations. Even this study lacks sources and information that would enable a serious assessment of the function of charity and philanthropy in Western Europe. It appears, however, that Europe is so busy building its own institutions and so occupied with its orientation towards the social function of the state that the level of influence and significance of philanthropic activity is lower in comparison to the USA. This statement, however, could be considered a daring one in that European countries and their inhabitants contribute significantly to charitable activities in the developing world. In comparison to the post-communist area of Europe, this orientation represents a higher level of progress – we can only hope that Eastern Europe also achieves the economic and political stability necessary for it to become aware of its joint responsibility for local, regional, and international problems, so that the existing charitable tradition will attain new qualitative heights.

The institutionalised form of charity has yet to be given the green light in post-communist Europe. It is only a question of time until adequate wealth is accumulated, a portion of which will represent potential for the development of (also domestic) foundations that are capable of administering and distributing the resources entrusted to them. So far, we have only witnessed public willingness to help in the event of catastrophe and discomfort.
One of the interesting phenomena of the modern age is the indisputable process of globalisation. This is reflected in the existence of large corporations, which are often in the forefront of corporate philanthropy in both the East and the West. Their capital resources enable them to engage in such philanthropy to a much greater extent. However, the domestic entrepreneurial class, which is already showing signs of development, should not be forgotten. In Poland, the Czech Republic, and Hungary, we have seen examples where the middle entrepreneurial class has begun to develop an awareness of non-commercial values such as philanthropy and charity. It is here that the greatest challenge for our region lies, in turning the middle entrepreneurial class into a significant social player, which can influence the moral development of society through its economic and social significance.

Societies from the Balkans to the Baltic have provided many examples of how such active contribution has manifested itself in various cultural, religious, and social contexts. It would be a shame if such examples were to become simply a thing of the past.

Many individuals who do not have the means to donate millions – only a couple of dollars at the most – also engage in philanthropy. In Slovakia, for example, a number of representative surveys in recent years have revealed that around 45% of the Slovak population provide financial or material donations to charity at least once a year. The recent success of various public collections has confirmed these data. In this case, the minimum standard has been set. The remaining 55% of the population represent an opportunity for the realisation of interesting projects in civil society.

Giving is also connected to the overall atmosphere of trust and perspective in society. If the level of trust is low, or perspectives are short-term in nature, it is improbable that individuals would be willing to entrust their funds to institutions that would be able to utilise them for effective charity. They would prefer to see an immediate effect. These suspicions and short-term expectations delay projects involved in development, education, and other activities, where the effect is largely long-term in nature. If Eastern Europe manages to solve its economic and moral problems, it is possible that both large- and small-scale philanthropy will flourish here. In other words, much depends upon the type of economic and social policy chosen by each country, the role attributed by the public to charitable aid and giving, and the extent to which leading political elites are capable of reflecting this through the creation of favourable conditions for stimulating charitable activity.

Another important factor in the future development of philanthropy in post-communist Europe will also be the economic performance of this region; put simply – what we will be able to do. How will taxes be re-distributed, for example? The economic situation in the region to date, however, is still not a source of great optimism. At the same time, it cannot be expected that the state will remain able to fulfil its current role in social, educational, and health care spheres. That is why it is worth discussing philanthropic thinking and acting towards an improved and enabling environment for it, and demonstrating that this human activity is not merely the pastime of dreamers, but a meaningful activity capable of changing the world. The fact that philanthropy is undergoing a number of positive developments is a source of great satisfaction.

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SOCIETY AND RELATIONS WITH THE THIRD SECTOR

THREE SECTORS IN SOCIETY: COMPETITION OR CO-OPERATION?

CONTENTS: The Three-Sector Model of Society ▪ Civil Society and its Forms ▪ The Interaction of the Third Sector with the Public and the Commercial Sector ▪ Cross-Sector Co-operation and Partnership ▪ An Era of Change, or an Era of Unawareness in Central, Eastern, and Southern Europe?

After seeking the roots of association and philanthropy in the preceding chapters, we will now look at the position of the third sector in society, its relationship to other parts of society – to other sectors – and what these cross-sector relationships bring. We speak about the division of society into three sectors, and the subsequent chapters will be based upon such an understanding. Therefore, it is useful to first clarify the three-sector model of society and the position of the third sector in it.

To speak about three sectors in society seems to be very clear and simple at first glance. This is not quite the case. In order to come to a common understanding, it is essential to define again the terms that we are using; therefore, to begin with, we concentrate on some of the more basic terms and concepts. Afterwards, we shall present some models of co-existence between the three sectors. At the end, we will discover the answer to the question as to whether cross-sector relations represent competition or co-operation.

THE THREE-SECTOR MODEL OF SOCIETY

The existence of the term ‘third sector’ in itself indicates that first and second sectors must exist. As the terms ‘first sector’ or ‘second sector’ are rarely used in practice – these sectors are more often referred to as the ‘public’ (or state/governmental), and the ‘commercial’ sectors – it can surely be expected that the third sector also has a synonym. We know that difficulties lie in the fact that it has more than one designation, and a consen-
sus has yet to be reached as to the term that describes it most accurately. In all probability, such a consensus will not be achieved soon, as various terms reflect the differing, specific requirements and situations of individual societies throughout the world.

This also applies to post-communist countries. Here also, the widely-used term ‘third sector’ responds to a current need – the need to renew civil society after many decades of its suppression and destruction. The totalitarian communist regime obliterated the division of society and state and replaced it with the self-defined ‘public good’ over all other interests. It subordinated the private sector and civil society to the state and eliminated any rights and freedoms that were more important than, and independent of, the state. This extreme form of organising society contained only one sector – the state sector. The state ran, organised, and controlled all spheres of people’s lives.

The years spent in transforming society in these countries essentially represent years spent in separating the second and third sectors from the universal grasp of the first – the state sector. It is a period in which citizens are freely creating their own organisations to meet their economic, political, social, cultural, and other interests or needs. They are creating them on their own initiative, independent of the state, but in accordance with its new laws, and with the opportunities provided by the Bill of Basic Rights and Freedoms.

**Box 1: What is Civil Society? (Šamalík, 1995)**

“The polarity of the private sphere (individual freedom) and state authority was rendered archaic through the transformation of liberalism, and it is now useless to regard it as a source of inspiration. The universality of civil status bridges the gap between society and the state. The freedom to associate allows an organisational (associative) form of civil society. Associations – primarily those that unify social interests – assume a function in civil society that classical liberalism attributed exclusively to individual activities. Civil society has thus changed into an arena for organised – group, pluralistic – interests. A sizeable group of representational organisations have emerged, which differ from the state representation (parliament) in that they are oriented precisely towards these partial interests. The state, conversely, is constitutionally bound to ensure ‘the public good’. But the collectivist/liberal structure of civil society also gives rise to... similar problems as those of individualised society. Therefore, individual social and other groups are not equal in regard to their social influence, their level of integration and organisation, their number of members, their financial strength, etc.

Consequently, associations and groups cannot be assessed separately, but always in relation to the interested ‘counter-group’ (consumers, entrepreneurs, etc.). Within the model, this competitive environment may be expected to contain both liberalistic exclusion (egocentrism), and a tendency towards agreement, based upon the willingness to compromise. This tendency towards democratic agreement (concordant democracy) is transferring an orientation towards the public interest into civil society; however, it would befacetious to rely upon the harmonising mechanisms of the ‘invisible hand’...

The task of renewing civil society therefore entails the renewal of the ‘correct balance’ between it and the state. Its criteria must not be isolated, single-sided conceptions or ideologies – individualistic, collectivist, etc.; rather, they must reflect that which is recognised by the constitution and charters of human rights, and that which is expected from the citizens and the state...”

Let us return to the original division into the state and civil society. In the institutional sphere, this is reflected in the terms ‘governmental’ (state or public), and ‘non-governmental’ (non-state or private) organisations. Terminologically, however, we have still not answered the question as to how this division into two parts may contribute to a three-sector vision of the world. The best possible solution is to divide those non-governmental (non-state, private) organisations into those established by citizens with the aim of achieving personal profit, thus meeting their economic interests, and those that are not oriented towards achieving profit, but which are established by citizens for the fulfilment of other
objectives and interests. In short, we may achieve a three-sector conclusion by first differentiating between state and non-state (private) organisations, and then dividing private organisations into those that are profit-oriented and those that are not. The third sector is then defined as the private, non-profit activities of citizens that are intended to fulfil, defend, or assert the needs of partial group interests.

In order to clearly distinguish third sector organisations from governmental and commercial organisations, a relatively simple definition of non-governmental (private), non-profit organisations was developed using five differentiating criteria. These are institutionalised, private, non-profit-distributing, self-governing, and voluntary organisations (see the chapter entitled ‘Non-Profit Organisations Throughout the World and in Central, Eastern, and Southern Europe’). From this, it emerges that the common criteria of non-governmental, non-profit organisations and the commercial sector are institutionalisation, a private nature, and self-determination, while the common criteria of non-governmental organisations and the state are institutionalisation, non-profit orientation and, partially, commitment to the public benefit.

CIVIL SOCIETY AND ITS FORMS

As is evident from this diagram, the relationship of the three sectors in society may be depicted as three intersecting circles. Each of the three sectors (the first public, i.e., the state and local government, the second commercial, and the third voluntary, civil, and non-profit) has a certain space that is, from the aspect of activity, competence, and responsibility, specific and autonomous; at the same time, there are relatively wide areas in which these areas coincide and intersect.

The existence of the second and third sectors was not even considered in the traditional, authoritarian, socialist system. Although the inheritors of this type of perspective now acknowledge the raison d’être of the commercial, private sector and even the third sector, the concept of any possible equal partnership is still unimaginable to them. They expect competition and an unending struggle between these three ‘competitors’. The other solution is only being asserted gradually – a certain ‘partnership paradigm’ of mutual co-operation between the three sectors.

In connection with this, it is interesting to study a model that understands a true civil society in a different way to that which we are used to. A true civil society is not composed simply of isolated non-profit or community organisations, but (simply put) of the public sec-
tor, the private commercial sector, and the non-profit sector. However, all three sectors only make up a true civil society on the condition that the partners cooperate, mutually complement each other, and balance their weak points with their abilities. Such a concept, for example, was presented in the declaration entitled 'Building Civil Society' by over 100 leaders from non-profit organisations, foundations, philanthropic, state, and commercial entities from over 22 countries, who participated in the 11th Annual Conference of the Johns Hopkins International Fellows in Philanthropy in 1998 in Bangalore, India. The unabridged text of the declaration may be found in Annex 1 of this book.

The supporter of a global revolution in association, Lester M. Salamon, goes further in his deliberations and offers a new, inspiring paradigm for solving public issues in the 21st century.

**Box 2: Civil society: a new paradigm for solving public problems in the 21st century**

> “Two... paradigms have dominated our thinking up to now. One of these stresses sole reliance on the market and the other sole reliance on the state.
>
> What we have learned in recent years, however, is that both of these models are bankrupt. The market model, though it has recently staged a remarkable recovery, essentially collapsed in the Great Depression of 1929. The public sector model fell with the Berlin Wall.
>
> To date, however, no alternative paradigm has surfaced to replace these two. To be sure, the temptation will be strong among third sector activists to advance the “non-profit sector” as the panacea and to urge complete reliance on it.
>
> I would urge that this temptation be resisted. Without denying the vital contributions that non-profit institutions can make, we should be wary of claiming more than we, or any sector, can deliver. The simple fact is that what we have learned most clearly over the past 100 years is that today’s problems are too complex for any one sector to handle. If we are to make progress on these problems, therefore, the combined resources of all three sectors must be mobilised.
>
> What this suggests is that the appropriate paradigm for the 21st century is a paradigm of partnership and a politics of collaboration – i.e. a new governance that emphasises explicitly and centrally that collaboration, not separate action, by the different sectors, is the best hope for achieving meaningful progress on the serious problems that confront us today.
>
> I would suggest that this is the true meaning of “civil society” about which we hear so much today – civil society not as a sector, but as a relationship among the sectors.
>
> A civil society is thus one with three distinct sectors but in which these sectors have found ways to work together for the public good...”

**THE INTERACTION OF THE THIRD SECTOR WITH THE PUBLIC AND THE COMMERCIAL SECTOR**

When we delve into this topic, we cannot find a complete and definitive answer, and instead find ourselves in an endless whirl of questions.

What form should non-profit organisations take? Should they be groups of enthusiasts, however amateur, lacking funds and protecting that which no-one cares about with their bare hands? Should they be groups of experts who, in the professionalism of their services, are on a par with state institutions, or even surpass them? Should they be organisations that work for free, covering their expenses with donations and collections, with taxpayers’ money, or through the sale of services to their customers...? The answer will always be “yes, and yes, and yes, and...” The shape of non-profit organisations (their structure, character, and professionalism) will depend primarily upon the role they are to play in society.

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1 Taken from a presentation by Lester M. Salamon: The Third Sector in Global Perspectives, at the University of Melbourne Centre for Public Policy, July 2000.
Is it expected that a non-profit, non-public organisation should be a ‘non-professional’ supplement to public and commercial services? Or is the opposite true – should the government only cover those services in which the commercial sector expresses no interest, and which citizens cannot provide for themselves? Sometimes, the need is so great that interaction between the three sectors is an essential condition. The issue therefore does not lie in the question as to who is responsible, but rather in how the third sector, the government, and business divide a common responsibility.

It may appear that if we pose questions in such a general way, there is a danger that we may become caught up in over-general sociological and political deliberations. If, however, we wish to answer the question as to the form a non-profit, non-governmental organisation should take, we can only reach a conclusion through the wider context. In general, the answer is simple. It should take a form that best assists in fulfilling a function appropriate to the third sector in regard to the provision of services and its advocacy role. But in practice – without too much sociology and politics – what should it really be? What should be the responsibility of the third sector, and what does this mean for the form of non-profit organisations? The answer, of course, is not clear and universal for every country at every time. There are evidently numerous functional models. Moreover, in times of transformation – and this confuses people greatly – a number of models may exist alongside each other simultaneously.

In the chapter on the relationship between the public and the third sector, possible models of co-existence between the public and the third sector are described on a general level. Each of these models also anticipates differently structured non-profit organisations. Whether a typical non-profit organisation (and does such an organisation exist at all?) has 5 or 200 employees, whether the organisation is composed of renowned, professional experts or of enthusiastic volunteers, and dozens of similar ‘whethers’, depend upon how we determine the role that the non-profit organisation plays within society. In 1999, the Slovenian sociologist, Zinka Kolarič, based her thoughts upon the post-communist reality of the region. On this basis, she presented an interesting overview of five models for understanding the responsibility of the government, the third sector, and commercial entities in providing services to the citizen. We will present them in a separate box, as it is useful to appreciate the very specific impact of differing models.

Zinka Kolarič defines these models as **Liberal, Conservative-Corporatist, Social-Democratic, Catholic, and State-Socialist**. This division is related to models of welfare systems in a European context. We believe, however, that these considerations do not only concern the responsibility for providing social services. A similar model may apply to health care, education, culture, sport, and other areas.

**Box 3: Models of welfare systems and their impact on the form and structure of non-profit organisations**

**The Liberal Model:**

All citizens have the chance to buy a required service in a well-developed market that reacts flexibly to the changing needs of citizens. In providing services, the most significant role is played by the private, commercial sector. For those who are unable to fully obtain services through the market, there is the possibility to turn to the family, relatives, and a locally organised network of non-profit and voluntary organisations for support. These only offer services that are not covered by private institutions, or for the part of the population that cannot afford the services of commercial institutions. The government only provides a safety net of assisting institutions and services to those who have slipped through the mesh of private and voluntary organisations. The role of the government is to provide ‘a final safety net’ for

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2 Prepared according to Zinka Kolarič: The Non-Profit Sector as a Service Provider in Different Types of Welfare Systems
people without money and family ties, and for people who are unable to obtain the support of voluntary organisations.

In this model, third sector organisations concentrate on services that are new and (so far) commercially uninteresting, such as services for people in need and the socially vulnerable, who are unable to purchase services on the market. Third sector organisations are often innovators or a cheaper (and lower quality) supplement to the commercial sphere; they must possess a number of creative and daring ‘social innovators’, along with very socially-minded employees and volunteers, for whom providing assistance to people in need is of the highest value.

The Conservative-Corporatist Model:
Similarly to the liberal model, market institutions (companies and commercial services) are of primary importance. The ability of citizens to purchase services is strengthened through compulsory insurance systems, which are regulated by the government. The government also takes responsibility for the unemployed who do not have the opportunity to use the services of private organisations. The responsibility of the government is greater here than in the liberal model. The government is a ‘guarantor’ for the services of the private sector.

In this model, non-profit organisations must be exceptionally professional. They work in a very competitive environment, where they are forced to prove their quality in comparison to public services, which are ‘subsidised’ through systems of compulsory insurance. Non-profit organisations concentrate as a rule on innovative services, on services that are necessary but unpopular with the government, and also on services, the sale of which provides non-profit organisations with a stable income and conditions for development. Organisations that do not know how to plan professionally, or that are strangers to marketing, systematic control, and pressure to increase their effectiveness, do not survive. In this model, non-profit organisations that do last the distance are very similar to successful companies.

The Social-Democratic Model:
Responsibility for providing services is held primarily by the government. (The public sector is powerful, placing emphasis on the universality of programmes and ensuring social rights). On the other hand, citizens still have the opportunity to purchase services on the ‘market’, and thus have access to a wider and often more expensive range of services. Or they may also access services through informal non-profit networks, even though less emphasis is placed upon this possibility.

The role of non-profit organisations is minimised to that of an appealing supplement to public services or the provision of services that are lacking. Third sector organisations are only present in marginal and highly specialised areas. The role of the third sector is shifted more into the spheres of advocacy, control, and the constructive criticism of public institutions.

The Christian Model:
(Zinka Kolarč uses the term ‘Catholic Model’; however, we feel that the above term is more precise). In this model, a key role is played by family ties, church institutions and charitable networks, and informal public service organisations. People are also able to purchase services through the compulsory insurance system. The government only involves itself and provides services in cases where these institutions fail or are unable to provide these services to a satisfactory standard and for an affordable price.

The role of charitable organisations is irreplaceable; this model enables their full development. According to this approach, services should be provided to an equal extent for all population groups, regardless of religious affinity. In view of their voluntary nature, church and charitable organisations are able to provide services exceptionally cheaply, which the population at large is able to afford. In this model, non-profit organisations are local, and clearly connected to church and charitable structures in aspects of professional capacity and public relations. In non-profit organisations, social welfare and evangelisation clearly overlap. This close connection need not necessarily fulfil the requirements of certain organisations or their clients.

The State-Socialist Model:
The role of the government is dominant in this model. The government owns, finances, and controls all service-providing institutions. People are not able to obtain services from other sources. The services of non-profit organisations are limited by a restrictive legal framework; church and charitable institutions are inappropriately controlled and limited in their activities. Private social services are practically non-existent.

In view of the minimal space for operation, non-profit organisations generally have little influence. Most of their energy is spent in trying to ensure their very survival. As services provided by the go-
VERNMENT have the character of a monopoly, they are usually too expensive, inflexible, and often ineffective. In this model, non-profit organisations are generally reduced to hierarchically organised, voluntary associations and often serve merely as a ‘showpiece’ for the powerful elite. They are to serve as an artificial demonstration of the government’s magnanimity, or as a government-controlled escape valve for civil dissatisfaction. Although non-profit organisations may also be useful in raising public awareness of other, more effective models, they generally do not possess the sufficient capacity to implement practical measures themselves.

CROSS-SECTOR CO-OPERATION AND PARTNERSHIP

We have indicated that hierarchical, centralised national systems throughout the world are undergoing a crisis, and are not sustainable in the long term. In Central, Eastern, and Southern European countries, this is reflected in the need for the reform and decentralisation of public administration. Decentralisation naturally leads to a division of power – a reduction of the competences of public bodies, and an increase in the power of local government – and even to the establishment of new local government bodies. Such a change greatly complicates decision-making in public administration. Even within public administration itself, the number of interested parties, along with the number of differing interests, increases. At the same time, it is to be expected that interest in public decision-making and the influence of private entities increases. For example, through privatisation, the government loses, and the private sector gains, direct involvement in companies that are important for providing public services. The division of power and interests naturally leads to an increase in the number of situations in which responsibility for addressing an issue is not held by one institution or authority, capable of independent decision-making and the implementation of these decisions. Solutions will be implemented through power and authority ever more rarely, and situations in which negotiation and mutual agreement between interested parties are essential will become more common. The ability to cooperate with various partners will become essential for public representatives, institutions, and private entities, whether profit-oriented or non-profit in nature.

International co-operation (also in Central, Eastern, and Southern European countries) will play a key role in the survival and development of institutions in all three sectors. Currently, almost no-one possesses a comprehensive solution to the question of how to proceed with cross-sector co-operation. In the following paragraphs, we will try to answer at least part of this question.

Let us begin with an obligatory bit of theory. Co-operation may be regarded as a relationship. The concept of ‘division’ is therefore all-important, along with the mutual benefits brought by this relationship to the cooperating parties. For the creation of a cooperative relationship, the parties concerned must acknowledge similar values, recognise responsibility for the same issue, or share resources, objectives, or a vision. According to Mattessich and Monsey (in 1992), co-operation is a mutually advantageous and well-defined relationship created by two or more parties in order that they achieve a common objective.

However, co-operation may also be regarded as a process. From this aspect, co-operation represents a method of identifying what is and what is not common to parties that have brought a common issue to a common table, or the will to cooperate. This process enables the parties involved to engage in a mutually beneficial exchange of views, and to jointly address a common issue. According to Gray (in 1989), co-operation is a process by which parties that perceive various aspects of the same issue may constructively explore mutual differences and seek a solution that exceeds their individual capabilities. In the process of co-operation, it is important that joint decisions are made by the parties involved, especially on the direction to be taken in the area of mutual interest. (This takes
place through people or institutions representing the main affected and interested parties – stakeholders).

And now let us be a little more practical. What is the process, the set of steps, for establishing and developing cross-sector co-operation on a particular issue that, for instance, poses a problem to a local community?

**THE BASIC CHARACTERISTICS OF THE CO-OPERATION PROCESS:**
The relationship and process of co-operation requires a number of conditions to be fulfilled:

- The stakeholders (interested and affected parties) should be interdependent; none of the parties involved are able to realise their preferred solution independently;
- A common understanding of the issue should emerge during the process;
- The parties involved should engage in personal discussions;
- The rules of procedure and decision-making should be established and approved by the participants;
- The process should allow the mutual training/education of the parties involved;
- Mutual respect should be established and strengthened between the participants;
- Solutions should emerge through constructive dialogue on differences;
- During the process, a common ‘ownership’ of decision-making should be established; where possible, decisions should always be reached through consensus;
- An essential condition of the process is the joint responsibility of participants (stakeholders) for decision-making and directing the area towards which the group is oriented;
- Co-operation should begin and develop progressively.

**THE PROCESS OF CO-OPERATION HAS A NUMBER OF BASIC STEPS:**

1. **Beginning co-operation**
   At the beginning, when an organisation, institution, or informal group decides to invite other entities to co-operate, it is necessary that they provisionally formulate the area in which they wish to co-operate, or the issue that they wish to address. On the basis of defined areas, interested and affected groups and their participants in the process (representatives of stakeholders, experts, etc.) may then be identified.

   Subsequently, the first meeting of the stakeholders can be organised, in which it is necessary that participants agree on a preliminary formulation of the issue or area of co-operation, clarify their roles in the co-operation process, and agree upon the objectives and methods of the process.

   **Box 4: The first meeting – assessing the possibilities of co-operation**

   Special attention should be paid to the first meeting: a progressive approach is necessary, and the programme and rules providing the group with a basic framework for the conduct of participants should be thoroughly prepared, which may later serve to tackle conflict situations.

   A few useful questions to be asked when preparing the programme for the first meeting:
   - Why is the meeting taking place, and who organised it?
   - What are your expectations, and what are the expectations of the people you have invited? What do they think co-operation may achieve? What is the expected benefit for the community, the organisation, and for individuals?
   - What are the advantages and disadvantages of the planned co-operation?
   - What do we want to achieve together? What is the aim of our co-operation – what should the outcome be?
   - Is anyone absent from the meeting who may be able to make a contribution?
Questions concerning basic rules:
• What are the roles of the members and the organiser, and whom do they represent?
• What is our work timetable? What time limits govern us?
• How will we work with information – data collection and storage, discretion, and distribution?
• How will we communicate? Who will be responsible for what, and by when?
• Will participants receive compensation (the payment of expenses)? If so, how much?
• What must we do at the beginning?
• How will we make decisions?

2. Joint planning and decision-making
At their joint meetings, stakeholders should progressively:
• agree on the precise delimitation and definition of the issue or area of co-operation;
• exchange (or collect between meetings) information necessary for an understanding of the issue;
• through discussions on various aspects of the issue, which are perceived individually, reach a common understanding of the history, context, and interests connected with addressing the issue or area;
• from a common understanding of the issue, move towards proposing possibilities, alternatives, and ideas for solving the issue;
• assess the possibilities of such a solution, and eliminate any solutions that are inappropriate; discuss the remaining alternatives, their advantages and disadvantages;
• continue to narrow the selection to a number of alternatives, and then work on them;
• agree upon independent criteria, according to which a joint solution is selected;
• submit the proposed solution for comment to interested parties and the public;
• jointly approve the final agreement.

3. Realising the agreement
When co-operating, it is important that all the participants are jointly responsible for the realisation of the agreement, even in cases where all those involved do not share in the practical implementation.
In order to implement a joint agreement, the parties need to:
• create an implementation plan for the agreement reached;
• divide competences for individual tasks;
• create a mechanism for monitoring and specifying realisation.
After this, only the realisation of tasks and activities remains.

Box 5: Joint agreement between organisations

What we should not forget when concluding agreements between organisations:
• On what level of proximity have the participants agreed (an inter-agency committee, advisory group, a consortium, fusion, consolidation)?
• What powers will each organisation wield?
• What responsibilities will be held by each organisation?
• What power/influence and other resources will each organisation contribute?
• Which key personnel in each organisation must sign the agreement? Have they done so?
• What important strategies, procedures, and activities are influenced by the agreement in each organisation, and what is the implementation plan for these changes?
• Who is responsible for specifying agreements and for solving disagreements between member organisations?
4. The monitoring, evaluation, and analysis of the agreement’s fulfilment

An important part of any long-term planning process is monitoring and evaluating the implementation process. According to the results of monitoring and requirements, it is then possible to adapt the plan and continuously resolve dissatisfaction and differences of opinion concerning the agreement’s implementation.

AN ERA OF CHANGE, OR AN ERA OF UNAWARENESS IN CENTRAL, EASTERN, AND SOUTHERN EUROPE?

Finally, let us try to name some of the contexts in which we currently speak about the third sector and its relationship to other sectors in Central, Eastern, and Southern European countries.

This rapidly changing period is bringing with it changes connected to globalisation, the growth in information, and other mega-trends. In accordance with this, the role of the third sector is changing, as well as the role of the state. It could be said that this era is pregnant with change, and this concerns Central, Eastern, and Southern European countries more than their Western neighbours. If we are unsuccessful, we will be left behind. The suffering that will inevitably accompany every change will not be alleviated, only prolonged, by our current inactivity. So far, it appears that there is not even a basic consensus as to what role the third sector should fulfil; it is ignored, and understood simply as a supplement to established and, shall we say, ‘traditional’ sectors, which have divided up the public sphere between themselves.

The concept that it is fitting for the third sector to struggle with the other two sectors for a ‘specific piece of the pie’ is not particularly productive. A more practicable way would be to consider the assets of each sector, where the sectors complement each other, and where space for co-operation exists. The next four chapters will indicate where such space for partnership emerges in mutual cross-sector relations. The two following chapters will discuss how citizens may increase their involvement in decision-making, or strengthen advocacy in areas where space for cross-sector partnership is lacking.

To loosely quote Lester M. Salamon – as there is mistrust and mutual suspicion on all sides, it will not be easy to achieve and direct such co-operation. Despite this fact, it offers great hope for the future. Let us, therefore, set out to create true civil societies.

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Based upon the three-sector model of relations, we begin with a chapter on the relations of the third sector with itself – a kind of critical look into the mirror.

The third sector has a ‘relationship’ with itself, defining its own identity, development, and internal organisation. The process of seeking and clarifying third sector identity is a never-ending one, and does not apply solely to countries in transition – it is also taking place in those countries where civil society has deep roots that stretch back for centuries. It has been shown that the search for identity is accelerated by the prevailing political conditions. A situation where the political climate does not encourage the development of civil society (and e.g. Slovakia and Serbia were examples of this) may lead to a politicisation of the third sector, to a pressing need for achieving civil maturity, and to discussions on the role of the third sector in post-communist society, in non-liberal democracies, and in newly revived democracies.

In this chapter, we will first discuss the state of the third sector in Central, Eastern, and Southern Europe from the aspect of development; we will define criteria, according to which non-profit organisations may be categorised, and we will attempt to define their typology in a less formal way. Further, we will try to describe future trends in third sector development, also from the aspect of permanent sustainability. A special section will be dedicated to collaboration between third sector organisations. The chapter will end with an overview of self-regulatory mechanisms and a discussion concerning the application of ethical principles in the activities of non-profit organisations.

THE STATE OF THE THIRD SECTOR IN CENTRAL, EASTERN, AND SOUTHERN EUROPE

What is the third sector in post-communist Europe like? Admiring voices may be heard, proclaiming the third sector to be a surprisingly well-developed part of society and even as a saviour of democracy. However, other voices may be identified, which point to its many weaknesses – a deficiency of professionalism, a lack of prerequisites for long-term financial sustainability, and its insufficiently resilient institutional basis.

The third sector is characterised by its dual role: to provide services while defending the interests of both large and small groups of citizens – the Janus face1 of the third sector, if you will. Services represent its agreeable aspect, and come in the form of aid and services to humanity. This is its traditional role, stretching far back into history. Conversely, advocacy is the critical face of the third sector, with its constant endeavour to capture the public interest and assert itself in the arena of power. This is a more modern role, which is concerned with making politics accessible to the citizen and opening up space for public involvement beyond the framework set out by the traditional institutions of representative democracy.

1 Janus – in Roman mythology, the god of ‘the beginning and the end’, depicted with two faces; a symbol of duality or ambiguousness.
FORMAL AND INFORMAL TYPOLOGY OF NON-PROFIT ORGANISATIONS

It is not as easy to categorise non-profit organisations as it is to categorise, for example, chemical substances, types of aeroplane, or languages. It is probably just as difficult as sorting and categorising, let us say, psychiatric illnesses and disorders or musical styles. We come across unclear criteria, along with a great number of ‘hybrids’, which belong in more than one sub-category simultaneously. Despite this, we shall at least attempt to define criteria according to which non-profit organisations may be more or less divided into sub-categories.

The traditional criteria, according to which lines of demarcation may be drawn between different organisations, are:

- **PUBLIC INTEREST**: i.e., public interest (or general-benefit) organisations vs. mutual-benefit organisations
- **THE PREVAILING TYPE OF ACTIVITY**: service organisations (which provide services directly) vs. organisations oriented towards defending (public or private) interests
- **SUPPORT AND DIRECT PROGRAMME IMPLEMENTATION**: grant-making institutions vs. organisations that implement programmes directly
- **THE TARGET OF ACTIVITIES**: organisations directly serving the public vs. organisations that mediate services
- **INDEPENDENCE**: independent organisations vs. organisations creating networks, branches, umbrella structures, etc.
- **THE LEVEL OF FORMALISATION**: officially registered organisations vs. non-official groups or associations in the third sector

The third sector faces, and will certainly continue to face over the next few years, two sets of issues regarding its character. The first set concerns the issue of public benefit activities by non-profit organisations, while the second set is connected to the relationship between the service and advocacy roles of the third sector in society. Let us discuss this in a little more depth.

SERVICES AND SERVICES

In the relationship between service organisations and organisations oriented primarily towards advocacy, a number of questions remain open in relation to service-oriented, non-profit organisations themselves.

Services may come in various forms from the aspect of quality for the beneficiary, which are only comparable if they are also provided on a commercial or state-run basis. In Slovakia, non-profit organisations often find themselves in a situation where the services they provide are not available from any other source, whether from the government, the private sector, the family, or individuals. That is why it is difficult to compare their quality, which represents an impediment to increased professionalism and the conclusion of service-provision contracts between non-profit organisations and the government.

Another view of services provided by non-profit organisations can be perceived from the aspect of their orientation either towards the public interest or mutual interest. This is, however, a complex and ambiguous perspective. Examples of public-interest services include a non-profit organisation distributing leaflets related to the possibilities of agro-tourism in a particular region, or a charitable organisation establishing a hospice. The clear criterion is an identical approach to these services for both members and non-members and the clear understanding that the service is beneficial for the whole of society or a specific part of the public, not merely to its providers.

Mutually beneficial services, on the other hand, are those that are provided by non-profit organisations almost exclusively to their members (for example, members of a fishing club receiving fishing permits at a discount, while non-members either receive nothing,
or are forced to pay more for a permit). Not all mutually beneficial services have a public interest aspect, and tax breaks from the state should be considered according to this criterion. Defining orientation towards the public interest and the related significance in regard to taxation is an important task for the third sector.

**PROTEST AS A PUBLIC SERVICE**

Alongside direct services, non-profit organisations also serve society in another way – by playing an initiatory, analytical, and advocacy role. This role is rarely recognised by the media and more traditional third sector observers, and only the function of a service provider is attributed to this sector. It could be said that this advocacy role began to emerge in those countries, or periods, where politics were opened up to the wider public. We could cite the example of the suffragette movement, which fought for the implementation of voting rights for women in the USA and Western Europe. The media and intellectuals also play an analytical and advocacy role in parallel with the third sector. If the political process is sufficiently flexible, it is able to both adopt and manage this role in a productive way.

Even though Western society definitively broke away from the ‘ancient regime’ at the beginning of the 20th century, the gradual humanisation of politics and the opening up of public space was unsuccessful due to the emergence of various authoritarian and totalitarian regimes. As development in the USA was not affected by these phenomena, it allowed a further expansion of public life outside the framework of traditional representative democracy. That is why the USA continues to be a country from which the rest of the world still has something to learn, especially in the area of opening up public processes for the ever-increasing, real participation of citizens in the decision-making process.

Naturally, we could propose similar models for classifying organisations according to other criteria (such as whether they are primarily dependent upon one source of financing or are financed from a number of different sources; another criterion could be the main area of activity, etc., etc.). For better comprehension as to what exactly is understood by these criteria and lines of demarcation, take a non-profit organisation that you know as an example, and try to characterise this organisation in the following exercise.

*Exercise 1: “What third-sector category do you belong to?”*

*(Criteria to help you define the type of your non-profit organisation.)*

Choose a civic, non-profit organisation that you know well (of which you are an employee, a member, a supporter, etc.), and use this exercise to clarify the type of organisation it is. You may experience problems with some of the questions, because there will be no clear answer. In such a case, think about the positive and negative aspects of this ambiguity.

**Public interest**

a) *Public interest organisations*

Does the organisation mainly serve the public good?

If so, what activities confirm this?

b) *Mutual interest organisations*

Does the organisation mainly serve its members?

If so, what examples of activities and clients could you provide to confirm this?

**The prevailing type of activity**

a) *Service organisations*

Is the provision of services the main mission of the organisation? Can the client, the recipient of these services, be clearly defined?
Can the results of the services be documented, measured, or changed from the aspect of effectiveness? What core services does the organisation provide?

b) Organisations oriented towards the defence of interests (advocacy)
Is the organisation mainly involved in defending the interests of a certain group, or in trying to change decrees, regulations, and laws?
Are the organisation’s activities primarily characterised by the forming of coalitions?
Is cooperation with the media a fundamental element of its work?
Does the organisation engage in campaigns?
Does it function as an ‘action-tank’? (i.e., is it oriented towards a set of visible activities, the aim of which is to mobilise target groups to support changes in laws and decrees)?
How could the target group be defined?
Can you give examples of such a defence of interests by the organisation?

Support and direct programme implementation
a) Grant-making organisations
Is the provision of financial or material support for programmes the main mission of the organisation?
Does the organisation work mainly with property and finances, and less with actual programmes?
Does the organisation have a grant committee, advisors, or an independent board of directors, which is not subject to conflicts of interest?
What examples could you give of support provided (grants, gifts, contributions, etc.)?

b) Organisations implementing programmes
Is the direct realisation of projects or programmes the main mission of the organisation?
If so, what examples could you give of direct programmes and projects implemented by the organisation?

The target of activities
a) Organisations directly serving the public
Are the organisation’s activities mainly targeted towards the community or a specific group of people in need of help – specifically, recipients outside of the third sector itself?
If so, who or what may be cited as examples of those benefiting from the organisation’s activities?

b) Mediating, supporting organisations
Are the organisation’s activities mainly targeted towards another third sector organisation, or people from the third sector?
Could the organisation be characterised by one of the following descriptions?
- an information or resource centre;
- a volunteer centre;
- an organisation offering legal, internet/communications, or financial advice for third sector entities;
- a training and consultation centre for the third sector;
- an academic programme for third sector leaders;
- a foundation;
- a micro-loan fund for the support of non-profit entities?

Independence
a) Independent organisations
Does the organisation function independently in terms of its programmes, financing, and decision-making?
If so, what examples would confirm this?

b) Umbrella organisations and networks
Is the organisation a part of a formal partnership, or a formal network of organisations?
Is it a branch of a larger organisation, or does it have branches itself?
Is it obliged to take other organisations (or organisational units) into consideration in its programmes, financing, and decision-making?
If so, what examples of this could you give?

The level of formalisation
a) Officially registered organisations
Is the organisation officially registered?
Can it be classified under a legally defined category?
Can the organisation’s statutory representative be clearly identified?

b) Non-official third sector entities
Is it an officially unregistered group, without legal status?

Once you have evaluated and categorised your chosen organisation, try to summarise all its fundamental characteristics. How would you categorise the organisation in question?
What emerges from this definition of the organisation? How will this affect:
• its future development?
• the status of its employees and volunteers?
• current and potential clients?
• donors?

ANOTHER WAY OF CATEGORISING ORGANISATIONS (THE INFORMAL WAY)
The post-communist legacy also left its impact on some non-profit organisations, which represent an overlap between traditional and transitional influences. The constantly interrupted development of the third sector, mixed with religious/charitable, secular, partisan, and civic influences, led to the formation of the occasionally bizarre plethora of organisational types that form the third sector in our region. Regardless of whether they are registered as foundations, civic associations, non-investment funds, or public interest societies, we shall now examine their form, structure, and method of operation from a different, slightly less serious perspective. Based on everyday experience, let us try to describe some of these organisations as they would be described by a disinterested, ‘professionally unflavoured’ observer.

With a little exaggeration and an approach suited more to an ‘organisational amateur’ than to an expert, we could classify the most numerous types as follows:


Naturally, this categorisation does not cover all types of third sector organisation; however, we believe that most modern non-profit organisations may be classified under one of the following sub-categories, according to which the prospect of sustainability differs to a certain extent.

PASSIVE ORGANISATIONS BASED UPON ONE OPPORTUNITY
– ‘THE NON-GOVERNMENTAL MAYFLIES’
There are an exceptional number of these, having been established to perform a one-off activity or project (a dance festival, an exhibition, a Christmas aid activity for children in a particular children’s home, etc.). The registration of such organisations has not been cancelled, because the project coordinators have decided to keep them in reserve in case an
opportunity arises to utilise the existing organisational framework and bank account in the future. However, the assets of these organisations are currently ‘frozen’. The coordinators of such projects are generally confused – some of them vaguely indicate that the organisation is preparing to come into full operation in the future, although such activation has often been in the preparatory stages for a number of years. Some people set up and represent as many as 4 or 5 such organisations, which generally do not even have one member and have not been active for years. They will survive as long as the legal framework allows them to, and for as long as their founders have the energy to prolong their organisational hibernation.

VOLUNTARY, BADLY ORGANISED ASSOCIATIONS – ‘THE HEAVE-HOERS’

These are organisations based upon enthusiasm and an unclear, visionary mission. Their history can be measured in months, and most of them exist for less than a year. They generally do not have any specific premises, or even their own telephone; the organisational dimension is relaxed, and based upon the habits and ideas of their leaders. The survival (and demise) of such non-profit organisations usually depends upon the zeal of one to three young enthusiasts, who are exceptionally effective in attracting a large number of volunteers. They are generally oriented towards environmental issues, cultural activities, assistance for minorities, or human rights, and their vague objectives vary in accordance with the changing interests of leaders in ‘trendy’ activities. They favour projects that involve a visible campaign or specific services with a rapidly discernible outcome. Activity in the organisation is, to a certain extent, regarded as an adolescent game – by people seeking their identity as they mature – and is often perceived as an alternative lifestyle to that of the established norm. The commencement of any kind of new activity is based upon unconsidered spontaneity. Members of these organisations are completely open to new ideas and a participatory approach; at the same time, they are often too unsystematic and inconsistent when addressing the development of their own organisations. In view of the fact that these non-profit organisations are fuelled by the ethos of voluntarism, and a sound financial footing is not a crucial factor in their existence, there is a good chance that such organisations could endure even significantly restrictive legislation. A considerable part of them will probably evolve over time into organisations of the ‘Healthy Nucleus’ type.

ORGANISATIONS THAT ARE STRENGTHENING, AND HAVE A CLEARLY DEFINED MISSION – ‘THE HEALTHY NUCLEUS’

Such organisations typically exist for 2 – 5 years, and most of them are located in small, rented premises (often provided by the local government for a very small fee). They very often have at least 2 – 3 full-time or part-time employees and a number of volunteers. A large proportion of them have a conceptual/control body (the governing or advisory committee), and executive employees as a part of a hierarchical structure. In general, their objectives are clearly and appropriately defined. They possess experience with submitting grant applications, raising funds from businesses, project management, and co-operation with other non-governmental organisations, local government, or local bodies of public administration. Most of them have minimal resources for their institutional operation, and funds received are used for the operational realisation of projects. They are dependent upon short-term (annual) grants, often from foreign foundations. These organisations form, and will continue to form, the healthy nucleus of the third sector. After a process of elimination, regrouping, and redefining the mission under new conditions, most of them finally manage to clarify whether their fundamental mission is oriented towards services or towards advocacy and lobbying, whether they want to carry out their activities through vol-
unteers or concentrate upon higher-level professionalism, whether their funds will come primarily from grants, contracts, state support, etc. Many of them survive, after certain problems with development, and help to form the roots of civil society.

ORGANISATIONS ALLIED TO OTHER IMPORTANT SOCIAL ENTITIES – ‘THE NON-GOVERNMENTAL LEECHES AND MASTODONS’

Some organisations operate as independently registered entities with an affiliation to larger social bodies (most commonly to political parties, the church, companies, etc.), with which they are allied through systems of financing, organisational links, and sometimes through their personnel. Most of them experience little difficulty in obtaining the essentials they need for the operation of their organisations, and their long-term perspective is assured, sometimes through grants from abroad. Regardless of whether they are small or large organisations, they often appear to be relatively secluded in nature; they are cautious when making contact with people from outside, and sometimes appoint representatives to provide information about them. Their real objective sometimes has a markedly political nature, and is occasionally on the fringes of ethical principles or the law. Such organisations are completely dependent on the decisions of their supporters; they often have no deeper intention than to play the role of a ‘cog wheel’ in the implementation of their sponsors’ aims, and disappear when their supporter does.

NON-GOVERNMENTAL ORGANISATIONS WITH SIGNIFICANT CONNECTIONS TO STATE STRUCTURES – ‘THE POST-COMMUNIST MUSEUMS’

These non-governmental organisations are characterised by their clear connection with state institutions. Most of them are completely subsidised from the state budget (for example, through ministerial funds or large enterprises with significant state control). They are most often oriented towards support for national cultural projects and working with social projects. Some organisations of this type create the impression of being successor organisations to the large, socialist institutions that used to make up the state (in their size, facilities, budget, nature of work, composition of personnel, strong hierarchical structure, non-transparent decision-making processes, etc.). Some of them are newly created organisations with personnel who are largely employed in state and political institutions, and who also run such non-governmental organisations. They have a small number of voluntary workers, and sometimes co-ordinate the work of other non-profit organisations that are dependent on volunteers. A number of them have problems learning how to operate in an independent, liberated environment without nepotism and state funds. This fact affects the structure, function, and effectiveness of the sector, because organisations from a totalitarian regime are not in the habit of interfering with public issues or engaging in public policy – they are more oriented towards mutual interest activities for their members. When working, they often merely duplicate the activities, bad habits, and structure that they were accustomed to under the communist regime in previous decades. They are almost incapable of reform, and cannot survive without hefty support from the government.

‘THIS SPACE TO LET’

These organisations are an unplanned by-product of the transition process in post-communist countries. They were established because donors wanted them to be established, and will only survive as long as the financing does. They are not set up as grassroots organisations, they are not based upon the need to embark upon a mission – they are founded on the basis of donors’ explicit or implicit wishes. They evoke an image of force-fed livestock – farmed under artificial conditions with large financial reserves and
against the grain of natural development, often with negative consequences. They are the result of too much effort spent in artificially accelerating the growth of civil society. Employees come to work in these organisations not with the aim of realising their mission, but with the desire to get a good job. Their leaders, when asked what the objectives of their programmes are, reply, “Whatever you wish. What sort of programmes do you support? We are ready to do absolutely anything if we get funding for it.” They do not behave like owners of an organisation, more like tenants. They temporarily utilise the benefits of the organisation and its mission, providing their (often professional) services in return. In the event of a crisis, however, they are not particularly loyal to the organisation – if necessary, they are prepared to adopt new objectives at the drop of a hat, even if they are in conflict to those that they replace. One year, they are involved in environmental issues; the next, a feminist organisation; later, they may become involved in education on the functioning of the market – anything that is currently in fashion, and which has a chance of obtaining donor support. The will of the donor is more important than meeting the demands of their clients. In fact, the donors are their clients. Such organisations rise and fall on the waves of donor interest, but their leaders never disappear – they simply change their workplace. They represent a kind of litmus test indicating the state and direction of financial assistance in the country or region concerned.

**FORMS OF CO-OPERATION BETWEEN NON-PROFIT ORGANISATIONS**

To a great extent, the power of the third sector lies in the ability of individual non-profit organisations to co-operate, and to create partnerships. Mutual effort may take very diverse forms, from the very simple, occasional exchange of information to very complex joint organisational structures. Co-operation between organisations may be based upon a need to bolster influence in campaigns and advocacy projects, but also the necessity to provide various services to the public or to each other.

There are a number of forms of organisational co-operation – for example, Winer and Ray (1997) have presented twenty such forms on various levels. Individual organisational forms evolve, and some may merge into others. Perhaps it would help to differentiate between levels of collaboration according to whether this involves co-operation – i.e., the ‘mere’ exchange of information (and the networking involved in achieving this aim), the co-ordination of projects and programmes and the harmonisation of activities, or even institutional collaboration, which entails structural and organisational changes within the co-operating institutions.

**Co-operation** is characterised by short-term, informal relations that exist without any predefined objective, structure, or planning. Co-operating partners only inform each other about the field in which they are both engaged. Each organisation retains its own separate authority and resources, so that co-operation does not give rise to any risk of competitive tension in regard to the methods by which resources or leadership are distributed. One example of co-operation on this simplest level is represented by internet conferencing, or regular conferences for an exchange of information between non-profit organisations united by a common interest (for example, organisations working with children that decide upon an annual joint conference and the publication of a joint, informative magazine). Permanent conferences also belong in the sphere of co-operation – these are open to regular meetings between various organisations as a part of long-term joint projects. Newsletters and annual reports also form a part of this sphere, as well as regular conferences and internet sites serving the third sector.

**Co-ordination** differs due to its formal relations and different objective. The co-ordination of people or organisations requires a longer-term relationship oriented towards joint
activity within a specific area or programme. It also requires a certain level of planning and task distribution, and open communication between organisations concerning the area of mutual interest. Although the possibility to make independent decisions remains in the hands of individual organisations, the risks they face as a whole are increased – differences between the levels of power held by each partner may become a problem. Participants administer resources and divide any profit from collaboration among themselves. Co-ordination requires a high level of trust, magnanimity, and the ability to negotiate, but brings effectiveness and greater stability to the organisations in return. Two-way, three-way, even five-way coalitions of non-profit organisations are able to plan and realise much larger projects than single organisations. Within the bounds of a common issue (or a common territory, on a municipal or district level), coalitions of organisations sometimes emerge that are united in defending their own or public interests, in asserting their influence, or in solving a common problem. This may be an ad hoc coalition, oriented towards a temporary, spontaneous reinforcement of the organisations’ influence. It may also be a ‘letterhead coalition’, where organisations are not expected to engage in any special activities outside their regular agenda, but which contribute to the coalition by agreeing to support an initiative or opinion being made public. They add their signature or ‘letterhead’ to petitions, opinions, and public statements. Or it might be a coalition of responsibility for specific activities (if possible, these are activities that are agreed in advance and jointly co-ordinated).

Institutional co-operation requires a longer-term, more complex relationship. Participants must create a new structure, under which individual organisations bind themselves completely to a common mission. Such relations demand thorough planning and well-defined channels of communication on all levels. The structure of co-operation influences the authority of the partners and the level of risk is much greater. All of the partners contribute their resources and reputation. It is necessary to work consciously with the power of each partner, and such power should be distributed equally throughout the coalition – all of the partners should acquire resources together, and mutually divide the results and benefits.

The wave of mergers and acquisitions that are characteristic of companies today has also been seen in the non-profit sector. In the USA, over 30,000 new non-profit entities are registered each year, which (in view of their benefit to society) receive certain forms of tax relief or exemption. After a certain period of initial expansion, many of them decide to engage in a particular form of co-operation with other organisations. Many possibilities for co-operation exist: from mutual information provision, through networking, associations, coalitions, alliances, and federations, to complete mergers – the amalgamation of two or more organisations to form a new entity. This provides the organisations with a way to solve financial limitations, gives them the possibility to cover a wider ‘market’, and helps them to fulfil their mission better and on a wider scale. In contrast to the commercial sector, this rarely involves the ‘swallowing up’ of one organisation by another. Mergers in the non-profit sector are not usually accompanied by mass redundancies and the assertion of one organisational culture at the expense of another. The merging of companies is often described and explained using military metaphors – we hear words and phrases such as ‘hostile’, ‘takeover’, ‘battle for control’, etc. When describing the mergers of non-profit organisations, however, we are more likely to hear phrases connected with partnership, or with the family. Representatives of merging organisations speak of a ‘marriage of convenience’; they ‘court’ each other, etc. The power of non-profit organisations lies precisely in their ability to collaborate and to concentrate upon their mission, which enables them to see past petty conflicts over domination or recognition.
Box 1: Forms of partnership between organisations

The actual nature of co-operation or partnership is not always obvious from the terms used to describe it, but the following definitions should help to give you an overview. It is immediately evident that the classification of individual forms can be very lax in nature, and such classifications are often transposed. For this reason, do not let yourself be fooled simply by the name of a partnership between organisations (a league, confederation, merger, etc.). Before creating an impression of the form of their partnership, try to find out how they work, what their structure is, whether they are united through exchanges of information, a harmonisation of programmes, or organisational links. This will probably tell you more than their name itself.

Alliance: a union or association of interests of similar character or structure; they work as semi-official ‘organisations that organise other organisations’. Leagues, consortiums, and unions are defined in a very similar way.

Coalition: a temporary alliance of factions, parties, etc., created for a particular purpose; it mobilises individuals and groups, and thus influences its environment.

Confederation: unification in an alliance or league; association for a special purpose.

Consolidation: the amalgamation of a number of entities into one; this generally requires wide-ranging structural changes, which unify activity.

Co-operation: the act of working together with the aim of achieving a result in the short term.

Co-ordination: work towards a common goal; participants harmonise and adapt their activities. Occasionally, this term denotes the harmonisation of similar or identical programmes, where all the participants in the co-ordination maintain full and exclusive control over decision-making in their own organisations.

Federation: the act of unification through an agreement between members, which involves the subordination of their powers to a central authority in everyday matters.

Agreement on joint powers: the act by which legally constituted organisations (such as government agencies or corporations) jointly assert a certain interest; each organisation must have a commonly defined goal, which is contained in a document identified as an agreement on joint powers, and which addresses the relationship between the groups.

Merger: the legal unification of two or more organisations, in which the power balance is preserved. In the event of a power imbalance, with the absorption of one organisation by another, this is referred to as an acquisition.

Network: individuals or organisations that have formed themselves into a loosely bound group based upon the exchange of information.

Collaboration: in English-speaking countries, this term is usually used in a positive sense. It denotes the highest level of co-operation – very often close co-operation on an institutional level, requiring a very positive atmosphere, and the harmonisation of programmes and organisational aspects of two or more partners. (In our region, however, experiences with fascism and communism have left their mark on the general understanding of this term. In these countries, the word is negative in nature, and is usually understood to mean treacherous co-operation with the enemy).

Task force: a self-sustained unit formed for one specific purpose, often operating at the request of a higher body. Its activities may be temporary in nature.

WHAT ARE THE ‘MARITAL’ JOYS AND WORRIES ACCOMPANYING THE UNIFICATION OF TWO NON-PROFIT ORGANISATIONS?

The tendency towards the organisational mergers of non-profit organisations is natural, and an ever-increasing number of organisations are considering such a move. Sometimes, the motivation for this is simply survival. After financial losses, a gradual or rapid drying up of resources, or a loss of donors, organisations often have no other choice. Other non-profit institutions enter into an ‘organisational marriage’ to increase their effectiveness. Larger and more powerful organisations are able to double the services they provide and assist a larger number of clients over a wider area, and exhausting rivalry with former competi-
tors can be replaced with cooperation. In other cases, an organisational merger is merely a direct, positive result of growth. As they develop, organisations are forced to re-evaluate their objectives and address the needs of a wider public, and sometimes the most effective way of doing this is to join forces with another organisation or organisations.

Non-profit organisations are only just beginning to discover the advantages and disadvantages of organisational mergers, and when engaged in this process, they should try to avoid some of the mistakes made by their peers. This is why we shall now present one of the conclusions reached from research that we carried out in the USA (Ondrušek, 1997). The research showed that the amenability of the boards of directors of both institutions towards gradual concessions and the correct timing of individual measures are prerequisites for the success of organisational mergers. This process was most effective when it involved a long-term ‘familiarisation’ between the organisations, strengthening their long-standing partnership by building trust in common advocacy measures and the harmonisation of programmes. Apart from the benefits it brings, integration also entails some painful measures, the least of which involves the partial loss of at least one of the organisations’ original identity. An organisation loses, or is forced to adapt, its name, logo, and mission, and is sometimes forced to dismiss employees or relocate. The greatest conflicts arise when deciding how, and by whom, the new organisation will be led. In the following paragraphs, we shall look at the six most common ways of dealing with changes in the leadership of a new organisation, along with conclusions drawn from research into the effectiveness of each method.

Box 2: Who’s the boss? (Six strategies for dealing with changes in leadership when organisations unite)

1. ‘The knockout approach’
After discussions between the boards of directors, conflicts over the new director, voting, and intrigues, one of the former directors of the organisations involved is finally selected to become the director of the new organisation. The second former director leaves, either willingly or unwillingly, which often leads to unpleasant media attention. This is the most common way of solving this problem, and succeeds approximately half of the time.

2. ‘A brilliant redeemer from another place’
The boards of directors address conflicts between two aspiring leaders through job interviews or the considered selection of someone else who is available. After such a move, both of the former directors usually leave the organisation. Despite initial opposition from subordinates and the time taken for this new person to settle in, such a procedure is often very successful, assuming that the candidate has been chosen correctly. This solution should not be repeated within the same organisation.
3. ‘The putsch’
The chaotic and tense process of unification leads to one of the former subordinates of the integrating organisations being appointed as the new director. In such a case, it is very rarely possible to obtain the support of the former directors, something that is essential for the new leader. This often leads to the worst possible outcome.

4. ‘Siamese Leadership’
Undecided boards of directors, who do not want to lose their candidate, sometimes come to an irrational decision. They appoint both directors as the new leaders, giving them equal decision-making powers, equal responsibilities, and the same sphere of influence; they are expected to provide symbiotically balanced leadership. The outcome is often instability, chaos, tension, and division, frequently culminating in solution no. 1.

5. ‘Rotating leadership’
The boards of directors decide that the new leaders will divide the responsibility for managing the organisation between themselves in regular cycles – changing places once a year, for example. This does not work, and having failed, generally culminates in solution no. 6.

6. ‘Junior and senior partners’
The primary initiative for the integration of the organisations stems from the executive directors, and not the board of directors. The process is initiated by the ‘partners’, and not the ‘parents’ – in other words, a voluntary, as opposed to an arranged marriage. Preparations involve the agreement of new responsibilities and powers in advance. In general, this is an understanding between the leader (and future director of the new organisation) and the manager (the future deputy director or secretary). Their functions are not interchangeable – they complement each other. If the initiative stems from the directors of the integrating organisations, the outcome will usually be better than that achieved by any of the preceding strategies.
THE SUSTAINABILITY OF THE THIRD SECTOR

The word ‘sustainability’ has practically become sacred for the third sector in Central, Eastern, and Southern Europe. What can be understood by this term?

In the conditions of this region, sustainability is almost always reduced to its financial aspect, and much has been spoken and written about financial mechanisms for third sector organisations. Other sources of sustainability are mentioned less often, although they are equally, if not more, important.

The word itself may be interpreted differently in individual languages. For example, the Slovak word for ‘sustainability’ is associated with ideas of rescue, resuscitation, and maintaining an unaltered form. As the famous British third sector consultant, Jenny Hyatt, stated in 2000, the term ‘sustainability’ probably stems from Latin roots, where the prefix ‘sub-’ is most often translated as meaning ‘under’, coupled with the verb tenere – to hold; in other words, to stand under something and hold it up, to support it. The third sector probably needs sustainability – it needs to be supported and held – but this certainly does not apply to all non-profit organisations. In the case of certain, less capable organisations, the reverse is true; rather than supporting them, we should allow them to collapse.

It is much more accurate to consider individual organisations than the systems in which they operate. The sustainability of organisations means the ability to achieve a balance in the individual components of this system and in the relations between these parts. What does this mean exactly?

Jenny Hyatt stated in 2000 that when speaking about sustainability, it is necessary to discuss the needs, problems, and forms of organisation, and to concentrate upon the values declared and acknowledged by organisations. It is also necessary to consider their resources (but by no means their financial resources alone), along with the legal and financial framework in which they operate. In short, any discussion of sustainability also requires a consideration of the wider political, technological, and economic environment in which organisations operate.

A frequent reason for the inability to ensure the sustainability of non-profit organisations is a lack of clarity as to why sustainability should be achieved in the first place. If the mission of non-profit organisations were to become sustainability for its own sake, then this would represent a worthless luxury. At first glance, such a situation seems absurd and unrealistic; nevertheless, take a careful look around you. Can you not identify at least one organisation that is more concerned with its own survival than with its clients and the mission for which it was established? In the heat of the battle for increasingly complicated fundraising for new programmes and increased professionalism, organisations often fail to notice that the situation in their field of activity has changed. An organisation that was founded, for instance, to deliver meals to pensioners, may not have many clients to serve after a few years, due to demographic changes in its area of operation. Or perhaps the pensioners concerned would prefer other types of service. State subsidies to non-profit organisations react very slowly as a rule to changes in requirements, and these organisations often exhibit inertia. When discussing sustainability, we should discuss the sustainability of varying civic solutions to varying local problems, and not the sustainability of organisations and organisational forms at any cost. After a few years, a voluntary association of people who establish an informal association to help the parents and relatives of drug addicts in a particular area may become a professional organisation providing professional services. At other times, this organisation may (if necessary), separate into a commercial section and formal or informal non-profit units. A few years later, it may move to other regions where its services are more in demand, or orient itself less towards direct services and more towards prevention or the financing of programmes, for example. Over this time, it may (or may not) be composed of the same people; types of activity and programme may
(or may not) be maintained. Despite all the changes involved, such an organisation represents a good example of the concept of sustainability.

A non-state organisation (albeit 100% dependent upon state support) may pride itself on the fact that it has been providing the same services for 30 years. However, this represents a misunderstanding of the concept of sustainability if the organisation in question is constantly complaining that their services are not utilised by the target group, that the group concerned does not understand how much it needs such services, and that the public and the state should make a greater effort to support it, in order to enhance its ‘sustainability’.

This term has also become sacred for a number of donors at the end of the 1990s. However, in this area too, a number of examples of philanthropic strategy have been registered that have not led to sustainability, but rather to the undermining of sustainability. In 2000, Jenny Hyatt, in a humorous, metaphorical way, called attention to eight such negative phenomena in donor strategy:

1. ‘Short-term burnout’, especially in situations of social crisis, where large donors contribute enormous financial support to one specific problem, to the detriment of long-term, more sustainable strategies. She cites support of ten million dollars for a one-year initiative to build women’s centres in Kosovo as an example. Five years on, a great effort will be needed in order to ensure that these centres survive without the necessary infrastructure.

2. ‘Crowded trains’, where donors fly like bees to honey in order to support the same priorities, forgetting about all the others. Programmes concerning women, the Roma, the environment, and other issues may find themselves a fashionable target of financial support. If there is no co-ordination between donors, and if the ‘absorption’ abilities of non-profit organisations are low in the ‘trendy’ areas, then the massive grants directed towards these areas at the expense of other needs may become more of a source of corruption than of support.

3. ‘Intellectual block’. A number of donors do not perceive social development as a comprehensive, open, and paradoxical process of mutual learning, but rather as a completely predictable, mechanical and logical process. This leads to support being targeted only at those fragmented projects that pretend to have full control over their outcome. This often results from a lack of comprehension on the part of donors as regards the dynamics of development, leading them towards a reactive approach to ever-emerging problems, as opposed to a proactive, practical approach.

4. ‘Risk aversion’. It is natural that donors want to know the benefits to be gained from the programmes into which they invest. However, investment in social change is different to corporate investment. When engaging in risk capital investment, it is considered natural that perhaps only one project in twenty will be successful. However, in the non-profit sector, the opposite is true – donors expect that only one project in twenty will be a failure, even though projects of social change take place in a much more turbulent and politicised environment.

5. ‘A culture of developed dependency’. Aid stemming from solely external sources, with no effort or involvement on the part of the recipients, leads to dependence, not to development and self-sufficiency. Antidotes to the culture of dependency include the prerequisite that the recipients become financial participants (which is known as ‘matching’), or the approval of a merely gradual increase in grant funding based upon local conditions (known as ‘incremental giving’). One useful experience of donors is that civil society in transition countries is assisted if the creation and reinforcement of domestic foundations and the building of the domestic capacity to acquire funding is taken into account from the very inception of aid provision.

6. ‘Bureaucratic smothering’. The procedures involved when applying for support from certain large grant-providing institutions are so complicated that you almost need to be
a genius to succeed. Such procedures effectively scare off small, newly established, voluntary organisations, which have good ideas and great resolve, but no experience with bureaucracy. In their support schemes, donors should also consider implementing mechanisms that do not exclude the beginners, and thus contribute to sustainability (the provision of consultants, various ways of applying for funding adopted to the experience of potential applicants, etc.).

7. ‘The icon of intermediary organisations’. The usage of intermediary – such as domestic umbrella organisations – in distributing foreign financing has become an almost inescapable tradition. The services of foreign and domestic mediating organisations should only be used as long as the final recipients of support lack the power or administrative capability to manage assistance by themselves. Experience has shown that intermediary organisations sometimes have a tendency to adopt the worst authoritarian practices and imitate the worst habits of foreign donors.

8. ‘Purchase and sale’. If advocacy organisations are not careful during the transitional period of building democracy, they may become paid implementers of foreign programmes instead of independent defenders of community needs and interests. This is not something that would encourage sustainability. One clear indication of this is a situation where activists of such organisations are more interested in the direction in which the strategic plans of foreign donors are oriented than in what they themselves feel to be a local need. Donors should be suspicious of such a standpoint.

The US Agency for International Development has endeavoured to carry out an international comparison of third sector sustainability in post-communist countries. Its evaluation criteria included issues of legal status, organisational and managerial capacity, financial vitality, levels of development, the defence of interest and public control, the ability to provide services, the level of infrastructure development in the third sector itself, and the perception of the third sector in the media and the eyes of the public.

A more detailed overview of the assessment criteria used in this survey can be found in Annex 2 at the end of the book. It also contains figures on individual parameters in all the post-communist countries observed between 1997 and 2000.

**ETHICS AND ETHICAL STANDARDS IN THE WORK OF NON-PROFIT ORGANISATIONS**

Whether we like it or not, the third sector is often perceived in society as something new, lacking tradition and roots – something that is met with a cautious and slightly suspicious response from ‘common people’. We can protest that this attitude is unjustified, or moan about the historical ignorance of the majority of people. However, we can also perceive this from a different, more positive angle. A critical perspective and increased demands on the ethical behaviour of non-profit organisations are beneficial factors, and development under the uncompromising gaze of the public can only assist the advance of the third sector.

The distinct moral demands on third sector organisations are partially due to the fact that trust is the very basis of their existence. The creation of non-profit organisations and their ability to obtain funding, survive, and carry out their mission, depends upon their moral conduct and integrity.

Non-profit organisations originate on the basis of a certain ‘social contract’. Their special position and particular legal advantages over private organisations are obtained on the condition that they serve the public good or public benefit, which means that they must not act selfishly. The public expects them to observe a range of moral and humanitarian values that stem from their philanthropic roots.
People are more sympathetic towards non-profit organisations than those that are profit-oriented in nature because they believe that the former are less inclined to deceive their clients and supporters – their founders and personnel have less of an opportunity to increase their personal wealth. People who provide money for these services are almost never their beneficiaries. They are donors, giving money to organisations for the provision of services that they would otherwise provide themselves if they were able to. That is why they naturally seek out organisations involved with practicalities, and not merely money.

Non-profit organisations often speak about their programmes, missions, and budgets, and perhaps the values reflected by these organisations in their everyday activities are lost in such a flood of words and numbers. In 1994, Thomas H. Jeavons conjectured that these key values are integrity, openness, responsibility/accountability, service, and charity.

**Integrity** is a key value, because it is the basis of trust. It means honesty, the harmony between the apparent and the real, the objective and the activity, the promise and the performance. Integrity is reflected in the harmony between that which is written in applications for financial support and in reports, the organisation’s mission, and its declared values and its actual programme priorities, activities, and performance. What does the organisation spend its money on? How much are its employees and director paid? Are there any differences between objectives and tactical withdrawals or compromises? Are small lies involved? Do the ends justify the means? Is there any self-serving aspect? Failures in this area can be catastrophic, from both the aspect of ethics and that of the organisation’s physical survival.

**Openness and transparency** do not represent merely ethical values, but also an ‘inferred virtue’. The public attitude may be summed up as follows: “if they are really doing something good, then they have no reason to hide what they are doing”. Although individuals may find reasons for preserving their anonymity, organisations do not have this option. Openness supports ethical behaviour. It ensures that the organisation does not have hidden motives, a secret agenda, in the guise of charity – for example, to achieve social control, to work for the benefit of a certain, privileged group, to assert a party political agenda, etc. Openness is an instrument for the attainment of trust.

**Accountability** stems from the nature of a non-profit organisation’s activities. These organisations have the right to tax-exempt financing, and also enjoy other tax privileges. It is expected that these resources be used as effectively as possible in the public interest, for the benefit of those whom these organisations are supposed to serve. The social contract of non-profit organisations also gives rise to a moral responsibility to act appropriately and account for any failures – not only to their members, but also to the public at large. Mutually beneficial organisations, which should have less significant tax concessions, are primarily accountable to their members and donors. Public benefit organisations, on the other hand, are primarily accountable to the public.

**Service** as a moral obligation has a similar basis to that of accountability. The social contract with non-profit organisations expects them to concentrate primarily upon services; they will not act selfishly, but have altruistic motives. In this case, there is also a certain difference between mutually beneficial and public benefit organisations, in much the same way as the principle of accountability.

**Charity**, love for one’s fellow man, is an ethical value that must characterise humanitarian organisations in particular, but which also applies to other organisations. A certain amount of reciprocity is involved here: many organisations are dependent upon magnanimity – the charity of donors – and they are therefore compelled to display a similar level of magnanimity. Many donors expect non-profit organisations to be driven by an interest in the welfare of others, which is one of the historical motives for the establishment of non-
profit organisations, together with the desire for a more just society. A greater level of humanity and care in the third sector are the most frequently expected values.

The mere discussion of ethics or the approval of appropriate regulations concerning ethical behaviour cannot bring about ethical behaviour in non-profit organisations. The key to this is the creation of a culture within organisations in which ethical ideals and expectations are embodied in their ‘core values’, and which apply to all of their activities. Of course, leaders and managers of non-profit organisations must lead by example; they are responsible for establishing and continually maintaining the ethical cultures of their organisations as a part of their day-to-day activity.

**Box 3: Scandals resulting from moral lapses in non-profit organisations.**
*(A few unfortunate examples from the recent history of the third sector in the USA)*

The third sector is wholly dependent on public trust. Moral lapses are infrequent, and the third sector has a relatively good name throughout the world – when it comes to ethical principles, it is generally assessed much more positively than the public or commercial sector. Despite this, even the third sector is not immune to fraud, embezzlement, or dubious practices that lie way outside the framework of their declared mission. Even though these are rare phenomena, they must be written about and discussed, and prevention mechanisms must be sought. Purely out of interest, and as a warning, we shall now present examples from non-profit sector in the USA (with an estimated 2 million registered non-profit organisations). Although, as we have stated, such cases are rare, they have been subject to very high publicity, and have given rise to a new series of discussions concerning how to ensure the transparency of organisations, more sophisticated decentralisation and division of competences, the public regulation of the third sector, and the refinement of ethical principles in third sector activities. There is a lack of qualified information about any moral lapses involving non-profit organisations in Central, Eastern, and Southern Europe, and we can only hope that the lack of subject matter will persist. However, can we rule this possibility out entirely? Probably not.

In Philadelphia, a court passed a sentence of 12 years imprisonment (although the public prosecutor recommended 24.5 years) on the former director of the Foundation for New Era Philanthropy – John Bennett Jr. This charismatic leader tricked over 500 non-profit organisations out of $US 354 million, promising to double their investment in six months. The foundation was actually a pyramid investment scheme, which used money donated by new investors to pay those preceding them – until the system collapsed. It emerged that Bennet had kept $7 million for himself, while owing $20 million to his investors. With tears in his eyes, he stated in court that his actions had been motivated by “visions and the need to change the world for the glory of God”. He asserted that he had yearned after great deeds and “recognition, which he had never received as a child from his alcoholic parents”. Court psychiatrists stated that only someone who was of sound mind could have planned such a sophisticated fraud; the only deviation in his personality that they all agreed on was narcissism. Uncontrolled, charismatic leaders who make large promises are invariably dangerous.

One of the most successful and well-known charitable organisations, Covenant House, registered a large decline in public trust and financial contributions when its founder, Father Bruce Ritter, was charged with sexual abuse. This disillusioned the donors most of all, as the widely publicised mission of the organisation was to protect vulnerable young people from manipulation and exploitation by people with no moral principles.

The legal case against members of the board of directors of the Freedom Forum culminated in 1994 with a ruling that each of the board members must pay the organisation $10,000 to partially cover the cost of, amongst other things, a desk for the organisation’s director, which cost $40,000, or the renovation of the board’s conference room, which cost $120,000. The mission of this tax-exempt, non-profit organisation is to promote freedom of expression and education for journalists. The media highly rated the director’s abilities to bring an entrepreneurial, self-financing ethos to the organisation, while at the same time heavily criticising its frivolous waste of tax-exempt finances and the comfortable lifestyle that the organisation’s director had begun to lead.

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2 Based upon a special issue of ‘Board Member’ magazine (NCNB 1996, vol. 5, No. 5), dedicated to scandals in the third sector.
The former director of what is possibly the oldest human rights organisation in the USA, Benjamin F. Chavis of the National Association for the Advancement of Coloured People (NAACP), stated that he had endeavoured to protect the organisation from unfavourable publicity when he secretly paid $332,400 from organisation funds to his former employee, Mary Stansel, who had complained that she had been the target of sexual harassment on the part of Chavis. The latter resigned after the scandal had come out into the open, and the new director stated that the organisation had adopted a stringent new ethical code and strengthened internal controls. A court later decided that the NAACP had no obligations towards Mary Stansel, and the new leadership appealed to both the former employee and the former director to return all the money that had been paid.

In the winter of 1994, the ‘Marine Toys for Tots’ foundation carried out a collection to buy Christmas presents for disadvantaged children. Thanks to a massive two-year campaign of written appeals, the foundation received over $10 million from 200,000 people. However, an audit at the organisation revealed that the income from this campaign did not even cover the cost of the campaign itself; ultimately, only 10% of this income was used to buy toys. The bulk of the money donated was used to print leaflets and to pay the fees of the company that had organised the campaign.

**SELF-REGULATORY MECHANISMS IN THE THIRD SECTOR**

Developed third sectors create self-regulatory mechanisms, and the spectrum of these mechanisms is wide-ranging. Mostly, this involves the organisations taking a certain self-critical look into a ‘moral mirror’, perhaps with the aid of a ‘social audit’. The monitoring and control of non-profit activities may also come from outside, through a comparison between the declared mission and the actual activities of the organisation. Such a comparison may be carried out by other organisations with a similar orientation, or by associations and coalitions to which the organisation belongs, most often by comparing activities with stated principles. In more complicated cases, specific watchdog organisations have a controlling role; this function may also be carried out by the media and the wider public through reports, observations, and feedback. Let us discuss each of these approaches in a little more detail.

The simplest method is the **social audit**, which could be described as a glimpse into a mirror, initiated by the non-profit organisation itself. It requires the organisation to clarify periodically the extent to which it applies the values and fulfils the objectives to which it is devoted. The social audit is a process by which an organisation may account for its social (non-financial) activities, providing an opportunity to evaluate and improve them. It enables it to express its social influence and ethical behaviour in relation to its mission and all interested partners. Along with a financial summary of its activities in the form of income and expenses, other important factors may also be incorporated into an audit – social benefits, ethical behaviour, etc. A well-conducted social audit provides an opportunity to ‘calculate’ an organisation’s non-financial successes. Such social audits are used not only by non-profit organisations in countries with a developed third sector, but also by companies recognising the fact that they fulfil more than merely commercial objectives. More information, along with a guide to carrying out a social audit, can be found in the following box:

**Box 4: The social audit**

An organisation must collect and record information on its activities in order to be capable of conducting a social audit as a certain kind of accountability. This is called a ‘social account’, and could be regarded as the social equivalent of bookkeeping. At the end of the monitored period (one calendar year, for example), a ‘statement of account’ is drawn up – a summary and assessment of recorded information. Once the social account and assessment have been independently inspected, and later published, the social audit may be considered complete.

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3 The material for this section was prepared by Ján Mihálík.
The ‘social account’ should contain almost everything that can be documented: from evaluation in the annual report, through assessments of employees and projects, to regular or occasional discussions between the board of directors, the management, and the organisation’s employees, along with the donors, the public, and groups within the community.

Try to imagine that you are a non-profit organisation working, let us say, in the area of environmental education (or social work with Roma children, publishing activities concerned with consumer rights, or a club promoting women’s football – in fact, anything that comes to mind).

J. Pearce wrote in 1996 that if you decide to carry out a social audit, you should take the following eight steps:

• Before doing anything, ask yourself the following questions: What is a social audit? Do we want to carry it out? What are the key principles involved? What have we already done towards such an audit?
• Clearly define your social (non-financial) objectives, and describe the steps that the organisation has taken to achieve them.
• Identify your stakeholders and reach an agreement as to how you will obtain information from them that is important for the audit, and in what manner consultations will take place.
• Agree upon benchmarks that will allow a high-quality account of the organisation’s function, along with any information that is worth gathering.
• Create a system of ‘social bookkeeping’. Learn how to keep a social account and how to monitor your progress.
• Do not disregard the work involved at the end of the year (or the monitored period) – gathering qualitative information, analysing and interpreting the social account, and preparing the ‘social balance sheet’.
• Specify criteria for selecting a panel to evaluate this ‘social balance sheet’, and choose its members. Similarly, find someone to assess the audit, and submit it for evaluation and assessment.
• Close your ‘social account’ for that period, and draw conclusions from it – declare how you will use the results, define new objectives, implement better methods, etc.

RULES AND CODES OF ETHICS IN INDIVIDUAL AREAS OF THE THIRD SECTOR

It is a widespread practice throughout the world for groups of third sector organisations or professional representatives to set out and approve a set of rules or recommended methods, which are known as ‘good practices’. These then serve as an informal, non-legally binding approach functioning as a certain code of ethics, or ‘moral filter’. Organisations are not forced to set out these rules; however, if they do, and if these rules are observed, their trustworthiness in the eyes of the public and target groups (clients, donors, partners, and contractors) increases enormously. It is encouraging that such practices are also being adopted in Central, Eastern, and Southern Europe.

Almost every professional group throughout the world currently has a set of good practices and a code of ethics in place, on the part of the donors, fundraisers, and programme implementers in every field.

Donors realised very early on that clearly formulated principles within an organisation can be beneficial not only for the client, but also for themselves. In accordance with the international documents of donor organisations, a number of donors set out the Donors’ Bill of Rights, and are also creating rules or recommendations along the lines of a ‘Donors’ Code of Ethics’. Similarly, the European Foundation Centre approved its Principles of Good Practice as a part of the Prague Declaration in 1995. Some grant programmes and institutions have also perceived the need to clearly formulate their own policies addressing conflicts of interest and to apply them in practice. For example, the Czech Donors’ Forum has set out its Principles of Ethical Behaviour for Foundations, while a similar document has also been approved by the Slovak Donors’ Forum.
Professional and voluntary *fundraisers*, of whom there are many in the world, and who have formed themselves into a number of very influential associations, have also drafted many documents of this type. Perhaps the most representative are two documents drawn up by the National Society of Fundraising Executives in the USA – the Code of Ethical Principles in 1981 and the Standards of Professional Practice in 1992.

These documents contain a rule stipulating that fundraisers shall not accept compensation that is based on a percentage of the charitable contributions that they have managed to obtain for the organisation (commission); instead, they should be given performance-based compensation. This provision leads fundraisers to concentrate more upon the organisation’s mission, and not simply upon donors capable of providing large donations.

*Lobbyists, trainers, and consultants* also have their own code of ethics. Perhaps the best set of lobbying rules, which are well worth observing in this region, are the principles approved by the American League of Lobbyists (ALL). Along with the laws of the land, they are also governed by the ethical principles set out in their Code of Ethics.

Almost every third sector consultation and training agency has its own code of ethics or set of good practices. One interesting rule that may often be found in these documents is the obligation to engage in a certain amount of consultation and training work (usually 5% – 10% of the total), voluntarily and with no entitlement to recompense. This also represents a way of maintaining the voluntary ethos and avoiding the danger of over-professionalism and a loss of touch with the original mission. One example of a code of ethics for third sector trainers is the set of principles set out by the Polish trainers’ association, STOP.

Organisations considering commercial activity in the third sector have come to realise that a set of rules providing guidance in professionally and ethically complicated situations may assist them in their dangerous balancing act between the third sector and the commercial sphere. Annex 4 of this book contains an example of this, drawn up in 2000 by the NESsT and PDCS – ‘The Code of Ethics for the Self-Financing of Non-Profit Organisations’.

Programmes that unite, support, and educate *volunteers* are also creating their own codes of ethics. Possibly the most widespread of these is the one drawn up by the American Association for Volunteer Administration over 20 years ago, entitled ‘The Statement of Professional Ethics in Volunteer Administration’, which was drafted in 1978 (Fisher and Cole, 1993).

Sets of ethical rules are not only drawn up by professional sub-groups, but also along the lines of regional or interest-related solidarity. *Umbrella organisations, coalitions, and regional associations*, the activities of which are related to a particular region, have all drawn up their own rules. This is not a simple process. Non-profit organisations in the state of Maryland, USA were the first to agree upon guidelines for their activities, and they are intended to be observed by every non-profit organisation that signs up to the document. More detailed information about this activity has also been published (Miková, 1999). The appealing thing about this process is that the rules are not compulsory. Only those organisations that, by signing the document, express their determination to observe these rules and open themselves up to public control are obliged to do so. However, pressure on the part of the public, donors, and clients means that if organisations do not sign up to the observance of these rules, their level of perceived trustworthiness falls dramatically.

It is much more difficult to set out rules that are to be applied on an international level. Hundreds of non-profit leaders from every corner of the world, who are involved in the programme at Johns Hopkins University – International Fellows in Philanthropy, engage them-
selves in such activities on an international level at their regular conferences (the declara-
tion from their last conference may be found in Annex 1 of this book).

Another form of self-regulation in the third sector (alongside the approval and observ-
ance of ethical norms and standards), which are prepared by non-governmental organisa-
tions themselves or by groups in which they are involved, is the operation of the cited 
watchdog groups. These are independent, non-profit organisations that assess other non-
governmental organisations according to criteria that they themselves define. They carry 
out their assessments on a case-by-case basis, using criteria that they feel to be important 
in regard to the non-profit organisations under scrutiny. These criteria may differ slightly 
from the codes of ethics set out by the non-profit organisations themselves, or by coalitions 
of these organisations.

One example of a watchdog organisation is the National Charities Information Bureau 
(NCIB) in the USA. This is a non-profit organisation with an independent, volunteer-based 
board of directors, which has been observing and evaluating American charitable orga-
nisations for 77 years. Its objective is to help donors – to provide them with enough inform-
ation about non-governmental organisations so that they can make informed decisions. 
The NCIB assesses public benefit organisations according to pre-defined and widely publi-
cised standards, and makes the results freely available on its website: www.give.org/srp/
preface.asp. If you are interested in the extent to which your own organisation would meet 
the standards of the NCIB, visit this site and consider whether standards in our region 
should differ in any way. The NCIB receives its information from non-governmental organi-
sations themselves; if this is not provided, then this fact is also published. The organisa-
tion does not make recommendations to donors as to whether a particular organisation 
should be supported or not. However, it does recommend that they familiarise themselves 
with their standards, and decide upon the importance of the observance or non-obser-
vance of these standards on the part of the organisation to which they wish to contribute.

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It took us some time to decide on the name of this chapter. The third sector also develops relations with the commercial sector, in the same way as it does with the public sector. The question of financing is important in the third sector (not only in regard to raising funds, but also the whole range of relationships and ethical aspects when using them), and the sector is experiencing an ever-increasing application of the business ethos, along with approaches to management and marketing that are widespread in the commercial sphere.

This is what we wish to discuss in this chapter. For the sake of brevity, we shall use the word ‘business’ in its widest possible sense – i.e., standing not only for commerce itself, but also for commercial entities (companies, the self-employed) and a form of professional commercial behaviour and thinking.

For those who do not know very much about the third sector and equate it merely with volunteer work and charity, it is common to regard any mention of the sector in relation to finance as inappropriate. If you are one of these people, then please read the following box:

**Box 1: The third sector and money**

The missions of non-profit organisations usually make little reference to money. Even public benefit organisations, however, exist in a market environment, and would be unable to carry out their activities without funding or other resources. Think about the trends that emerge from the following data, which were chosen at random:

- The third sector in Slovakia employs 16,200 paid workers. For purposes of comparison, approximately the same number of people are employed at the largest private company in Slovakia – VSŽ (Woleková, Petrášová, Toepler, Salamon, 2000). In 1995, 74,200 people were employed in the Czech third sector, which is approximately three times the workforce of the largest private Czech company, Chemapol. In Hungary, the third sector employed 45,000 people, and in Romania, this figure was 37,000.

- In 1995, the operating costs of the non-profit sector in Hungary were $1.2 billion, or 2.8% of GDP. In Slovakia in 1996, this was $247 million, or 1.3% of GDP. In the Czech Republic in the same year, this figure was $800 million, or 1.6% of GDP. In Romania, third sector operating costs totalled $90 million, or 0.3% of GDP.

- Financial support for non-profit organisations in Central, Eastern, and Southern Europe has seen a change in its structure over recent years. Powerful American foundations are shifting their priorities towards more eastern areas of the region and the world in general.

- In the 1990s, non-profit organisations in Central European countries registered their greatest pro-
portion of income from the sale of their own products and services. In the Czech Republic, this represented 47% of total income, while in Hungary and Slovakia, this figure was 55%. In Romania, conversely, the dominant source of income was from public institutions (45%); however only a fraction of this (7%) came from domestic sources.

- In the second half of the 1990s, a significant proportion of financing for non-profit organisations continued to come from public funds, although only a part of these funds were distributed upon the basis of independent, transparent decision-making, through committees known to the public. In the Czech Republic, such support represented 39.4% of total non-profit sector income, in Hungary 27%, and in Slovakia 22%.

So what do you think? Is the third sector not related to some degree to money and business?

Speaking about business in connection with the third sector may sound like blasphemy to some people. Can we even mention ‘products’, ‘business plans’, or the ‘entrepreneurial spirit’ in connection with charity and help for those in need? Where do the third sector’s humanistic ideals and the business ethos overlap? Some people in the third sector with more traditional views perceive no harmony between these two worlds, and would regard it as inappropriate to dedicate an entire chapter to such ‘a mixed bag of ideas’.

Those who have more experience in the non-profit sector probably expect that this chapter will be primarily devoted to issues of raising financial and material support – how to write applications for grants from foundations, or how to enter into discussions with donors and diversify sources of financing. As a matter of fact, the third sector in Central, Eastern, and Southern Europe is developing dramatically in this aspect. ‘Fundraising’ is no longer a foreign word. Since the regeneration of the independent third sector after the fall of the communist regime, thousands of training activities have taken place in this region, on how to raise funds, how to write grant applications, and how to manage projects. As this subject has already been expertly addressed, we will pay less attention in this chapter to fundraising from foundations and shall concentrate instead upon hitherto less utilised and less traditional approaches.

In the section on commercial activities by non-profit organisations, we will discuss where and how such activities may assist non-profit organisations in diversifying their income and supplementing other activities directed towards their objectives.

One part of the chapter will be devoted to endowments and reserve funds for non-profit organisations. This should be of particular interest to those who wish to learn the basic principles of endowments, and how endowments differ from ‘money set aside for a rainy day’.

The last part of the chapter will concentrate upon the relationship between the third sector and companies. We shall try to discover what the third sector can learn from business, the aspects in which they differ, and their points of contact. We shall also discuss the forms of their partnerships, and the roots of the global trend towards more social business – i.e., business that is also governed by a socially beneficial mission.

However, let us first agree upon the meaning of certain terms that will be used in this chapter.

**Terminology corner: What’s what**

A **grant** is the unilateral provision of funds (generally by a foundation), with no requirement that something be given to the donor in exchange. Grants to non-profit organisations are not subject to tax, and are not legally recoverable.

**Membership fees** are generally financial sums paid by individuals or organisations (usually mem-
bers or supporters of an organisation) for services provided to them. This may include membership involving active participation in the activities of the organisation, or support for these activities without direct participation in them. Membership fees may be paid regularly, for which members receive a stamp (or a sticker, card, etc.), thus demonstrating their support for the organisation. In other cases, fees may be paid for a particular product or service, such as a newsletter or useful discounts on other services provided by that organisation.

A gift – the provision of financial or material support, or services, with no right to recompense. In some cases, however, a gift is conditional upon particular expectations of the giver, or is linked to a specific purpose. In some countries, organisations are obliged to declare gifts to the tax authorities if the total sum provided by an individual donor exceeds a particular amount over the course of an accounting period. Organisations employ various methods of obtaining gifts – personal visits to potential donors or to people in general (door-to-door campaigns), telephone calls, the sending of direct mail with an appeal for support, advertising and media campaigns, public collections, and public charitable events. The provider of a gift, regardless of whether this is a foundation, a private commercial entity, or a public institution, is generally referred to in the widest possible sense as a ‘donor’. (It is important to distinguish between a donor and a sponsor at this point. While a donor is spoken of in connection with charity, the term ‘sponsor’ is used in regard to a business relationship. A more specific definition and explanation of this can be found in the chapter ‘Charity and Philanthropy’).

Fundraising – a targeted and planned activity (usually) by non-governmental organisations, which is aimed at acquiring financial and material resources for programmes and their own operation. A fundraiser is a person from a non-profit organisation who is responsible for fundraising.

Self-financing – activities ensuring various types of income for non-profit organisations other than grants or gifts. Self-financing activities include: membership fees, fees for services, the sale of products, the utilisation of tangible assets (such as renting out property or equipment that the organisation temporarily has no use for), the utilisation of intangible assets (such as income from patents, licenses, or renting out the organisation’s name for use in connection with products), commercial investments (such as profits from associated organisations, profits from activities unrelated to the organisation’s mission, or joint entrepreneurial activities with other partners), and finally, revenue from investments (interest on savings, financial investments, etc., and more complex financial transactions – loan write-offs, etc.).

Endowment – capital and other assets of an organisation that are used for investment. The aim is usually to create a long-term financial basis for the support of public benefit activities using revenues and capital gains from the endowment investment. In highly developed countries, this financial instrument is mainly used by grant-making foundations.

Business plan – the plan to sell a particular service or product to a specifically defined group of customers. The aim is to cover production costs and ensure a profit for the investors who funded the realisation of the business plan. At the same time, the demands of institutions governing business activity must be met. In non-profit organisations, any profit made remains in the organisation and is not distributed to investors.

TRENDS IN FUNDRAISING FOR THE THIRD SECTOR

In Central, Eastern, and Southern Europe, it is widely believed that the key method of financial operation for non-profit organisations is, and indeed should be, the procurement of funds through grants from foundations. This idea does not quite match up with reality, and the situation is evidently set to continue. Despite the famous and even legendary founders of large foundations (such as Ford, Kellogg, Pew, Soros, Rockefeller, Hewlett, Turner, or Gates), and the notion that foundations form the backbone of the third sector, even in the USA, grants from foundations represent only 2.1% of the third sector’s total income. In Germany and France, income from foundations is less than one percent of the
total (Salamon, 1994). In time, the third sector in Central, Eastern, and Southern Europe will also cease to be dependent on support from foundations, and the range of new sources of financing for activities and operation must be expanded significantly. Are we prepared for such a situation? Try to fill out – just for fun – the following mini-test, ‘How is your fundraising going?’, so that you will be able to answer this question for yourself.

As in all developed countries, foreign foundations are ceasing to be exclusively essential for the financial footing and further development of the third sector in Central, Eastern, and Southern Europe. They are being replaced by domestic entities, the private sector, the newly re-developed tradition of individual giving, state support, and self-financing. We shall discuss these forms of fundraising, which have yet to be fully developed in this region, in more detail.

**Exercise 1: Mini-test – How is your fundraising going?**

Non-governmental organisations love to complain about a lack of funds. It is almost impossible to find a non-profit organisation that would express full satisfaction in this regard. Yet, almost no non-profit organisation has a fundraising strategy in place – a well thought-out and easy-to-measure plan, according to which it has decided to proceed.

Try to answer the following questions truthfully, and in discussions within your organisation, address those areas where the situation could and should be changed.

Answer each question with one of the four options below, and after you have finished the test, award yourself the appropriate number of points:

- DEFINITELY..................................................... 4 points
- YES, BUT COULD BE BETTER.......................3 points
- NO.................................................................2 points
- DON'T KNOW...................................................1 point

1. Have you written out an annual fundraising plan?
2. Does your organisation have (or are you planning to train) a competent employee who is (or will be) responsible for coordinating grants and fundraising activities for your organisation?
3. Do you know the managers and programme coordinators of the foundations and institutions that support your programme?
4. Taking your past results and present capabilities into consideration, could you describe your fundraising plan as realistic?
5. Are most of the members of your board of directors actively involved in some form of fundraising for your organisation?
6. Does your organisation receive support from a number of sources (of different types)?
7. Have you drawn up a strategy concerning relations with your key donors?
8. Do you meet your fundraising goals?
9. Do you evaluate and analyse each of your successful and unsuccessful fundraising activities?
10. Do you have enough (up-to-date) information about your current sponsors or donors – for example, the history of the company or foundation, their mission, their priorities this year, and other specific details about them?
11. Do you know how to set about donor research?
12. Do you communicate regularly with your donors?
13. Does your organisation maintain an archive of past annual reports, information about your organisation, and applications for grants or gifts from your current donors?
14. Do you submit your grant applications on time and in full?
15. Do you submit reports on supported projects to your donors on time and in full?
16. Does your board of directors include a representative of business?
17. Do you exchange information on donors with other non-profit organisations?
18. Do you have information on commercial entities supporting non-profit activities in your region?
19. Are you capable of providing services to commercial entities in your community?
20. Do you know any key donors who may be able to provide planned, regular contributions to organisations like yours in the future?
21. Do you understand the difference between operating funds, capital funds, reserve funds, and endowments?
22. Do you understand the differences in fundraising methods for each of these areas (operating funds, capital funds, reserves, and endowments)?

**ASSESSMENT**

78-88 points: Congratulations! If you have answered truthfully and your organisation really has achieved such a high number of points, then please do not keep your knowledge to yourself. It is high time to help other organisations. Tell them what you have experienced, and what you have learned over recent years about fundraising. If, despite this result, your organisation is still unsuccessful in obtaining sufficient funds, then it has almost certainly experienced very rapid growth; it is probably a good time to think about other, more demanding approaches. What about self-financing through commercial activities? Or the possibility of strategic partnership with a commercial entity? If this is not the case, then ask yourself a question – is everything really satisfactory in regard to your mission? Do people still need you as much as they did at the start?

60-77 points: You are on the right track. Make a note of those areas where you received less than 4 points and propose to discuss them at your organisation’s next strategic meeting. It is always possible to improve. And if it is not your custom to call strategic meetings for long-term planning... well, if you are serious about fundraising, then it is high time to begin.

22-59 points: Don’t complain about uncompromising donors. Don’t envy others who have more success in fundraising. It is probably not by chance. It is much more difficult to change your donors than the habits in your non-profit organisation. Go through each question in this mini-test once more, and pay particular attention to those where your response was “I don’t know”. Perhaps your fundraising strategy is not completely under control; maybe this activity is only spontaneous and unplanned. Don’t wonder why you are constantly struggling with enormous fluctuations in financing for your organisation’s programmes. Such uncertainty is probably unsettling for everyone, and presents a significant obstacle to long-term considerations concerning what you want to do, and what you will actually do in coming years. If you answer, “that depends on how much money we get”, it may not provide the best outlook for the future of your organisation. Perhaps you should approach the situation more proactively. First clarify what you really want to do – things that are genuinely necessary – and once you have done this, concentrate your efforts upon creative fundraising in accordance with this plan.

**ADDRESSING INDIVIDUAL DONORS**

Fundraising from individual donors is regarded as one of the most stable methods of all the possible approaches to fundraising. Despite this, it is not widely practiced in Central, Eastern, and Southern Europe at present (except by the church and charitable organisations). There is very little experience to draw on in this region. Perhaps this is due to the fact that non-profit organisations are spoiled to a certain extent, having become used to large foreign grants. Some organisations with more experience, having experimented with this for years, have adopted an effective method of communicating with large foreign foundations. This has allowed them to establish a certain ‘grant routine’ – a relatively undemanding strategy of getting funding, either from a single source, or from a number of them. While we are on the topic of the diversification of funding sources, we should point out that grant-funded organisations rarely have more than three such sources, and almost never more than twenty. This is one of the most fundamental differences between such funding and funding obtained from individual donors. In the latter instance, twenty donors are completely insignificant; numbers only begin to have meaning if they run into hundreds. This method involves donations from a large number of ‘small’, individual donors, where the loss of one or two will not prove fatal to the organisation (in contrast to organisations sup-
ported by large foundations). This is one of the reasons why this method is a prerequisite for ensuring the stability of an organisation.

WAYS OF ADDRESSING INDIVIDUAL DONORS

There are a number of basic ways of addressing individual donors, and these may be found in any handbook on advanced fundraising. In this overview, therefore, we shall only concentrate on some of these methods, which, in our opinion, may be applied in Central, Eastern, and Southern Europe.

- **Wage deductions** – a simple form of such an approach, enabling individual donors to use their employers as an instrument for making their own contributions. Probably the most well known organisation using this method is the United Way (which is active in Belarus, Hungary, and Poland, for example).

- **Special events** – fundraising activities aimed at providing an entertaining and interesting means of collecting financial contributions from individual donors. This may involve, for example, an auction of children’s artwork, or a fundraising walk.

- **Direct contact** – one of the most demanding forms of approaching individual donors, requiring a large number of volunteers. Nonetheless, this is one of the most effective forms of fundraising, because it allows for direct contact with the donor. This method was used also in the ‘Good News’ campaign to assist children in Africa, which was organised by the eRko Civic Association (the Movement of Christian Children’s Communities) in Slovakia.

- **Membership fees** – the simplest form of addressing individual donors, which also testifies to the usefulness of the organisation in most cases. In Western countries, this form of fundraising is one of the largest sources of funding for organisations. This method is also being used by an increasing number of organisations in Central, Eastern, and Southern Europe, such as branches of Greenpeace or community organisations.

- **Direct mailing or telephone calls** – approaching individual donors by letter or telephone. This method requires the facility to send money directly from home, by post or telephone.

All ways of approaching individual donors have a number of characteristics in common. They almost always involve work with four basic groups, which are influential in both qualitative and quantitative aspects. These are the **media, sponsors, intermediaries, and individual donors**. Let us discuss each of these groups in more detail.

**The media**

Experiences from countries in which the media plays an important role show that this is the most important factor in success when approaching individual donors. It is crucial not only for the building of trust, but also for ‘selling’ the results of the campaign to the individuals who were involved in donation. This is usually one of the most difficult groups to influence and inspire in favor of a fundraising campaign; it is therefore necessary to consider the media in advance, and obtain an adequate number of contacts with various influential people in media institutions when building the organisation. This may be achieved through the board of directors or advisory bodies.

When working with the media, two basic groups must be addressed above all: experts on communication with the media, and famous celebrities.

As non-profit organisations are usually only users and consumers of media products, they do not generally have sufficient experience in the area of expert communication. When preparing and planning a collection, experts involved in daily work with the media must be approached. These are mainly people from advertising or PR agencies, who may be divided into two groups with expressive names – the ‘campaign staff’ and the ‘creative

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1 Adapted from Davis, L. and Etchart, N.: ‘Profits for Non-Profits: An Assessment of the Challenges in NGO Self-Financing’.
As these titles themselves indicate, the first group can be of assistance in preparing the campaign itself – technical details and the arguments that must be prepared for dialogue with the media. The second group can help with innovative ideas – how to approach individual donors in an original way, amongst today’s jumble of advertisements and billboards; in other words, to come up with an idea that is capable of both addressing people directly and generating interest. Both groups are very important, and their services cannot be used separately. They may be contacted directly or through the agencies in which they work. The latter approach may lead to increased expenses; it is therefore a good idea to define your relationship in advance, either verbally or in a written contract. One example of this is the long-term co-operation in Slovakia between the League Against Cancer and the Soria & Grey advertising agency, which jointly prepare the media campaign for Daffodil Day – a fundraising activity in which the general public contributes money in the streets for the prevention and cure of cancer.

Celebrities give collections much-needed status in the eyes of the public. That is why they are an important part of campaign preparations. When acquiring the support of celebrities, it is important to provide arguments in advance about the non-profit organisation’s ability to deliver a return on the valuable investment of the celebrity’s name – not only its ability to obtain revenue from this ‘capital’, but also its ability to improve the perceived trustworthiness and public image of the given celebrity in return. It is obviously necessary to proceed very sensitively in this area, because no guarantees may be given. In cases where both sides manage to function in a mutually beneficial way and increase the level of trust over the long term, such co-operation may continue for years.

**Sponsors**

Of course, hardly any non-profit organisations have the funds necessary to carry out a media campaign aimed at individual donors. It is therefore essential to determine the areas where the support of sponsors must be found, which will be paid in kind. Sponsors are mainly concerned with increasing their visibility – in connecting their name to a positive activity. That is why they are interested in the media aspect, and its coverage of prospective customers. However, most sponsors are used to receiving exact calculations from advertising agencies on the extent to which target groups will be addressed, a breakdown of the planned usage of individual media, etc. Non-profit organisations are reduced to a role of marketing the media from which they have managed to receive support. In most cases, third sector organisations receive a guarantee from individual media institutions that a certain amount of advertising space will be available, and this space has a certain market price, for which it may be sold. When ‘selling’ this space, there is an ever-present danger that it will be sold below market price; therefore, it is necessary to specify the real value of individual media space in advance, and decide as to whether you are willing to offer exclusive access to this space. Another area that must be considered is how to avoid too high a number of sponsors, whether in the audiovisual or printed media. The involvement of PR consultants can play a crucial role in this area, with their knowledge of the market situation and their ability to assess how much the non-profit organisation can achieve.

It is equally possible to offer sponsors increased social status in the eyes of the public, because they will come into contact with a large number of people and celebrities that you have managed to win over for your activity. However, connecting the name of a particular celebrity with that of a company is a very sensitive issue, because this means a shift into the advertising market, which is governed by completely different rules.

For example, the ‘Children’s Hour’ campaign in Slovakia, which is described below, managed to obtain extensive media space on the STV and Markíza national television stations, on the Twist and Fun radio stations, and in the Sme and Pravda national newspapers.
This media space was then offered to a number of sponsors, with Bank Austria Creditanstalt receiving the greatest exposure as the campaign’s largest sponsor. The campaign also managed to increase its status by engaging, with sufficient sensitivity, a number of well-known celebrities in its broadcasts and advertisements, which were presented over the course of the campaign.

**Intermediaries**

It is only worthwhile approaching individual donors if you can ensure that they will respond in large numbers. One danger lies in the method of collecting individual contributions. This danger is even greater in countries where it is not yet possible to make a simple contribution immediately after donors are addressed. Donors may only be able to make a payment from a bank later on, and this may be forgotten because of their other obligations. The donor simply ‘cools off’. That is why intermediaries are a crucial factor in all methods of individual giving, helping non-profit organisations to collect individual contributions. The price that must be paid for such collection can drastically affect the outcome of a campaign; that is, the collection of fees involves a small deduction from each sum contributed, and the synergic effect of individual donors is thus reduced. It is therefore necessary to pay great attention to the preparation of this activity. It is usually possible to employ voluntary intermediaries; however, this does not mean that the organisation will have no costs to cover. Recruiting and working with volunteers often requires the employment of a separate manager, which increases campaign costs. In the event that intermediation takes place by telephone or post, and the organisation is not prepared to pay full commercial rates, intermediaries must also play the role of sponsors, and a proposal must be drawn up in the same way as for other sponsors. For example, the ‘Good News’ campaign in Slovakia involved a number of volunteer carol singers, who went from door to door collecting donations from individual donors. It is clear that the management of volunteers throughout the year entails greater demands on the organisation’s capacity, which must be covered either by campaign funds or contributions from sponsors.

**Individual donors**

The individual decision to give depends upon a great number of factors. Despite this, it is still possible to identify some of the more general factors, which can help you in preparing a campaign. Among these are:

**Emotion** – this fundamental factor can be found in every advertising manager’s handbook. Ultimately, individuals do not decide merely on the basis of mature and sensible consideration, but on the basis of emotion. This is even more the case when making donations to non-profit organisations. An appreciation of this fact may save you a great deal of useless explaining and argumentation throughout a given campaign. The more you are able to generate empathy for your mission, the greater the response you will receive from individuals.

**Trust** – something that must be generated before the collection begins. The ability to demonstrate that you have managed to obtain a certain amount of funds, and that you know how to use them for the benefit of the target group, must be an integral part of any campaign. You can ‘borrow’ status from the celebrities who participate in the campaign; however, the negative aspect of this is that the celebrities involved should know the organisation thoroughly (especially when it comes to its mission), and this sometimes requires an enormous amount of time and energy.

**The ease of giving** – this is probably the most important factor for individuals. The more difficult the method of making a donation, the more time it takes from the moment of decision to its actual fulfilment, thus reducing the likelihood that the prospective donor will actually give something. It is always worthwhile investing in this area, and creativity here
knows no bounds. The use of automated bank machines in some Central, Eastern, and Southern European countries is now widespread, a fact which has enabled Slovaks, for example, to provide their donations directly through cash machines.

**Simplicity of communication** – the accessibility of information, its brevity, and its comprehensibility are decisive factors for individuals when gathering information on a collection. Certain websites provide very good examples of such simplicity, presenting a simple overview upon access to the site, whilst offering individuals the facility to read about the issues involved in more detail.

**Box 2: An example of a successful collection: ‘Children’s Hour’** (for more information, please see http://www.ivfnet.org/document.cfm/78)

In developed countries, it is very common for methods to be applied whereby individuals may donate a part of their wages. The intermediary in this case is the employer, who sends all collected donations *en masse* to the charity’s bank account. This method was employed to its fullest extent in Slovakia as a part of the ‘Children’s Hour’ campaign, which was organised by the Children of Slovakia Foundation (International Youth Foundation Slovakia).

The idea of the campaign itself was very simple – for all employees to donate their last hourly wage earned in 1999 to charitable activities for children’s welfare. The concept originated in the United Kingdom, and was made available for use everywhere – it was up to the country and organisation concerned as to how this idea would be implemented. Preparation for the campaign began in 1998, when the idea reached Slovakia, and the planning stage lasted three months. This was followed by the first discussions with the largest television stations, TV Markíza, STV 1, and STV 2, concerning the provision of advertising airtime. Members of the board of directors of the Children of Slovakia Foundation played an important role in this respect, with their high level of media influence. An agreement on co-operation was also signed with the ‘Head 98’ association, which was able to draw upon its wide-ranging past experience from working in the media and advertising areas.

The first phase of the campaign began in May 1999. Because it involved a new form of giving in Slovakia, the objective of this phase was to introduce the fundamental concept in an appealing form, and win support for it from employers and sponsors. Efforts towards obtaining this support were concentrated on two levels – through TV broadcasts, thus demonstrating the ability to obtain media space for sponsors, and through communication with employers on an individual basis, thus obtaining voluntary intermediation activity in individual companies. 1000 letters were sent to companies in Slovakia with the largest number of employees and the highest profits over the previous calendar year. Subsequently, five temporary workers telephoned the general directors of individual companies; after getting their approval, a letter of thanks was sent to companies that had agreed to participate in the campaign. In more complex cases, the Executive Director of the Children of Slovakia Foundation visited the companies in person. The support of almost 400 companies was obtained in this phase, along with sponsors to pay for the preceding and subsequent parts of the campaign.

The second phase began with public relations activities (for example, a Ministry of Education chess tournament) to promote the campaign, along with TV broadcasts involving famous actors; over 20 such celebrities participated in the campaign. The support of the Slovak President and Prime Minister was also secured during this phase. A famous television presenter from both of the main TV stations took up the role of campaign spokesperson. The campaign managed to achieve social status, and therefore public support. This phase was aimed at winning over the largest number of individual donors possible; getting approval from companies to be an intermediary for donations was the most time-consuming element of this.

The third, ‘thank you’, phase was concerned with presenting the results of the campaign to the public: the number of individual donors who had made contributions, the number of companies that had provided the facility for their employees to make such contributions, and the amount of funds collected. This also included a report on how some of the funds had already been distributed, and an account of the use to which the remaining money would be put in the future.

Overall, more than 400 TV advertisements, and a similar number on the radio, were broadcast as
a part of the ‘Children’s Hour’ campaign, while 47 advertisements were published in the printed media. 10 sponsors were found, which completely covered the costs of the campaign’s organisation. Over 2,500 companies became involved, enabling their employees to donate their last hourly wage earned in 1999, with donations from over 150,000 individual donors. In total, contributions were made in excess of $300,000.

THE INTERNET AS A FUNDRAISING MEDIUM

In recent years, the area of fundraising has been enriched by a new means of communication – the Internet. With instant access to information and the ability to overcome distance when communicating and making financial transactions, the internet has led to the phenomenon of on-line fundraising, which relies upon credit card donations and rapid access to information about donor organisations. However, direct financial transactions through the internet, such as contributions made using payment cards, depend on the reliability of ever-changing technologies, data security, and in particular, trust on the part of internet users. Internet banking services have contributed to the evolution of giving via the internet by facilitating and accelerating financial transactions, while the growing use of payment cards and the capability of non-profit organisations to accept them has led to a steady increase in the proportion of donations made this way to the overall quantity of funds received. However, the need to keep up with technological progress demands heavy investment, which has led to the establishment of specialist organisations that maintain accounts for non-profit organisations and provide the necessary technical and administrative aspects for internet-based donation. Examples of this include the services listed on http://www.nonprofitmatrix.com, which includes sites such as http://makeadonation.com.

Some of the particular advantages of receiving contributions through the internet include the opportunity to address more people than had previously been possible, the relatively low cost of increasing the organisation’s visibility, and the possibility of demonstrating the organisation’s progressiveness. However, certain disadvantages may also be found, such as ever-greater competition between websites and the ever-increasing difficulty in capturing the attention of internet users. Despite its promise and potential, internet fundraising only accounts for a small part of the income of most non-profit organisations, as only a limited number of potential donors actually engage in electronic financial transactions. Nevertheless, organisations that already use the internet to provide information about their objectives and projects should try out internet fundraising, as long as this does not require a large investment into technologies used exclusively for this purpose. As donors gradually begin to show more trust in internet security, their donations to non-profit organisations will rise.

Probably the most common reason for disappointment in the results of internet fundraising is poor promotion, and the low number of visitors to the organisation’s website that results from this. Experience has shown that most visits to non-profit sites take place due to information received from other promotional material published by the organisation, links from other sites, or e-mail messages. Large numbers of visitors to a site allow the non-profit organisation to sell advertising space to companies for promoting their products.

Thanks to greater acceptance of electronic payments, internet fundraising is much more developed in the USA and EU. The information in Box 3 testifies to this.
Box 3: Some figures on internet fundraising and a list of some interesting websites

The American Red Cross received $2.7 million through the internet in 1999, which represented 0.33% of all donations received. In 2000, the organisation had 30,000 internet donors, with an average contribution of over $100 per donor.

The Heifer Project, which provides livestock to people in developing countries, collected a total of $1 million through the internet in 1999, which represented a six-fold increase over the sum collected in 1998.

‘The Hungersite’ is another successful website. In 1999, it was visited by 65 million internet users from 182 countries, who contributed towards alleviating the problem of hunger in developing countries.

Do you know about the following sites?
- Fundraising UK Ltd. is a consulting company for non-profit organisations in the United Kingdom and other countries. It aims to help these organisations strengthen and expand their fundraising activities on the internet (www.fundraising.co.uk)
- The Foundation Centre collects, organises, analyses, and publishes information about grant-making foundations and commercial donors (www.fdncenter.org)
- The European Foundation Centre supports the work of foundations and commercial donors in Europe (www.efc.be)
- The Council on Foundations is a member service organisation for grant-making foundations and business donors, with some international programmes (www.cof.org)
- The Independent Sector is a nationwide forum in the USA, which aims to support philanthropy, volunteer work, and non-profit and civic initiatives (www.independentsector.org)
- The weekly publication, ‘The Chronicle of Philanthropy’, is the most important source of information for the directors of non-profit organisations, fundraisers, grant applicants, and other people involved in philanthropy (www.philanthropy.com)
- Donordigital provides consulting services to non-profit organisations that use the internet for fundraising and marketing (www.donordigital.com)
- The Online Fundraising Resources Centre publishes information about internet fundraising from the authors of the publication ‘Fundraising and Friend-Raising on the Web’ (www.fund-online.com)
- MakeaDonation.com provides solutions to non-profit organisations for managing donations, membership fees, and charges for special events through the internet (www.makeadonation.com)
- The Non-Profit Matrix is a guide to organisations that provide non-profit organisations the means to receive financial donations through the internet (www.nonprofitmatrix.com)

SELF-FINANCING BY NON-PROFIT ORGANISATIONS

The concept of self-financing for non-profit organisations sounds appealing, but it has yet to be clearly defined. It is sometimes understood simply to mean commercial or economic activity by non-profit organisations, or as any form of diversifying sources of financing. It would probably be most appropriate to define this concept as denoting activities that allow for various types of income other than grants and donations.

Non-profit organisations love to talk about self-financing. It enables them to discuss how to ensure stability in the organisation, how to reduce its vulnerability in financial crises, and how to increase its independence. This would subsequently permit them, for instance, to refuse the support of sponsors if the latter wish to affect the activities of these organisations in an inappropriate manner. However, there are far fewer examples when non-profit organisations, rather than simply talking, have actually taken specific steps towards self-financing.

Self-financing is an important challenge facing the third sector in Central, Eastern, and Southern Europe over the next 10-20 years. More and more organisations will set out on this adventurous course.
Self-financing, however, is not a universal approach that all non-profit organisations could or should use. It has its obstacles and limits. To begin with, it is not easy to make a profit – if it were, then everyone would probably be an entrepreneur. In the private sector, over half of all small businesses end in failure and bankruptcy in the first years of their operation, and there is no reason to anticipate a different situation in the non-profit sector. Business is not a way to ‘get rich quick’ – it takes a long time before a profit is achieved. And the time it takes to achieve a situation where profits completely cover the non-profit mission, as opposed to repeated investment back into the business itself, may be even longer. Years, not months, are involved here. Business also poses other risks. Enterprises are vulnerable to fluctuations in the market, the exchange rate, etc. One bad investment could mean the loss of a non-profit organisation’s assets, and sometimes even its good reputation. It is impossible to formulate a universal solution – something that works in one organisation need not necessarily work in another. The decision to become self-financing should not be taken merely on the basis of pressure from the board of directors or your surroundings. A non-profit organisation should only enter the market if it is prepared to do so and has enough moral and financial support.

If discussions have begun in your organisation concerning the possibility of self-financing, then take a look at the following exercise. Count the number of times you answer “yes”; the the higher the number, the more ready your organisation is to engage in self-financing activities.

**Exercise 2: Are you ‘mature’ enough for self-financing? (Selected questions for non-profit organisations that are contemplating involvement in business activity; adapted from NESsT material.)**

- Is your organisation determined to dedicate itself to self-financing over the long term (10-15 years)?
- Do your employees support the idea of self-financing?
- Is there general agreement in your organisation on the issue of using future income/profits from self-financing?
- Are the employees, the board of directors, and members willing to make a greater effort (outside the framework of their usual activities) in order to ensure that self-financing is a success?
- Have you developed a specific and realistic business plan?
- In the event of failure, do you have an alternative plan?
- Has your organisation been financially stable over the last three years (covering its costs or achieving a positive financial result)?
- Are you financially capable of working without any profit from self-financing for at least three years (or even cover a certain loss resulting from your business activities)?

The market, i.e., the space in which a non-profit organisation will implement its business plan, is dynamic in nature and characterised by the efforts of companies to maximise their profits and increase their customer base. This environment usually excludes organisations that do not come up with new products and services. Non-profit organisations that wish to enter into the market must also take a proactive approach and rely upon their own finances; however, such organisations often take an over-conservative attitude in an attempt to remain uncompromisingly faithful to their mission. Without a healthy element of risk-taking and the courage to be receptive to innovation, long-term success in the market is unlikely.
The trend towards self-financing has also generated new ethical dilemmas and increased demands for transparency and professionalism. At the same time, it is difficult to connect professional activity that yields a profit with a mission that enables this profit to be meaningfully utilised. When non-profit organisations become concerned with self-financing, new ethical standards must be set. As a part of the Sustainable NGO Financing Project, *Commitment to Integrity: Guiding Principles for Non-Profits in the Marketplace* has been drawn up under the auspices of the NESsT. (See Annex 3).

**COMMERCIAL ACTIVITY BY NON-PROFIT ORGANISATIONS**

One specific approach to self-financing is commercial activity by non-profit organisations, whether within the framework of existing structures, or through the creation of a new commercial entity. If a non-profit organisation is considering the possibility of financing at least part of their programmes and existence through commercial activities, then it should first ask itself a number of questions, of which the most fundamental include: Are we capable of entering the market with products or services that are competitive and that fulfil all the criteria of professional activity? Can we compete with other companies? How will the end products or services link up to the mission of the organisation?

It is a good idea to base the business activities of a non-profit organisation upon its mission. Of course, other situations may arise; for example, a civic association engaged in environmental education may become the owner of real property, in which it runs a hostel, restaurant, or a café.

Who will carry out the business activities? The non-profit organisation itself, or will a new commercial entity be established? Or will it involve a different model of co-operation between a commercial and a non-profit organisation? Will such business activities involve too much time and energy spent to the detriment of the mission itself?

Within a single entity, it is very difficult to differentiate between the two models of activity, the differing types of motivation, and the various rules that are characteristic of two different spheres – the commercial sphere and the non-profit sphere. Problems may also be posed by the different approaches to accounting for various activities and the correct usage of the non-profit organisation’s material resources, which are often obtained through donations and contributions. Last but not least, two other questions should be considered: What is the level of trust and awareness attached to non-profit organisations in contrast to private entities such as joint-stock or limited companies? And to what extent does the internal atmosphere of a non-profit organisation promote and stimulate performance in comparison to a profit-oriented organisation? In fulfilling these conditions, there is a certain hidden problem, of which you should be aware. There will be a natural tendency to share not only ideas and human potential, but also other resources (both financial and technical) between the ‘programme-oriented’ and ‘commercial’ sections of the organisation. Experience has shown that the borders between these two sides should be very clearly defined and guarded. They should be unambiguous, transparent, and legible, with clearly defined rules. The need to seek and define such internal rules for both entities is based upon a very simple fact: the fundamental characteristics of a profit-oriented organisation are economic performance, rational behaviour, and high demands on employees and their performance, while a non-profit organisation has the advantage of being able to give priority to other principles than profit in its decision-making processes. Some internal rules may be the same, but most of them will be different. The main difference lies in the fact that, in a profit-oriented organisation, employees almost always work for a wage, whereas the employees of a non-profit organisation often work for free, as volunteers. The borders between, and the rules concerning, the two entities must be precisely defined, whilst ta-
king areas of possible mutual benefit into consideration (such as employing a single person to keep accounts, using the same warehouse, etc.). All of these activities must be carried out on a contractual basis, and they must be properly accounted for. An ideal goal would be to achieve a situation where, as long as a commercial entity established and owned by a non-profit organisation is successful, the decision regarding what to do with the profits achieved is left to its owner. One possibility is to use the profits, or a part of them, to fund the activities of the non-profit organisation. The road to this objective is very arduous, and there is a real danger that this ideal situation will prove to be unattainable. In any event, it is completely unreasonable to expect that the establishment of a commercial entity will address the financial needs of a non-profit organisation in a short time. On the contrary, starting a business requires significant investment, whether of finances or human resources, and all the principles that relate to small private companies will apply.

**How is it possible to harmonise the philosophy of profit with the philosophy of a non-profit organisation?**

Research into non-profit organisations in Slovakia, the Czech Republic, Hungary, and Slovenia has clearly shown that when seeking a successful solution to this dilemma, the issue of whether profit-oriented activities are a part of an organisation’s mission or not is of little consequence (Davis and Etchart, 1999). The crucial issue is the extent to which people in the non-profit organisation agree that there is a need for such financing – whether they are prepared to make sacrifices, to engage in long-term discussions, and whether they are governed by common values.

**What happens in the event of a conflict between profit and mission?**

Self-financing may lead to tension between the people in the organisation working towards the fulfilment of the mission, and those involved in commercial activities. This is particularly true if one of these groups starts to feel superior to the other, if they stop regarding each other as partners, or if the exchange of information dries up. If continual discussions and functioning information channels exist, then it should be obvious to both groups that even a profit-oriented entity may be governed by the values set out by a social mission. In some areas, however, it must take a strictly economic approach.

**What are the legal aspects of commercial activity by non-profit entities?**

This is an area that probably requires amendments to laws and governmental decrees in most Central, Eastern, and Southern European countries. An analysis of legislation governing the economic activities of non-profit organisations was carried out in 1998 by the International Centre for Not-for-Profit Law (ICNL) and may be found on this organisation’s web site at: http://www.icnl.org/gendocs/TAXPAPER.htm.

**NON-PROFIT ENDOWMENTS**

In Central, Eastern, and Southern Europe, endowments began to be discussed as an instrument contributing towards the permanent financial stability of the third sector in the second half of the 1990s. An endowment is an organisation’s capital and other assets, which are invested in a targeted way; for example, into the financial or capital markets. Its structure may change. Endowments are successful mainly in countries where these markets are highly developed, and are regulated. An endowment is an instrument that is appropriate for an organisation with long-term stability, a strategic financial plan, a high level of support from its members and donors, and a long-term commitment to its mission. In developed countries, these are usually large grant-making foundations. The long-term sus-
tainability of the third sector in Central, Eastern, and Southern Europe is based upon the notion that the endowments of a number of successful foundations will secure the financing of other non-profit organisations. However, it must be observed that the idea of setting aside a relatively large amount of finances in order to invest them in accordance with the ‘money makes more money’ principle traditionally leads to distrust on the part of the public, for whom investment is seen as ‘speculation, devoid of any real values’.

Endowments require the fulfilment of a number of conditions: (1) the organisation has been operating, or plans to operate, for many decades; (2) the organisation has finances at its disposal that are not immediately essential for, or tied up to, operation and programme activities; (3) the legal and social environment enables the organisation to invest these funds legally, and (4) the organisation is capable of coping with the risks associated with this financial instrument over the long term.

The steady growth of the capital and financial markets in Central, Eastern, and Southern Europe over recent years has necessitated significant legislative amendments, which has also had consequences for non-profit organisations. Endowments in the form in which they are recognised in developed democracies have only asserted themselves in a few countries in this region. Some organisations therefore prefer to create a reserve fund as a financial instrument (see Box 6). An endowment is an instrument that has an effect not only upon the financial administration of the organisation, but also upon its relations with members and donors. The returns obtained from this instrument must serve to fulfil the mission; otherwise, there is a danger that trust of both small and large donors may be damaged, and that the integrity of the organisation’s intentions will be put into doubt. Funds which make up the endowment come from contributors, to whom the non-profit organisation has a responsibility to minimise the inherent risks related to the endowment (such as loss on investment, currency devaluation, fraud, banks going into receivership, etc.), and, needless to say, for fulfilling its mission. An endowment requires steady investment in order that it fulfil its purpose as a financial instrument, and the value of the endowment must be many times higher than the organisation’s annual operating budget. The need for a flawless mechanism to administer it is therefore obvious, especially if we take into account the failure of similar instruments in the commercial sphere (such as the bankruptcy of investment funds).

Who is able to build up and use an endowment correctly in a non-profit organisation? How is it possible to maintain stability in a changing legislative and economic environment? How may an endowment be planned in a way that allows for possible changes in the composition of the board of directors, the main sponsors, and the management over the subsequent three, ten, or thirty years? These are questions that must be answered.

Having successfully defined the statutes and strategy of the endowment, the chosen administrator should examine the effectiveness of the investment strategy. It is absolutely vital that the administrator be familiar with the various types of risk that are characteristic of the capital market in a market economy, such as the risk of inflation, devaluation, abrupt changes in the exchange rate, and the risk of fraud. Every entity using the financial instruments of the market faces a certain level of risk, and either endeavours to manage these risks alone, or engages the assistance of professionals. The overall level of success in securing returns on endowments also depends upon the administrative and financial costs associated with individual investment activities. Furthermore, the individual legal responsibility of people involved in administering the endowment must be clearly defined in advance. These administrators monitor the observance of conditions relating to the endowment’s investment (or expenditure), the usage of returns, the methods of handling special situations, and also issue reports on their transactions.

Having obtained the optimum level of endowment capital (often at least 20 times the level of the hoped-for annual interest revenue), it may be advantageous for a number of
organisations to merge their endowments into one single fund. Although such an approach requires agreements to be reached, it may also increase returns, significantly reduce costs for the administration of the fund, and diminish investment risks. One example of this is the approach of a group of Czech foundations, which opted for a joint investment of finances obtained from the Foundation Investment Fund of the Czech Republic (see the box below).

**Box 4: An example of co-operation between foundations in the Czech Republic involving the investment of endowments**

In the first half of the 1990s, the Czech government established the Foundation Investment Fund of the Czech Republic (FIF), with the aim of creating a permanent and relatively stable source of financing for the non-profit sector in the Czech Republic. One of its aims was to contribute to the creation of endowments for non-governmental, non-profit organisations. In 1999, the government and parliament approved a proposal for the distribution of CZK 500 million ($15 million) of FIF funds amongst 39 Czech foundations. In 2000, the distribution of a further CZK 1,200 million ($36 million) was approved, of which at least 85% had to be used for the creation of endowments.

In that year, a group of the most forward-thinking foundations, which accepted the idea of joint investment, got together in the Czech Republic. The organisational and financial basis was provided by the Czech Donors’ Forum. 20 banks and investment companies expressed interest in the tender for administering the endowments, while allowing the foundations to influence and control the investments and the risks involved. ŽB Trust, the owner of Živnostenská banka, won the tender, mainly due to its understanding of the foundation sector – the foundations were not expecting the highest returns on their capital, but rather investment security, reliability, and co-operation.

It is understandable that banks demonstrate a much greater interest in administering endowments when these sums involve many millions of dollars. For example, in Slovakia, a number of organisations build their own endowments independently, with no state support. Fees charged by banks for the administration of a number of separate endowments are naturally higher, while services are less well tailored to the specific needs and expectations of individual non-profit organisations.

However, non-profit organisations in Central, Eastern, and Southern Europe, where there is a shortage of long-term capital, may mistakenly regard the basic function of an endowment as ‘a financial safeguard against hard times ahead’. In reality, the usage of returns from endowments is very strictly defined, and these returns cannot be used to supplement the organisation’s budget in the event that fundraising efforts prove unsuccessful. Funds saved by an organisation to be used in an emergency do not represent an endowment, but rather a reserve fund. As most non-profit organisations do not build stability upon the strength of their assets, but upon their programmes and their supporters, it is only to be expected that many more reserve funds have been established in Central, Eastern, and Southern Europe than endowments. The following table presents their differing characteristics, and may assist organisations in deciding which of the cited financial instruments is most appropriate for them.

**Box 5: Basic characteristics of endowments and reserve funds**

<table>
<thead>
<tr>
<th>ESTABLISHMENT</th>
<th>ENDOWMENT</th>
<th>RESERVE FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Preceded by strategic planning and the approval of administrative rules by the board of directors</td>
<td>Requires no special regulations from the board of directors; however, rules of usage or decision-making mechanisms concerning spending are necessary</td>
</tr>
</tbody>
</table>

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2 Adapted from a lecture by Jiří Müller of the Jan Hus Educational Foundation.
### Comparison of Endowment and Reserve Fund

<table>
<thead>
<tr>
<th></th>
<th><strong>Endowment</strong></th>
<th><strong>Reserve Fund</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purpose</strong></td>
<td>The long-term stability of the organisation</td>
<td>More flexible usage (until its exhaustion) - when necessary, or in financial emergencies</td>
</tr>
<tr>
<td><strong>Termination</strong></td>
<td>Defined by the statute</td>
<td>Until exhausted</td>
</tr>
<tr>
<td><strong>Duration</strong></td>
<td>Generally unlimited</td>
<td>Limited by time, with the possibility of complete exhaustion – termination</td>
</tr>
<tr>
<td><strong>Usage</strong></td>
<td>Only in cases, and to a limit, set out in the statute; subject to approval by the administrator</td>
<td>When necessary and as the management of the non-profit organisation see fit</td>
</tr>
<tr>
<td><strong>Increase</strong></td>
<td>Only in cases, and to a limit, set out in the statute; subject to approval by the administrator</td>
<td>When necessary and as the management of the non-profit organisation see fit</td>
</tr>
<tr>
<td><strong>Administrative Demands</strong></td>
<td>The involvement of a large number of people is unusual: only the management and board members are involved</td>
<td>Greater activity, without the need to involve the board of directors or an expert</td>
</tr>
<tr>
<td><strong>Optimum Size</strong></td>
<td>At least 20 times the sum expected to be spent from annual returns</td>
<td>Varies; according to the current situation and requirements</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>The long-term establishment of the organisation and the strengthening of its stability; enables the financing of activities that are unappealing to donors</td>
<td>Brings flexibility to the financial management of the organisation</td>
</tr>
<tr>
<td><strong>Possible Disadvantages</strong></td>
<td>Reduces fundraising motivation and subsequent communication with supporters and donors</td>
<td>The danger of losses if funds are inappropriately managed</td>
</tr>
</tbody>
</table>

Examples illustrating a lack of understanding of the strategy of building and administering endowments:

**Fundraising:** “If we fail to meet our budget, then we will use part of our endowment, or the returns on it, to make up the deficit”.

**Insufficient preparation:** “So that this three-year grant that we have just been awarded can start making money for us now, we will use it to establish an endowment – after all, we have been considering it for a long time.”

**Insufficient risk assessment:** “This particular investment fund has been making 25% annual returns over the past three years, and is now offering 30% a year. If we were to buy a share of the fund, we could start building our endowment capital.”

**A poor understanding of endowment administration:** “A reliable, long-term friend, who works in a bank, has increased his savings by 90% over the past two years by investing in the USA. We should ask him to administer our endowment capital.”

Examples illustrating a good understanding of the strategy of building and administering endowments:

**Using the endowment as an instrument:** “Over the last year, we have managed to obtain funds for mini-grants twice; however, we were compelled to pay the administrative costs ourselves. As community deve-
lopment through re-granting is the mission of our non-profit organisation, we should use part of the annual returns on our endowment to fund a coordinator for our mini-grant programme.”

Endowment planning: “Two of the main contributors to our non-profit organisation, which is involved in environmental education, support our development strategy for the next ten years, which anticipates a growing number of paying members, two fundraising activities per year, and the establishment of an endowment. We will begin to use the returns on this endowment in five years’ time to award financial prizes to secondary schools in our district with the best grades in environmental education.”

Endowment administration: “In September, one of the five members of the commission administering our endowment will begin working at the Frankfurt branch of his or her bank. If, in accordance with the statute, the other members of the commission approve our proposed candidate, who is the marketing director of company X, as a replacement, then this person could improve investment strategy, leading to better returns.”

Risk assessment: “Life insurance companies with a fifty-year tradition do not invest their clients’ money into funds with a guaranteed return of 25%, but into less profitable government bonds. The member of our board of directors who insisted that 50% of the endowment should be invested into risk-free, although less profitable, state bonds, was probably right. We shall see how this strategy will be assessed by the endowment’s administrator this year.”

Exercise 3: Possible scenarios and questions connected with endowments

In order to understand what may await you in connection with endowments, try to discuss with your colleagues a number of unanswered questions that you will face when considering the creation and administration of your endowment capital.

- Should we use $400 raised at a charitable concert to increase our endowment? Are we capable of explaining this to reporters from local newspapers who ask us how the funds were used?
- After a demanding year of discussions, you receive $8,000 from a friendly company to establish an endowment. Subsequently, a long-standing donor foundation informs you that, as a part of its strategy for strengthening financial stability, other organisations have received priority in the last grant round. Are you prepared to explain publicly the possibilities and limits of the endowment, in order that there is no misunderstanding on the part of your supporters and donors?
- After six months of unsuccessful fundraising activities, you are forced to limit expenditure on administration and individual programmes. There is a danger that the publication of the textbook that you have prepared will be delayed. You have approached five sponsors, but you still need $1,200. The textbook is to serve as a basis for one of your long-term programmes. This year’s returns on your endowment have, as in previous years, been distributed in the form of mini-grants, and the statute does not allow you to utilise part of the endowment itself; however, there is a theoretical possibility that the administrator will make an exception in this case, or that you will be able to force through a change in the statutes. Should you do this? Is it worth it?
- Some of the members of your board of directors, which is composed of important personalities from the third sector, also make up the commission that administers your endowment capital. At their meeting in February, they entrusted your financial director with the task of drafting a proposal as to how this capital should be invested. He recommended an investment into 12-month deposit certificates from a certain bank, which went bankrupt six months later. The law does not provide for any compensation for this type of deposit, which means that you have lost your entire endowment, and have had to pay the costs of a lawyer in an attempt to recover at least part of your investment. Friends of yours from the business sector, who know almost nothing about the organisation’s programmes, have told you that it was obvious as early as March that the bank was heading for failure. Should you try to establish an endowment again? If so, who should be involved in its administration?

BUSINESS AND THE THIRD SECTOR – DIFFERENCES AND SIMILARITIES

Business and the third sector often used to be perceived as completely opposite worlds, based upon different values. Uninformed extremists from both camps still have a tenden-
cy to favour the priorities of their sector, whilst pigeonholing the other and attempting to
display their supposed superiority. Sometimes this is not solely an issue of awareness, but
also of attitudes. Some pseudo-entrepreneurs will have nothing to do with “those ama-
teurs” from the charitable sector. In return, some radical activists utterly detest the “dirty
world of business and globalisation”.

This belligerent, black-and-white perception on both sides is disappearing; the borders
between these two worlds are opening up, and once-hostile margins are beginning to blend
into one another in many areas.

Recently, some people have stated that the third sector should be more willing to adopt
certain practices from the commercial sector if true progress is desired. On the other hand,
contradictory opinions have also emerged, asserting that the third sector will bring innova-
tion to management at the turn of the millennium; that business has always had, and
always will have, something to learn from the third sector. Some other commentators main-
tain that this flow of information is not a one-way street; as opposed to two contrasting sec-
tors, we are witnessing the emergence of a wide range of organisational types somewhere
between the business and non-profit extremes – organisations that have been ‘infiltrated’
by both commercial and charitable concepts. Other observers have stated that the tradi-
tionally identified differences (profit or mission as determining motives, paid professionals
as opposed to volunteers, etc.), upon which ideologists from both sides of the charitable-
commercial divide have based their concepts, are merely myths; the only differences lie in
the label applied.

In the last decade, a discussion was sparked between the not-for-profit and for-profit
sectors in the USA by an article in the Harvard Business Review, entitled ‘Virtuous Capital:
What Foundations Can Learn from Venture Capitalists’. The authors, Christine Letts, Wil-
liam Ryan, and Allen Grossman (1997), compared the ineffective administration of foun-
dations to helpless floundering in the mud. They argued that foundations should break free
of their missionary sentiment and openly adopt commercial practices. They should regu-
larly evaluate their performance and award bonuses in strict accordance with this perfor-
ance level, and instead of excessive orientation towards research and development,
should concentrate instead upon strengthening their organisational capacities to a much
greater extent, a process that will lead to success.

This salvo was returned by Bruce Sievers in an article entitled ‘If Pigs Had Wings’. The
cutting caption underneath read: “It’s sexy to compare grantmaking to venture capitalism.
It’s also dead wrong”. The assumption that foundations do not succeed because they fail
to obtain a return on their investment is inappropriate. The indicator of a foundation’s suc-
ness is not merely profit (in any way that it may be expressed), which is the case in com-
mercial entities. While the owners of private companies control capital, the relationship
of a foundation to the recipient of its support is not proprietary in nature – the role of
a foundation is not that of an owner, but of a donor. That is why its behaviour must differ
from that of an organisation founded on the basis of ownership. One of the gurus of mana-
gement theory, Peter Drucker, wrote that the flexibility, clearly observed missions, and inno-
vations that have been characteristic of non-profit organisations in recent decades could
prove to be the saviour of a number of large corporations that are incapable of shaking off
their bureaucratic shackles, and where over-organisation is destroying creativity. These cor-
porations should closely observe the principles of organisational development and mana-
gement in non-profit entities.

On the other hand, non-profit organisations often refuse to even consider the imple-
mentation of commercial concepts and practices. They feel that if something is not of a vo-
luntary nature, or if it is too ‘professional’, then it belongs in the sphere of commerce – in
other words, that business and the non-profit ethos are mutually exclusive. However, the
world itself is more varied. The concept of bonuses need not be the nemesis of voluntarism; the sale of products made by non-profit organisations need not diminish the passion of those that made them; discussions on marketing strategy need not signify the demise of spontaneous joy and enthusiasm in the non-profit sector. There are a number of hybrid organisations with a varying proportion of mission- and commercially-oriented characteristics; these organisations lie somewhere in between purely philanthropic organisations (in the strictly traditional sense, which is becoming less fashionable) and purely commercial companies.

In 1997, Prof. J. Gregory Dees of Stanford University presented this spectrum of organisational types very aptly in the following table:

*Box 8: The Social Enterprise Spectrum*

<table>
<thead>
<tr>
<th>GENERAL MOTIVES, METHODS, AND GOALS</th>
<th>PURELY PHILANTHROPIC</th>
<th>MIXED MOTIVES</th>
<th>PURELY COMMERCIAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appeal to goodwill</td>
<td>Mixed motives</td>
<td>Appeal to self-interest</td>
<td></td>
</tr>
<tr>
<td>Mission-driven</td>
<td>Balance of mission and market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social value creation</td>
<td>Social and economic value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pay nothing</td>
<td>Subsidised rates and/or mix of full payers and those who pay nothing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pay full market rates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donations and grants</td>
<td>Below-market capital and/or mix of full payers and those who pay nothing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volunteering</td>
<td>Below-market wages and/or mix of volunteers and fully paid staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Make in-kind donations</td>
<td>Special discounts and/or mix of in-kind and full price</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charge market prices</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The term ‘social entrepreneurship’ is becoming more established in both the commercial and non-profit sectors. It denotes the assertion of innovative entrepreneurial approaches in a non-profit context, in the interest of bringing benefit to, and serving the needs of, the target group, local communities, and society at large. In the area of social entrepreneurship, terms such as ‘profit’ and ‘price calculation’, and seemingly disparate terms such as ‘values’, ‘mission’, ‘passion’, or ‘social responsibility’, are of equal significance.

In their discussions and planning processes, social entrepreneurs utilise the concept of a ‘mission/market mix’. They always take into consideration the community’s need for a particular activity (i.e., is this need characteristic, sufficiently urgent, or even so important that its non-fulfilment would result in very serious consequences for the entire community?) However, the probability of achieving a profit through a given type of activity is analysed with equal earnestness (will we make money, is the situation uncertain, or is the risk of loss too great?) Social entrepreneurs engage in activities that fulfil a pressing com-
munity need; at the same time, they are continually involved in assessment, calculation, and the application of business procedures, which increase the probability of commercial success in the selected area.

Everything points to the fact that social entrepreneurship and socially responsible investment are part of an irreversible trend, not only due to their value-motivated nature, but also to the probability of their commercial success from the long-term perspective.

**PARTNERSHIPS BETWEEN COMPANIES AND NON-PROFIT ORGANISATIONS**

In spite of the popular opinion that business is driven by a desire for profit and an increase in assets, it must be stated that the motivation of most companies, managers, and workers does not end here. Entrepreneurs and managers all have their own values that are transferred into the company, thus helping to create its character. If a similar opinion prevails amongst the employees, a corporate culture emerges that not only supports economic success, but also personal satisfaction, culture, education, environmental principles, religious values, or even a certain lifestyle.

Global trends reveal that even organisations that used to be perceived as being purely commercial in nature are changing their values. In many cases, social responsibility is finding its way into their corporate culture. Tom Cannon, an economist, has even defined the phases through which companies usually pass when cultivating their social responsibilities. He speaks of four levels of corporate development in this area (reaction, awareness, initiative, and strategy) – from a level where the company is not interested in the community and only passively addresses serious community-related issues that pose a danger to profits, up to the highest level, where the creation of strategy and corporate policy is realised upon the basis of social responsibility (see Lačný, 1999).

Socially responsible companies are concerned with the same values as those held by people active in non-profit organisations. However, by definition, the founders of non-profit entities do not plan to use their organisations to achieve a profit (although a profit may be made, it may not be shared out). Therefore, the strongest links between companies and non-profit organisations are not financial or material in nature, but are represented by people who acknowledge common values.

**SPACE FOR PARTNERSHIP**

From the aspect of the company and its owners, however, the assertion of other values than profit is a secondary objective, and sometimes perceived as a luxury. In companies where the aim of ‘making money’ crowds out other objectives, employees are particularly convinced that the assertion of other values is important. In practice, partnerships emerge that are beneficial for both the company and the non-profit organisation, as well as its target group.

Such partnerships come in various forms – from the simple donation of a certain percentage of retail sales to a certain non-profit organisation or project, to more complex schemes. Interest in this concept can be partly attributed to recent research, which has revealed that support for charitable activities helps to build up companies’ reputations and customer loyalty.

Non-profit organisations lend out their name in such partnerships, which inevitably opens up ethical questions. Cases have been registered where non-profit organisations have changed their programmes in order to attract funds from the advertising budgets of companies or other forms of ‘cause-related marketing’ (see the definition of this term below). Partnerships most commonly involve such cause-related marketing, licensing, or co-operation with companies in introducing products and services onto the market.
FORMS OF SUPPORTING NON-PROFIT ORGANISATIONS

A company’s involvement in charitable (or other non-profit) activities is dependent upon the people in the company. Owners, shareholders, directors, department managers, or ordinary employees may all participate in their own way.

Owners are able to build a traditional form of charity in their company that corresponds to its customer structure, image, or corporate goals as expressed in its promotional slogans.

Directors and marketing directors have a wide range of capabilities. They systemise support for charitable events and projects, and provide the working and financial conditions necessary for co-operation with their organisers. They select and approve specific non-profit organisations for future co-operation (on a marketing campaign, for example) and decide upon their company’s own charitable activities. They approve donations by the company and additional donations made by company employees. They represent the company at events that it has funded and participate in social events organised by the non-profit organisation that it supports. As members of the boards of directors or advisory committees of non-profit organisations, they can also offer their expert knowledge and experiences with the aim of helping these organisations to develop new programmes.

Individual employees can participate in the activities of non-profit organisations as volunteers. When supporting charity financially (for example, through regular wage deductions), they can also propose that their employers supplement their donations from company funds.

CORPORATE GIVING

Giving is an expression of the relationship between the donor and the recipient. While the chapter on philanthropy was involved with the wider contexts and forms of this phenomenon, the following paragraphs will concentrate upon specific cases, where the donor is a commercial entity and the recipient a non-profit organisation.

Verbal or written agreements between the two organisations do not oblige the non-profit organisation to provide something in return, but do require a contractually defined use of the gift. If the relationship is formal, the company, as a donor, is entitled to an income tax deduction.

Discussions concerning the donation may come in various forms, depending upon the size of the company, its asset structure, and readiness to help – from a simple conversation between two friends, one of whom is the owner of a company, while the other works for a non-profit organisation, through more formal meetings between a fundraiser from a non-profit organisation and the marketing director of a large company, to official mechanisms involving the submission of applications for a grant, with subsequent quarterly approval by the company’s management. In smaller companies, decisions concerning gifts (in the same way as other decisions relating to finances) are generally made by their owners on the basis of a subjective assessment. Many companies in Central, Eastern, and Southern Europe, founded particularly on local capital, are in the process of gaining experience with giving, and are testing out its influence on their corporate reputation. Multi-national companies, when making donations, are able to draw upon their know-how gained abroad, and also use more structured instruments, such as grant application forms, application assessment systems, or mechanisms monitoring the use of gifts.

Box 9: The evolution of a partnership: ETP Slovakia – the Centre for Philanthropy and Non-Profit Activities and the Globtel Account (Globtel – now Orange – is a mobile telecommunications provider in the Slovak Republic)

In October 1999, the Globtel Account organised and set into operation an open grant programme aimed at supporting development in all regions of Slovakia. In co-operation with ETP Slovakia – the Centre for Philanthropy and Non-Profit Activities (hereafter referred to as the ‘ETP’), 39 grants with
a total value of SKK 8 million ($200,000) were awarded for projects such as a playground, a farm, an internet café, etc. The task of the ETP was to implement and evaluate the programme.

At the outset, the ETP provided monitoring of the results of the preceding programme, ‘Help to Help’. The Globtel Account, however, expressed an interest in going beyond the framework of this activity and approached the ETP with a request for the drafting of a new, more structured programme with emphasis on rural areas. At that point, the ETP shifted from the role of a service provider to that of a co-organiser, consultant, and partial implementer of donor strategy. In this case, the trust established through previous co-operation was a significant factor.

Although the ETP did not provide its services for free, co-operation with Globtel was characterised by partnership and sincerity when seeking common interests and priorities. The Globtel Account wanted to give in a different way to that seen previously, and to strengthen giving in rural areas. The ETP was interested in using its experience to ensure that donations fulfilled the criteria of openness and transparency.

Orange (formerly Globtel) is currently presenting the basic framework of its donor strategy to the public, and it appears that the company considers it to be a part of its corporate policy. The Globtel Account has publicly detailed its grant decisions, decision-making criteria, and assessment procedures. It is also endeavouring to assure objective selection processes and the creation of equal opportunities, whilst ensuring that any possible conflicts of interest are taken into consideration. In 1999, the Globtel Account donated a total of SKK 10.5 million ($250,000).

ETP representatives have stated that one of the reasons why co-operation with Globtel is beneficial is that it compels the organisation to act in a professional manner, whilst enabling it to retain the values and ideals of the non-profit sector.

What direction will commercial giving take?

In Central, Eastern, and Southern Europe, private companies are undoubtedly the most important providers of employment; the economic development that they provide will also determine the standard of living of people in the public and non-profit sectors. If private companies are unsuccessful, neither public nor non-profit institutions will be able to compensate for their failure. State administration can provide citizens with basic welfare, but it is not capable of supporting every excellent non-profit project. Relations between companies and non-profit organisations will therefore develop in those areas that require a fast response. The allocation of funds to non-profit organisations from the state budget is subject to approval procedures that are more time-consuming than those demanded by private companies or individuals. As in other developed countries, non-profit organisations supported by companies and private foundations offer a new and alternative solution to social and environmental problems.

Let us now look at the various forms taken by commercial giving based upon a mutually beneficial partnership, as opposed to a less symmetrical relationship between the donor and the recipient.

Cause-related marketing

This is a mutually beneficial conjunction of companies and non-profit organisations, where the companies provide the organisations with financing and publicity; in return, non-profit organisations provide their partner companies with an opportunity to increase sales and support non-profit activities at the same time. In the West, this type of marketing has become an ideal way of improving company reputations, and differs from corporate giving in that promotional aspects are involved. One example of such an approach is the marketing campaign for groceries, the sale of which has contributed to the ‘Islands of Life’ non-profit project in a number of Central European countries. The project’s logo is printed on packaging and presented in advertisements.

Sometimes this concept involves an approach by which companies increase their sales,
whilst donating part of the proceeds to charitable activities. This is a model that may be of benefit to everyone, as long as certain rules are observed.

**Licensing**

This denotes an agreement by which one party consents to the use of its name, logo, or products by the second party. In the case of agreements between a company and a non-profit organisation, the former usually purchases such a license from the latter, and makes regular payments to the non-profit organisation according to the level of success of retail sales. One example of this is the sale of greetings cards with the logo of the World Wildlife Fund in a number of countries.

**Co-operation with companies in introducing products and services onto the market**

This type of co-operation entails the assistance of a non-profit organisation in obtaining new customers for a company under favourable conditions (especially from the ranks of its members) in return for a percentage of sales. One example was the telecommunications company AT&T, which offered cheaper long-distance calls to members of certain non-profit organisations and donated a part of the revenue from such calls to the organisations themselves. In this way, AT&T obtained new customers, and the non-profit organisations secured an adequate income for their activities.

**A GLIMPSE INTO THE FUTURE**

After a long period of inactivity under communism and a decade of generous financial support from international foundations, non-profit organisations in Central, Eastern, and Southern Europe may find themselves in a situation where support from abroad has declined, state support is insufficient, and their capacity to stabilise the financial situation through their own activities is still inadequate.

In order that this phase of transition from traditional (primarily grant- and contribution-based) financing to less prevalent forms of fundraising be as smooth as possible, it will be essential to create an environment that guarantees the necessary regulatory and financial framework for significant growth in individual giving, the creation of endowment capital, self-financing, and various forms of partnerships between the third sector and business.

The positive role played by foreign foundations in the revival of the third sector in Central, Eastern, and Southern Europe throughout the transition period between 1990 and 2002 has been huge, and deserves to be recognised as such by future historians. However, the situation over the past decade has been somewhat exceptional.

As in all developed countries, foreign foundations will not play a key role in future development. The key factors will be support from domestic organisations, the private sector, the renewed tradition of individual giving, state support, self-financing, and the establishment of truly domestic grant-making foundations.

In regard to the status of individual sectors in civil society, the process of accession into the European Union will lead to the greater supremacy of companies, reduced emphasis on state support, and therefore a more perceptible need for non-profit programmes. These will partially cover those services that are not economically viable for the commercial sector, and which are too financially demanding to be supported from the state budget.

Co-operation between non-profit organisations and companies enriches both types of organisation, and places emphasis on their common denominator, which is the person-customer-citizen. People will take their expert knowledge and professional skills with them
when changing their jobs – from non-profit organisations to companies and vice versa. However, the aim of companies to satisfy the requirements of customers and investors, and the objective of non-profit organisations to fulfil the needs of people (not customers) and improve the environment in which they live, will not change.

**Recommended reading:** *Fundraising, marketing, and financial management in non-profit organisations*

<table>
<thead>
<tr>
<th>Author</th>
<th>Title</th>
<th>Publisher</th>
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Discussions about the relationship between the third sector and the state concern the need for a continual clarification of functions and contexts that commence, operate, and cease within the organisation. This need is particularly acute at a time when society is developing in the post-communist countries, and where the entire system of social relations, both internal and external, is changing fundamentally. In this context, philosophers speak about relations between the state and civic society, or the character of the relationship between the state and its citizens. On a sociological and legal level, this is a more instrumental relationship of the state as a power-political organisation not only with individual citizens, but also with the social organisations that the citizens have created. Such a relationship is defined in a social contract, and such a contract between citizens and the state in the modern sense is in effect a constitution.

Box 1: The social contract

The social contract is a concept that expresses the need for an agreement with the people concerning the relinquishment of some of their natural freedoms to the state, which guarantees their common security and public order in return. T. Hobbes was the first to formulate such a contract, which was targeted against the monarchist and church-based interpretation of the origins of the state. The contract is concluded between individuals (society) and the state, and represents the transition of humanity from being natural to being political. In the natural state, each person defends and asserts his or her own natural rights. However, human selfishness leads to a breach of these rights, which means that each person exists in a state of potential jeopardy. The state emerges as an impartial institution to which people transfer their natural rights, obliging itself to protect them better than they would be able to in the natural state; in other words, to govern for the good of all, and to act only within the framework of the contract. However, people retain control over the method of using power, and therefore preserve the right to rise up against power that has been misused. The concept of a contractual state was formed in antiquity, and was later used as a political argument in bourgeois revolutions. Although the current philosophy of politics no longer has any use for the model of the social contract in the form that their predecessors bequeathed to them, its essence remains valid.

The state and the third sector have different functions in society. Lester Salamon has spoken about five functions of non-profit organisations: service, innovation, advocacy (or the function of social change), expression of opinion, and community building. The state creates the necessary legislative environment for the activities of all non-governmental organisations. Furthermore, it enters into close partnerships with non-profit organisations that offer public benefit services to citizens. A higher level of partnership is where the state succeeds in using the innovative potential of non-profit organisations in implementing its development programmes. In contrast, non-profit organisations, the objective of which is to carry out other functions, are relatively independent of the state and its apparatus.
This chapter intends to describe the basic operation of the state and its relationship with the third sector in such a way as to assist the creation of a positive impact on the possible or necessary extent and methods of their co-operation. By way of illustration, we shall thoroughly examine examples of phenomena witnessed in Slovakia, and look at experiences from the rest of the world. We shall concern ourselves with the types of relations found between the state and the third sector, and shall also look at partnerships between the state and the third sector and their possible effects in practice.

Terminology corner: What’s what

Destatification is a process involving the steady transfer of the executive powers of the state to non-state entities. In post-communist countries, this is currently taking place through privatisation in economic spheres (as well as in health care, for example), and the transformation of state-funded and state-supported organisations into non-state entities – for example, the conversion of state schools into church schools (with or without the transfer of state property to the non-state entity concerned).

Deregulation is a trend of development in the creation of legal systems, based upon the principle that laws should only regulate areas that are absolutely essential for particular social relations.

Delegation – the delegation of executive functions by the state-means the entrustment of a non-state entity with the discharge of certain functions, usually with a legal basis. For example, the Red Cross organises blood donations, gives first aid, etc. The state may, by law, also transfer its functions to town and village councils. As a rule, the state also provides funding for the execution of the functions it has delegated.

Deconcentration generally means the division of competences to carry out certain tasks that are usually performed by one or more organisational components of the state. One example of this is the transfer of many ministerial functions to district councils in Slovakia when the act on competences came into effect in 1996.

Decentralisation within public administration is the transfer of competences from state entities to local government. It represents a fulfilment of the subsidiarity principle, which states that problems should be solved on the level of society (and its local government entities) closest to that upon which they arose. Only in situations where a given level is unable to address these problems are competences passed on to higher levels of local government, or to the state.

The commissioning of services by the state is one way that the state or local government may ensure the provision of public benefit services to the citizen whilst not carrying them out directly (in the case of services guaranteed to the citizen by law). The state or local government defines its needs and the volume of funds necessary to meet them, and seeks possible service providers in the private (for-profit and non-profit) sector through open tenders or direct commissions (in the case of specific functions). It concludes a contract with these providers concerning the extent to which the services will be provided, including financial payments by the state for these services. The commissioning of services is a permanent, dynamic process that seeks the most effective method of carrying out the ever-changing functions of the state and local government, in contrast to the delegation of executive functions, which is usually a one-off activity enacted by law.

THE STATE – ITS STRUCTURE AND FUNCTIONS

The modern state is defined by the attributes of democracy and the rule of law. These are created by a type of political regime where the execution of political power is regulated by law. The activities of people in a state under the rule of law are not governed by those in power, but by legislation. Sometimes the origins of the rule of law are dealt with so regularly in books and the media that some people cease to perceive them and reflect upon the content of these statements. Their level of understanding, however, has an impact on the appropriate division of third sector functions. That is why we shall first reiterate these (seemingly obvious) characteristics.

A state under the rule of law has three main characteristics: 1) it respects the sovereignty of the people; 2) it divides power between the legislature, the executive, and the
judiciary, and 3) it acknowledges that public (governmental) power must be regulated in its activities by basic human rights and freedoms and the existing legal arrangement.

Today, no one would deny that the state should be built upon democratic principles and the respect of rights. No one rejects the system of dividing state power between the legislature, the executive, and the judiciary, although discussions are taking place concerning the expansion of the principles of mutual interdependence and equity. What is controversial, however, is the issue of how powerful the state should be, and therefore what functions it should carry out for its citizens.

**Box 2: The function of the state according to Adam Smith**

Adam Smith, the economist and philosopher, limited the function of the state to three duties: 1) protecting society from the violence and invasion of other independent societies; 2) protecting, so far as possible, every member of society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; 3) erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain because the returns on them would never suffice to cover the expenses of the individual or the group in question, although the benefits are felt by the society as a whole.

The reasoning is purely economical. The state should be divested of all other duties, “in the attempting to perform of which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient”.

Although the functions of the modern state are constantly evolving in accordance with the development of its needs, liberals feel that a minimalist state is always the best option. The role of a minimalist state is to enshrine as many human rights and freedoms in law as possible, to look after the external and internal security of its citizens, and to create a well thought out legal framework for the free play of market forces and the competitive and positive development of the economy.

For example, the Slovak Republic still has a powerful state, which is involved in many areas of social life. Education, culture, and health and social services are still the realm of the state, while many areas of the commercial sector are subject to direct state administration and control. This is also the case in other Central, Eastern, and Southern European countries.

The framework of rights and obligations (competences) of central and other state bodies is defined by the act on competences. These competences are further concentrated in special laws through which the state realises individual policies. In most post-communist countries, reforms of public administration are either a reality or are currently taking place, along with an expansion of the rights and obligations of local government. A programme of approximating laws to the *acquis communautaire* (EU legislation) is taking place in all countries endeavouring towards EU accession, which is leading to the establishment of new institutions and rules.

A number of misunderstandings and conflicts arise in everyday life because citizens are not thoroughly familiar with the competences of individual public bodies (both at state and local governmental level). Their impact is only indirectly assessed according to the guises in which they are met in day-to-day life.
THE BASIC FRAMEWORK OF RELATIONS BETWEEN THE STATE
AND THE THIRD SECTOR

So, what are the possible relationships between the state and the third sector? How is
the space for these relationships delineated? In order to answer these questions, we must
look individually at the three basic components of state power and their relation to the third
sector.

THE STATE LEGISLATURE AND THE THIRD SECTOR

The main role of the legislature is to approve and amend the constitution and other laws
that make up the legal framework of the country. Third sector organisations are also sup-
ported in the set of basic rights and freedoms guaranteed to the citizen by the constitution.
This set contains basic human rights and freedoms, political rights (including the freedom
of assembly), the rights of national minorities and ethnic groups, economic, social, and cul-
tural rights, the right to environmental protection and cultural heritage, and the right to judi-
cial and other legal protection.

The third sector has an interest in influencing the decisions made by the legislative arm
of the state, primarily to ensure that the set of basic rights and freedoms guaranteed in the
constitution are appropriately reflected in laws that more comprehensively regulate the
assertion of specific citizens’ rights and freedoms. Moreover, non-profit, non-governmental
organisations also have a special interest in laws that govern the establishment, function,
and cessation of citizens’ organisations – civic associations and foundations in particular,
but also other institutions.

The third sector uses all available legal means to influence the legislators – petitions,
public assemblies, campaigns, lobbying, and other legal channels. In the current stage
of relations between the third sector and parliament, this is more of a one-way street,
involving third sector pressure on MPs to ratify certain laws.

The Civic Initiative for a Good Law on Access to Information achieved a significant
change in the relationship between legislative power and the third sector in Slovakia. This
group of activists prepared a proposal of this act, which was subsequently presented for
parliamentary discussion by fourteen deputies of the National Council of the Slovak
Republic as their own parliamentary initiative. Despite the fact that the government did not
agree with the bill, the effective campaign by the civic initiative ensured its approval by the
legislature. This case, along with other instances where the legislature was influenced
in some way, demonstrates that it would be beneficial to ratify a special law on lobbying
in post-communist countries.

THE STATE EXECUTIVE AND THE THIRD SECTOR

Relations between the executive bodies of the state and the third sector are very diver-
se in nature, because state functions relating to the citizen, and the competences asso-
ciated with them, are still very wide-ranging. The very organisation of state executive bod-
ies is also extremely diverse, from central bodies to local state administration, along with
state-supported and state-funded organisations established by the state itself. This gives
rise to a number of areas of convergence in which non-profit organisations come into con-
tact with the state.

It is essentially true to say that no non-governmental, non-profit organisation may avoid
contact with the state, because:

- Non-governmental organisations are parties to legal relationships. The law sets out
  specific obligations that they must fulfil towards the state. Such obligations have
  a general nature (i.e., they concern non-governmental organisations as taxpayers,
employers, sources of statistical data, etc.), as well as a specific nature that stems from obligations stipulated by special laws (the obligation to draw up an annual report and submit it to the appropriate state body, the obligation to register the organisation in a special way, etc.).

- Non-governmental organisations are also parties to legal relationships in that they have a claim to the fulfilment of obligations by the state, which are guaranteed to them by law. Again, these obligations may be divided into those of a general nature: welfare payments for the employees of non-profit organisations, information about the activities of the public administration, etc., and those with a specific nature: tax exemption for charitable donations and other legally defined income, registration, etc.

When we look at the state and non-governmental, non-profit organisations from the aspect of their possible relationships, we find that:

- The state and non-governmental organisations are in a partnership together, which may or may not have the nature of a legal relationship. The purpose of creating and developing such a partnership is the joint effort to bring about social change. The objective may be co-operation in providing services to the inhabitants of a certain region, or seeking the most appropriate method of co-operation (while respecting the independence of both partners) in order to carry out a specific task or meet a specific need if the law has proved inadequate.

- The state and non-governmental organisations occasionally have a neutral or unfriendly relationship. This nature of relations gives rise to a very complicated situation, because it is essential to regulate mutual relations thoroughly through the law, and enforce the observance of the law through the courts. This occurs when the state does not respect the natural rights of non-profit organisations to fulfil their advocacy and control functions in society. From a long-term perspective, it is more appropriate to expend energy in changing the character of relations.

An intrinsic part of every third sector development strategy is the effort to create partnerships with the state.

**Box 3: An example of identifying the necessity for a change in relations between the state and the third sector**

Non-profit sector development strategy in the Czech Republic sets out six strategic objectives:

1. a change in the system of state financing;
2. a change in the tax system;
3. the transformation of state-funded and state-supported state organisations into non-state, public benefit organisations;
4. development in the plurality of financing;
5. the strengthening of assistance to non-profit organisations upon accession to the European Union;
6. the strengthening of inter-sector partnerships.

**THE STATE JUDICIARY AND THE THIRD SECTOR**

Non-governmental organisations may become participants in legal disputes, whether in their own name, or when representing citizens.

Non-governmental organisations are often the initiators of a number of cases in this area: out-of-court mediation for the settlement of disputes, assistance to the victims of vio-

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2 Frič et al, Prague, 1999
lent crime, the proposal of alternative punishments, and care for people during and after their sentence. Non-governmental organisations, however, may not affect the execution of independent judicial power in any way.

**RELATIONS BETWEEN THE STATE AND THE THIRD SECTOR**

As regards the mutual relations between the third sector and the state, two extremes are often mentioned. The first is the paradigm of partnership and co-operation, while the second is the paradigm of competition and conflict. The reality, however, is often more varied. Some governments engage in large, nation-wide programmes; nevertheless, they often leave a large amount of space for the involvement of non-state entities when providing services on a local level. State support is the result of rational considerations concerning the abilities of non-profit organisations to solve problems that the state does not want, or does not know how, to solve alone. That is why it is ‘profitable’ to invest taxpayers’ money where it can expect ‘social returns’. A certain division of labour occurs here – the state sector supplies financing, while the non-profit sector, to a significant extent, the direct provision of services. Sometimes the third sector provides the same services as the state sector, or supplements activities that state institutions cover to an inadequate degree.

**PUBLIC BENEFIT SERVICES PROVIDED BY NON-PROFIT ORGANISATIONS**

The provision of education, health care, and social services to both the lower and middle classes is a traditional activity of the non-profit sector in developed, democratic countries.

Data on non-profit sector employment in 22 countries (as a part of the research into the third sector led by Lester M. Salamon), have clearly shown that two-thirds of all employees in non-profit organisations work in the three traditional areas of care for public welfare – 30% in the area of education, 20% in health care, and 18% in social services, which represents a total of 13 million people in these countries (see the table in Annex 4 of this book).

In Western European countries, as well as in Israel, where non-profit organisations generally provide public benefit services, the dominant source of financing for these organisations comes from the public sector. It is the European model of social policy – a tradition that acknowledges the important role of the state in financing social welfare, but where the state entrusts the execution of these activities to private, non-profit organisations.

One of the conclusions of this research is very important for the future of the non-profit sector in Central, Eastern, and Southern Europe – the support of the public sector in non-profit areas is a determining factor for the growth of activity in the non-profit sector. For a better understanding of this, let us compare Slovakia with the Netherlands – the latter being the country where the greatest number of people work in the third sector. In Slovakia, 0.9% of all employees work in the non-profit sector, while this figure is 12.6% in the Netherlands. In Slovakia, 35.6% of all non-profit sector employees work in the area of education, health care, and social services, while this figure is 88.8% in the Netherlands. In Slovakia, 21.9% of all third sector income comes from the public sector, while this figure is 59% in the Netherlands. If Slovakia and countries throughout the Central, Eastern, and Southern European region are to follow the classic route of European traditions in social policy, then the non-profit sector should strengthen the provision of public benefit services, and therefore income from the public sector. As we shall see below, in the case of Poland, development is not so clear-cut, despite efforts towards EU integration. Fundamental reforms of public benefit services have yet to take place in most countries, and their inhabitants still only have very limited opportunities to choose other services than those provided by the state. One progressive step is the ongoing process of decentralising service
provision from the state to local governments. However, it will possibly take another ten years for local governments to finally accept non-profit organisations as their partners when providing public benefit services to citizens.

MODELS OF RELATIONS BETWEEN THE STATE AND THE THIRD SECTOR

On the basis of a comparison between the various traditional relationships between the state and the third sector in various countries, B. Gidron, R. M. Kramer, and L. M. Salamon proposed the following typology of relations between the two sectors.

The basic dimensions of this typology (oriented primarily towards the provision of various services) are: (1) financing and the authorisation of services, and (2) the direct provision of these services (the term ‘social services’ in the subsequent paragraphs is used in the sense of its wider understanding throughout the world; i.e., including education, health care, and to some extent, housing). The usage of these dimensions gives rise to four differing models of state-third sector relations.

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The model of state domination

In this model, the state plays a dominant role in financing and providing social services; this means that social services are paid for by the state (using the tax system to obtain funds), and provided by state employees. Switzerland is a good example of a dominant state with only a minimal, supplementary role played by non-profit organisations. This system works effectively, despite significant ethnic and language differences, thanks to a high level of decentralisation. This enables the adaptation of social services to their recipients on a local level.

The model of third sector domination

The other extreme is the model whereby non-profit/volunteer organisations play a dominant role in both functions – financing and service provision. This model is typical of countries where, either for ideological or religious reasons, there is strong opposition to state intervention in the provision of social services, or where the need for such services has yet to be accepted by society.

The dual model

One of two possible hybrid models is where both the state and the non-profit sectors are involved in the provision of social services – the dual or parallel model. This model may come in two forms: (1) non-profit organisations supplement state services by providing the same services to clients who are not covered by the state, and (2) non-profit organisations supplement state services by providing services that the state does not. In both cases, however, two wide-ranging, relatively autonomous systems of financing and service provision exist side-by side. Italy is an example of the dual system. Despite the strong tradition of church-oriented non-profit organisations, a powerful state has pushed them out of their dominant position and left them merely with a supplementary role, functioning mainly on a local level.

The model of co-operation

In this model, the state and the third sector again participate in the provision of services; however, in contrast to the preceding model, they also co-operate with each other.
This co-operation usually involves the state providing finances and the third sector providing services. (Theoretically, the reversal of these roles is also possible). Again, two possible alternatives of co-operation between the two sectors are possible, depending upon the level of the third sector’s independence in relation to the state. If non-profit organisations function merely as administrators, executors of state programmes with no independence, then they may be labelled as ‘co-operating retailers’. On the other hand, if non-profit organisations maintain a high level of independence, whether in the direct administration of programmes or in the decision-making process concerning these programmes, then this is a ‘co-operating partnership’.

Co-operation between the state and the third sector is particularly associated with the USA, and possibly the Netherlands. This model is less evident in Germany, which at first glance appears to represent a typical case of state domination in the area of service provision. However, a growing factor in service provision in Germany is the principle of subsidiarity, where the primary role of the state is to assist small, local entities to achieve their objectives, which expresses the model of co-operation exactly.

For example, the state is still dominant in the area of service provision in Slovakia. Non-profit organisations only play a supplementary role – they provide the same services as the state for those who do not receive state assistance, and simultaneously endeavour to develop new services that the state does not provide. The situation in the Czech Republic is similar, although ongoing privatisation and decentralisation processes in both countries may change the situation completely. Such is the case in Great Britain and France, where precisely these processes have led to a shift from the model of state domination to the model of co-operation.

Despite efforts towards EU integration, future development in post-communist countries is not clear-cut, because they are experimenting with models that differ from traditional European models of social policy. Ewa Les\(^3\) wrote the following about development in Poland: “While the importance of the non-profit sector for democratic development is in general terms recognised, its role as a fully-fledged partner of both central and local government in service delivery has not yet been fully embraced by the political elite. Indeed, in the neo-liberal strategy adopted by the Polish government to reconstruct the state welfare system and reduce state assistance, priority has been given to the ‘privatisation’ of the welfare system through market and quasi-market institutions at the expense of subsidiarity and greater involvement of the non-profit sector”. In fact, the author comes to a very pessimistic conclusion: “As the process of institutionalisation of the non-profit sector as a service provider is still unfinished, there is quite a real danger that the potential of non-profit organisations will again remain untapped, as before 1989”. Most post-communist countries still find themselves in a stage of seeking themselves, and move through a wide range of conceptions, from the paternalistic to the aforementioned neo-liberal, when providing social services to the citizens. In contrast to the opinions of Ewa Les, we believe that the domination of a state that has maintained the structure and quality of services from the previous regime represents a greater danger to the development of the third sector.

**STATE SUPPORT FOR THE THIRD SECTOR**

The state may play an important role in the development of civil society, and particularly of the third sector, by creating favourable conditions for it to function. Legal standards regulating the establishment, rules of operation, and cessation of individual legal

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\(^3\) Ewa Les: ‘Is the Principle of Subsidiarity Suitable for Central Europe? The Polish Case’. Presented at the ‘Ten Years After’ conference in Prague, October 1999
forms of non-governmental, non-profit organisations are being discussed in Central, Eastern, and Southern European countries in various ways (see also the chapter on the legal forms of non-profit organisations). A less well-known and well-discussed issue is that of the financial relations between the state and the third sector. Essentially, it is necessary to differentiate between direct and indirect financial support provided by the state to the third sector.

INDIRECT FINANCIAL SUPPORT

Indirect state support for the third sector involves the state relinquishing income from non-profit organisations that it would have otherwise received. The pertinent legal arrangements regulate two important types of income into the state budget – taxes and customs duties. The income of non-profit organisations that exist for precisely defined purposes is either tax-exempt, or subject to tax breaks.

Indirect state support through tax and customs laws should not be overrated, because it is not aimed exclusively at non-governmental organisations. State, public, municipal, and private non-profit organisations are in the same category from the aspect of their tax obligations. All have tax-exempt incomes stemming from the activities for which these organisations were established.

The state also relinquishes a part of the taxes that it would have otherwise received from individuals and organisations when they donate them to other organisations. Donors may deduct the value of the gift from their taxable income, as long as the gift was made for legally acknowledged public benefit purposes. These are mostly: science and education; culture (including the renovation of cultural memorials); education; fire protection; the support of youth; public safety; the protection of animals; physical education; sport; social, health, ecological, humanitarian, and charitable objectives, and religious purposes where this involves churches and religious organisations that are recognised by the state.

Gifts provided to non-governmental organisations by individuals and organisations are defined as income from private sources, even though it would be possible to calculate the share that the state would have otherwise received at least approximately. The determining factor, however, is the voluntary decision of donors, because the proportion of their own funds in the gift is much greater than the amount of tax exemption. Moreover, the state allows this in the knowledge that the funds are to be used solely for public benefit purposes; i.e., for purposes that it would have otherwise had to cover from its own resources.

The current trend of cutting taxes in Central, Eastern, and Southern European countries is not providing a stimulus for potential donors. If the tax rate is lower, the opportunity provided by the state to deduct donations from taxable income is of less significance. That is why one of the key points of discussion between the non-profit sector and the state is a change from this principle to the principle of assignation. A significant step in the right direction took place in Hungary in 1996, when the government approved regulations allowing all taxpayers to donate 1% of their taxes to a non-profit organisation of their choice. A study by Ágnes Vajda and Éva Kutí has shown that citizens primarily support local organisations that they are familiar with, and that this new system has helped to raise the awareness of citizens in regard to the activities of non-governmental organisations to a significant extent.

In Slovakia, the legislation providing opportunity to assign 1% of income tax duty to a non-profit organisation was approved at the end of 1999, and came into effect at the beginning of 2002. Discussions concerning the possible ratification of a similar law are under way in Poland and the Czech Republic.

\(^4\) 1%. ‘Forintszavazatok’ civil szervezetekre. Nonprofit Kutatócsoporth, Budapest 2000
DIRECT FINANCIAL SUPPORT FROM THE STATE – A COMPARISON WITH OTHER COUNTRIES

Globally, income from public sources represents a significant share of the total income of non-profit organisations, because they provide a large number of public benefit services for citizens, which are paid for by the state, the region, or the municipality in which they are provided. Data from the second stage of research into the non-profit sector in 22 countries, which was carried out by an international team led by Lester M. Salamon of the Johns Hopkins University in Baltimore, have shown that the average income from public sources represents 40.1% of the total income of non-profit organisations. In nine Western European countries, this figure is even higher – as much as 55.6%. The Irish non-profit sector receives the highest proportion of its income from public sources – 77.2%, followed closely by the Belgian non-profit sector – 76.8%. The lowest proportion of public funds may be found in the Finnish and Spanish non-profit sectors, with figures of 36.2% and 32.1% respectively.

Central European third sectors, in contrast to those in Western Europe, receive a much lower proportion of their funding from public sources – 33.3% on average. The study examined the Czech Republic, Hungary, Romania, and Slovakia. The highest proportion of public funding was found in Romania – 45%, and the lowest in Slovakia – 21.9%. The Czech Republic and Hungary came in with figures of 39.4% and 27.1% respectively.

The following graph provides a more schematic overview of this; in addition to income from the public sector, it also depicts income from charity and organisations’ own activities – fees. Income from charity includes gifts from both domestic and foreign individuals, companies and foundations. (Only financial and material gifts are shown in this graph; the ratios between individual sources would change to some extent if they included charitable donation in the form of voluntary work). The term ‘fees’ comprises a wide range of income types, which are sometimes referred to as organisations’ ‘own income’. They include membership and admission fees, payments made by clients for the provision of services (which are the main activities of the organisation), profits from commercial activity, interest on deposits, and other income.

Figure 1: Sources of third sector income (excluding voluntary work) in Central, and Eastern Europe and the European Union, and the average of 22 countries (%)

Non-governmental organisations have various methods at their disposal to obtain financial support from the state budget. Where non-profit organisations have the classical func-
tion of alternative ‘service providers’ for citizens, support from the public sector may be an important factor leading to dynamic growth.

From the aspect of strategic deliberations concerning the permanent sustainability of the third sector, it is necessary at this point to mention extra-budgetary public funds, which may represent an important, relatively independent source of public funding. In a number of countries, such sources are provided by state-controlled lotteries. Of the post-communist countries, the Czech Republic is an inspiring example, having used the proceeds of privatisation to strengthen charitable funding. The usage of income from privatisation in the Czech Republic to support foundations that are independent of the state represents a unique contribution by the state to the permanent sustainability of the third sector.

Box 4: An example of state support for third sector sustainability

In 1991, a law was passed in the Czech Republic establishing the Foundation Investment Fund, with the aim of supporting foundations specified by the parliament upon the proposal of the government. The government allocated 1% of the shares from the second wave of coupon privatisation to the fund. These assets were administered by the National Property Fund, and were made up of shares in 485 companies with a nominal value of CZK 2.823 billion ($94 million). In 1999, the parliament approved a government proposal for the distribution of CZK 500 million ($15 million) of FIF funds to 39 foundations, and these foundations contractually bound themselves to deposit the entire amount into their endowments. In 2000, the distribution of a further CZK 1,200 million ($36 million) was approved, of which at least 85% had to be used for the creation of endowments. The aim of both selection procedures was to seek out foundations that were capable of administering finances, of increasing the value of these funds, and of financing non-profit sector organisations in particular from the returns received (foundations are only permitted to use a maximum of 20% of annual returns from this source to cover operating costs).

PARTNERSHIPS BETWEEN THE STATE AND THE NON-PROFIT SECTOR

Co-operation between the state and the non-profit sector presents three potential dangers of great importance. The first is a loss of autonomy or independence, especially a weakening of the role played by the third sector as a defender of the rights of individuals and groups. The second danger lies in a possible distortion of the objectives of non-profit organisations, which may become used to, and gradually dependent upon, financing provided by the state. These organisations then find themselves merely in the role of a service provider for the state, regardless of their original objectives; this phenomenon is sometimes called ‘vendorism’. The third danger is a possible bureaucratisation or over-professionalisation and the subsequent loss of flexibility and local control that are regarded as the third sector’s greatest strengths.

If we accept that co-operation between the state and the non-profit sector involves mutually complementing the weaknesses and strengths of both parties, then the appropriate standard should be one that corrects the shortcomings of both sectors without harming their strengths. In practice, this means that the state’s need for economy, efficiency, and accountability must be tempered by the third sector’s need to achieve a certain level of self-determination and independence from government control, while the third sector’s desire for independence must be tempered by the state’s need to achieve equity and ensure that public funds are used with the aim of attaining their intended objectives.

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5 Správa majetku nadácií. The Jan Hus Educational Foundation, Bratislava 2000
THE SITUATION FROM THE NON-PROFIT SECTOR’S POINT OF VIEW

The independence of the non-profit sector

Probably the greatest fear of those who are concerned about the involvement of the non-profit sector in public programmes is that such involvement could lead to a loss of the sector’s independence. In this context, one of the fundamental characteristics of the third sector is that it acts as a reservoir of innovative ideas and as an agent of social and political change. It is argued that if the sector were to become an ‘agent’ of the state, it would lose this ability and become susceptible to political pressure. Furthermore, it would begin to adapt its activities to the priorities of remote political representatives, instead of adapting to the communities that these activities are meant to serve. A more diluted version of these fears also exists, whereby excessive pressure on the function of the non-profit sector as a service provider may ‘straightjacket’ non-profit organisations and weaken their role as defenders of group and individual rights. Although examples have undoubtedly been seen where the government has interfered in the independence of non-profit organisations, most empirical data have given rise to doubts in regard to this argument.

A weakening of the objectives of non-profit organisations

Fears also exist that financing from public sources may weaken organisations’ objectives by attracting them to areas that do not correspond to the concepts that the organisations themselves consider important, or away from things that they would like to do. There is a danger that voluntary boards of directors could lose effective control over their organisations, because professional employees receive financing independently and outside of board control. Nevertheless, there is a lack of empirical evidence to support this idea.

Government support is in fact overcoming some of the favouritism of the non-profit sector. Kramer’s research in 1980 into non-profit organisations working with the disabled came to the same conclusion: “Generally, agencies did what they always wanted to do, but for which they previously lacked the resources”.

Moreover, pressure for a change in an organisation’s objective may also arise from private, non-governmental sources of financing. These sources often have their own priorities and interests, which may or may not correspond to those of the non-profit organisation. For example, foundations have often been accused of giving preference to new, experimental programmes, while money for regular services is much more difficult to come by. Similarly, many organisations oriented towards the defence of group and individual rights feel that companies and foundations prefer to avoid any possible controversy.

The management and bureaucratisation of non-profit organisations

The third important issue in regard to public support for non-profit organisations is the fear that involvement in government programmes may produce an undesirable level of bureaucracy and professionalism in the recipient. Government agencies rely on the non-profit sector to create a higher level of variety and flexibility when rendering services than they would be able to provide themselves. At the same time, these agencies must guarantee that some aspects of the programmes remain standardised, even if they are to be implemented by the non-profit sector. These aspects include effective financial management and accounting, the maintenance of minimum quality standards, the fulfilment of basic programme targets, and an approximation with certain targets of state policy, such as the principle of equal opportunity, rights for the disabled, and the protection of the environment. This is why government programmes often demand more bureaucratic, unwieldy systems for the realisation of programmes and regulatory control than would normally be the case when receiving other forms of financial support. Over half (53%) of all respondents in a study of non-profit organisations agreed with the statement that “it is easier to deal with corporate and foundation funding sources than government funding sources”, and less than a quarter of all respondents disagreed with this. For non-profit organisations
to cope with the demands for control in government programmes, they must often apply management systems that reduce their flexibility and endanger their informal, voluntary nature. Sometimes, public programmes involve demands that lead to a greater reliance upon professional employees than volunteers. In some cases, non-profit organisations must be certified and adapted to government guidelines concerning the number of employees and clients, employment practices, facilities for the disabled, etc.

Of all the aforementioned fears concerning the effect of government financing on non-profit organisations, this is probably the most credible. However, pressures to improve the management of organisations, to introduce more stringent financial controls, and to employ professionals in service provision do not stem exclusively from the government. Increasing professionalism has been a major trend for decades in all areas of non-profit activity – in social services, health care, education, and even in the areas of art and community organisation. In reality, pressure towards professionalisation has arisen partially from the non-profit sector itself, and the role of the government has been to develop the professional standards that have emerged in individual areas. Many private donors also expect sound financial management from the organisations to which they provide resources.

The fact that non-profit organisations may be over-bureaucratic and too preoccupied with their own internal management leads to the conclusion that they may pay too little attention to this dimension of their operation. They very often request too little money for the provision of publicly financed services, and are compelled to draw upon their own resources to make up the deficit. The authors of a study that examined this phenomenon concluded: “The enemy to survival is not from without, i.e., the government, but from within the agency’s own management practices” (Hartogs and Weber, 1978, 10).

**THE SITUATION FROM THE STATE’S POINT OF VIEW**

Partnership between the state and the non-profit sector has not had such unfavourable effects on the voluntary sector as many have feared. State instruments for accountability and control are often weaker than expected. As we have seen, much government assistance to the third sector takes the form of payments to individuals or reimbursement for services rendered. In such circumstances, the ability of the state to control non-profit organisations in the area of service costs and quality is severely limited.

Although the provision of direct grants and purchase agreements for services may provide more effective means of control, these methods very often fail to work in practice because they lack the essential conditions for cost-effective contracting – such as meaningful competition between service providers, effective gauges of performance, and decision-making geared to performance. Very often decisions as to whether services should be contracted, and with whom, have been made under the pressures of unreasonable programme deadlines, with too little available information, and with little opportunity to study potential contractors. One result of this is that the state must often accept services that the existing network of services providers are able to supply, rather than seeking those that react to the needs of the target population. Because it is difficult to create and apply performance criteria, the state often concentrates upon accounting controls and application and reporting procedures that merely increase the burden on organisations without providing effective means of monitoring and control (De Hoog, 1985).

**THE NEED TO INVOLVE THE STATE IN CO-OPERATION WITH THE NON-PROFIT SECTOR AND THE LEGITIMACY OF STATE REQUIREMENTS FOR ACCOUNTABILITY**

If partnerships between the state and the non-profit sector draw their strength from the involvement of a non-profit partner, then they also draw strength from the involvement of the state as a partner. The theory of ‘voluntary failure’ lies in the concept that, despite
all its advantages, the voluntary sector has certain limitations that prevent it from being relied upon completely. Four major reasons speak in favour of government involvement even when voluntary associations are also involved:

**Financing:** Although private giving and voluntary activities are very important, it seems unreasonable to expect that these sources may be counted upon to create a sufficient level of support for the maintenance of a certain level of services (including social services) that our society needs for the most effective use of human resources. This was discovered at great cost in the late 19th and early 20th centuries in most developed, industrial societies throughout the world, and remains valid today.

**Equity:** Not only is the state in a better position to finance required services, but it is also in a better position to ensure the equal distribution of these resources between individual parts of the country and its population. Private, charitable sources may or may not be available where the need for them is greatest. If a mechanism similar to the state is lacking, then it is very difficult to divide available resources reliably between the regions and inhabitants that need them most. Non-profit organisations with sufficient experience and the capability of providing certain services may not necessarily be accessible in some localities, thus generating a need to rely on direct public assistance.

**Diversity:** Even though the non-profit sector has many advantages as a service provider, it also has many disadvantages. For example, private non-profit organisations are well known for their interference in personal religious or moral preferences to a greater extent than some people would like. Similarly, some established organisations may monopolise the flow of philanthropic finances and thus limit the resources available to smaller or newer groups. For all of these reasons, it is necessary that the government play a role in ensuring a sufficient level of diversity in the service provision system, including the financing of for-profit service providers.

**The setting of public priorities:** The main principle of democratic society is that the public, through the democratic process, should be capable of setting priorities and of then gathering the resources to guarantee their fulfilment. Complete reliance upon the activities of the private sector strips the public of this opportunity and leaves the setting of priorities in the hands of those who have the greatest control over private resources.

THE NEED FOR AN IMPROVEMENT IN PARTNERSHIP MANAGEMENT

Although a significant ‘financial partnership’ has arisen between the state and philanthropic institutions in the area of social services, this is often merely a phrase. In most cases, it is true that the process of allocating funds takes place independently in both sectors, and often with no mutual awareness. Public sector organisations only have a vague idea of the objectives for which contributions to the third sector are made, and the charitable sector very often has an imperfect awareness of (and very little influence over) where and how public funds are allocated. In many areas, even basic information about the extent and structure of the private, non-profit distribution system is lacking, which complicates the approval of coherent policy decisions.

Despite its problems, partnership between the state and the non-profit sector has many positive aspects. It combines state fundraising processes and democratic decision-making with the personalised service provision abilities of the non-profit sector.

Problems lie in its complexity. The presence of very different interests and perspectives of the state and its non-profit partners only serve to complicate the situation. However, having ‘discovered’ such a partnership and observed its development, we should now try to make it work.
In essence, it would be true to say that the state and civic organisations are both mutually interdependent and separate. In contrast to the destruction wrought on civil society by totalitarian and authoritarian states, the renewal of civil society must not be the affair of the state. The state may facilitate or complicate the process, but growth must come from within civil society itself, based upon its needs and strengths.

BIBLIOGRAPHY
THE THIRD SECTOR
AND LOCAL SELF-GOVERNMENT

CONTENTS: Local Self-Government within the System of State Authority ■ The Guises of Local Self-Government ■ The Structure of Local Self-Government and the Function of its Components ■ The Participation of Citizens in the Activities of Local Self-Government ■ Local Self-Government and Ethics ■ The Development of Relations between Local Self-Government and the Third Sector ■ The Development of Co-operation Stimulated by the Local Third Sector

In the transitional countries of Central, Eastern, and Southern Europe, a rebirth has taken place – not only of the third sector, but also of local self-government. In order to better understand this phenomenon, we shall first attempt to explain the nature of the social changes underpinning it.

Both the third sector and local self-government are perceived differently in different countries, and it is believed that they also existed during the communist regime. Although many socially oriented citizens’ groups were active during this period (clubs, associations, societies, etc.), this was not a third sector in the modern meaning of the term. These organisations operated within the bounds of a strictly regulated ideological framework, which – like everything at the time – was subject to a leading role by the communist party. And what about local self-government under the communist regime? Although it would be true to say that state bodies corresponding to those of the present local state administration and local self-government were in evidence, they were not independent – on the contrary, they were very strictly regulated by the state and the structures of the ruling party. The state-dependent, ‘self’-government that characterised this period has evidently left its mark in people’s minds; they have forgotten how to look after themselves and still believe that their problems will be solved by ‘someone else’ – i.e., the all-powerful, centralised state. However, genuine local self-government is completely different. It relies upon the involvement of citizens and their shared responsibility. In fact, it is so different that people must first learn to understand it before they can participate in fulfilling its objectives.

The aim of this chapter is to generate precisely such an understanding of real local self-government and its relations with the third sector. We shall concentrate on phenomena that indicate a tendency towards the decentralisation of power – phenomena that provide space for citizens’ self-realisation, and which simultaneously reflect the state of citizens’ needs, their level of self-awareness, and the assertion of civic influence. We shall present basic terminology, the interrelations between local self-government and public administration, the various characteristics of local self-government, and the ways in which these characteristics manifest themselves. We shall explain the possible structures of local self-government, along with the most common decision-making processes connected with them, and also describe the various ways in which citizens may participate in local self-governmental activities. We shall conclude the chapter with an outline of opportunities for developing relations between local self-government and the third sector, and twelve recommendations for good cooperation, which are based upon our experiences and are waiting to be used for practical purposes.

Terminology corner: What’s what

The word ‘government’ stems from a Greek root meaning ‘to steer’, but is now generally associated with the authority to rule independently. Although local self-government is never completely autonomous from centralised authority (dependent as it is on resources from the state and governed by laws that are
approved by the central government), it has a certain amount of freedom to make independent assessments and decisions on a local level (usually within a municipality). ‘Self-government’ literally means to govern oneself; i.e. to have a set of one’s own issues which one can freely and independently explore, assess, and make decisions on. The term ‘self-government’ often refers to ‘local self-government’, which denotes self-government in the territory of a town or a city. When the area covered is greater, then the term ‘regional self-government’ is commonly used. If the independent administration of affairs does not concern a particular geographical territory, but a society joined by a common interest (for example, professional chambers and associations, and self-governing associations in areas such as the environment, culture, sport, etc.), then the term ‘special interest self-government’ is applied.

Local self-government assists society within the bounds of a certain territory, so that these people are able to meet their needs and interests. The constitution and special laws provide local citizens with a relatively independent status, especially in regard to issues involving property and finances. Local citizens independently create (through local elections or separate decisions made by elected local bodies) the structure of local self-government; the elements of this structure then have a responsibility to citizens for their performance.

In countries with developed pluralist democracies, local self-government represents a stable element of society; it has a large share of competences in local public administration, and its operation is guaranteed by incentives in the form of financial relationships. On the other hand, local self-government in transitional countries is still seeking its place in the sun. With the ongoing process of decentralisation, it is only gradually acquiring the competences that rightfully belong to it, and it often functions on the fringes of financial extinction.

In developed democracies, the third sector is an inherent component of society as a whole; it is naturally expected to fulfil its specific tasks, and enjoys the support from society resulting from this. In transitional countries, the third sector provides a balance to state-directed society – its social justification is only attained through its activities, thus demonstrating its right to an appropriate share in social tasks and social authority.

Both local self-government and the third sector represent new forces in transitional countries, providing significant support for decentralisation and a reduction of the influence of state authority on society. This is why tendencies towards bilateral, targeted co-operation have become more apparent, while the various forms of such co-operation are frequently the result of spontaneous development and encompass many different methods of co-operation, from the consultation of public opinion to the delegation of some local self-government tasks to the third sector.

**LOCAL SELF-GOVERNMENT WITHIN THE SYSTEM OF STATE AUTHORITY**

As regards the extent of its influence and its external forms, local self-government differs greatly from country to country. This is the result of various historical traditions, different community needs and interests, the way in which local self-government is perceived by central authorities, and differing requirements for decentralisation. First, let us look at this institution within the system of state authority as a whole.

In a state under the rule of law, the administration of public affairs is essentially carried out in two ways, and by two different entities:

- on the level of a politically organised nation-wide structure (known as ‘state administration’), or
- on the level of a society living in a certain area, defined either by the boundaries of municipalities, or those of larger, regional areas (local/regional self-government).

If you want to determine more exactly how local self-government participates in the administration of public affairs in a particular country, then you must look at its constitution in particular, along with any special laws that govern the status of local self-govern-
ment. Despite the fact that there are many differences between the laws of individual countries, the common, fundamental attributes of public administration may be portrayed as follows:

### Administration of Public Affairs

<table>
<thead>
<tr>
<th>State administration</th>
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<tbody>
<tr>
<td>Local bodies of state administration</td>
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<tr>
<td>carried out by e.g., the regional, district, or municipal offices of specialised networks of state administration</td>
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</table>

<table>
<thead>
<tr>
<th>Local self-government</th>
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<tbody>
<tr>
<td>Local self-government bodies</td>
</tr>
<tr>
<td>= delegated state administration</td>
</tr>
<tr>
<td>carried out by towns and cities (and sometimes regions)</td>
</tr>
</tbody>
</table>

There are a number of practical ways of differentiating between the varying statuses of local self-government within the system of public authority:

- the administration of public affairs includes state administration and local self-government;
- state administration is carried out primarily by state bodies, and also, in the case of delegated state administration, institutions that otherwise represent local self-government (municipal or regional offices); in such cases, they have the role of an ‘extended arm’ of the state;
- local self-government carries out:
  - the tasks that come under its competences (this represents local self-government in the true sense of the term, with its characteristic freedom);
  - part of the tasks that come under the competences of state authority (in delegated state administration); here, it has a less independent and liberated status, incorporated as it is into the pyramid of state control.

### The Guises of Local Self-Government

Local self-government is a curious institution, containing different elements that may sometimes appear to contradict each other. These elements lead to significant differences in its operation. In order to improve your understanding of why local self-government does not always act in the same way, we shall now describe its basic roles.

When local self-government acts as an **extended arm of the state** (as delegated state administration), its activities have all the characteristics of those performed by state entities. It possesses the authority and power of the state, which, in the interests of protecting civil rights, is balanced out (as in the case of state entities) by the possibility of acting only on the basis, and within the framework, of the law. In other words, there is no room here for spontaneous behaviour or one’s own initiative; standardised, unified, and formalised activities predominate. Decisions concerning social affairs are an example of this, where local self-government, within the bounds of its geographical influence, applies rules and procedures that are generally valid throughout the country as a whole.

The role of a **regular legal person** represents the other end of the spectrum. In this guise, local self-government is able to operate as freely as any other entity (according to the principle of ‘what is not illegal is permissible’). This status is characteristic of, e.g., proprietary or other private legal relations (when concluding contracts, when acquiring or transferring property, or in obligations with a commercial nature, etc.) In this instance, the municipality does not have the status of a superior authority, but instead holds the posi-
tion of an equal partner. The institution of local self-government functions more or less like any other company in such a situation; the activities of the mayor resemble those of a director, while the council acts like a board of directors.

The role of a local authority lies between these two extremes. Although this does involve primary local self-government activities (i.e., activities not delegated by the state), local self-governments also use instruments of authority, which resemble those used by the state (for example, when issuing by-laws, deciding upon tax issues, or in other instances involving administrative decision-making). In this ‘combined’ guise, it is appropriate for local self-government to operate within limits similar to those that govern the activities of state entities. Specifically, it is in citizens’ interests for the application of authority to remain within legally defined boundaries – in other words, that the ‘initiatory’ use of power be precluded in cases that the law has not foreseen.

THE STRUCTURE OF LOCAL SELF-GOVERNMENT AND THE FUNCTION OF ITS COMPONENTS

As there is no unified system of local self-government, it naturally follows that a single model of its structure does not exist. The constitution and laws of every country determine whether the institution of local self-government has a ‘fixed’ structure or not, as well as the level of variety that is permissible when moulding its structure to local needs; i.e., the level of approximation that local self-government and the state should be obliged to adopt, and in what way elements of their respective structures may differ.

Even so, local self-governmental structures in various countries do have some common, prevalent elements, upon which we have based the following general structure of municipal self-government. (However, in specific situations, you should not forget that it is necessary to familiarise yourselves with the laws applicable in the municipality in question).

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**Characteristics of the elements making up local self-government and the relations between them**

Two types of body may be immediately discerned – those that are completely or primarily composed of elected representatives (the shaded area above), and those that are composed of employees.

- **Councils** are the highest municipal bodies, composed of directly elected representatives. For this reason, they have a decisive status within their overall structure, and the status of other bodies derives from this entity, which is reflected in their composition and subordinate position. Councils generally decide on the most important issues concerning the municipality.

- **Mayors** are the heads (or representatives) of municipalities as statutory bodies. Their status differs from country to country (★), and primarily depends upon whether they are
directly elected by the citizens, where their competences are generally more wide-ranging, or by members of the council, where the extent of their authority is generally more limited.

- **Boards** are smaller bodies of representatives that generally have an executive and controlling function, and also act as advisory bodies to the mayor. They are elected by representatives of the local council, and usually participate in the preparation of council debates. In areas where smaller local councils are the norm, such bodies are not created.

- **Commissions** are advisory, initiatory, and control bodies. The members of commissions are local council members, commissioned experts, and engaged activists living in the municipality concerned. The tasks of such commissions generally involve the assessment of issues that are important for the decisions of the council, the submission of initiatory proposals, and specifically oriented controlling tasks.

- **Chief executives** are employees charged with directing and organising the work of local offices of local self-government. Chief executives are appointed to their posts by the council, and are responsible to the mayor for their activities. (This function is usually created in municipal offices with a large number of employees; in smaller municipalities, such work is carried out by the mayor).

- **Municipal offices** are professional executive bodies. They carry out the day-to-day organisational, economic, and administrative functions of local self-government, prepare expert documents upon which the decisions of the council and mayor are based, draw up the decisions reached in written form, and ensure the execution of these decisions. Councils determine the organisation of municipal offices and the amount of funds allocated for their activities. Municipal offices are headed by the chief executive; if this function does not exist, then this function is carried out by the mayor.

- **The municipal police** is the law enforcement body of a municipality, and its organisation and funding is specified by the council. Municipal police forces are led by their chiefs, who are usually appointed to their posts by the council. Chiefs of municipal police are responsible to the mayor for their activities.

The line running from the council and the mayor to the chief executive and the chief of police indicates the prevailing method of filling these posts, a process which usually involves the joint participation of both the council and the mayor (for example, the council appoints these employees upon the proposal of the mayor).

The structure of local self-government may have a much greater level of development, or be much more modest in nature. It depends upon the conditions set out by the law and other local regulations that determine the shape of specific local self-governments.

**THE CHARACTERISTICS OF LOCAL SELF-GOVERNMENT**

Based upon the basic attributes and relations that exist within the structure of local self-government, which have been presented above, it is possible to provide an overall summarisation of this institution’s characteristic features:

- it has a political basis; its individual character is determined by elections to the local council, or by mayoral elections,

- power is concentrated in the hands of elected bodies; these bodies possess complete decision-making authority, while other components of the institution have a subordinate status, playing a supporting and supplementing role,

- the completely dominant position of elected (non-professional) bodies means that political responsibility is of primary relevance; the motivation behind the activities is subject to local representatives’ understanding of interests and needs of the public (or in worse cases, their views of how electoral victory may be achieved).
THE MOST COMMON DECISION-MAKING PROCESSES
WITHIN LOCAL SELF-GOVERNMENT

If you want to understand the operation of any particular legal person, it is a good idea to familiarise yourself with the way in which the decision-making process functions – which element of the organisation collects proposals for the decision; how, and by whom, these proposals are drafted and improved on; and who has the right to make the final decision. The bodies described above are part of a chain in the decision-making process, which generally ends with the council or mayor. Only these last are able to approve the most important decisions.

For active citizens, the practical value of understanding these decision-making processes lies primarily in the facts that:

- a suitable approach may be selected that allows you to influence the final decision; you can orient yourself towards those elements of the decision-making process that specifically exist in order to absorb the opinions of citizens,
- knowledge of the rules, and their application when making decisions, is an important condition for objective decision-making; if the decision-making process takes place in front of a well-informed public, the possibility of its subjective manipulation is greatly reduced,
- you can determine whether a lengthy decision-making process is the result of administrative procrastination, or the price of a democratic approach to decision-making that includes the wide range of opinions needed in order to make the best possible decision.

One approach to decision-making is outlined in the following overview of the stages involved:

<table>
<thead>
<tr>
<th>Stage</th>
<th>who...</th>
<th>...does what</th>
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<tbody>
<tr>
<td>1</td>
<td>the office</td>
<td>accepts a proposal for a decision and submits it to the mayor</td>
</tr>
<tr>
<td>2</td>
<td>the mayor</td>
<td>studies the proposal and submits it to the board for debate</td>
</tr>
<tr>
<td>3</td>
<td>the office</td>
<td>prepares documents for debate by the board</td>
</tr>
<tr>
<td>4</td>
<td>the board</td>
<td>debates the issue and determines that recommendations by the commission are necessary</td>
</tr>
<tr>
<td>5</td>
<td>the office</td>
<td>organises a meeting of the commission</td>
</tr>
<tr>
<td>6</td>
<td>the commission</td>
<td>makes recommendations in regard to the issue</td>
</tr>
<tr>
<td>7</td>
<td>the office</td>
<td>incorporates the commission’s viewpoint into the basic documents relating to the decision</td>
</tr>
<tr>
<td>8</td>
<td>the board</td>
<td>debates the commission’s viewpoint and recommends a decision</td>
</tr>
<tr>
<td>9</td>
<td>the office</td>
<td>incorporates the board’s recommendation into the basic documents relating to the decision</td>
</tr>
<tr>
<td>10</td>
<td>the council</td>
<td>reads the basic documents and approves the decision</td>
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</table>

The process of preparing a decision often sheds new light on aspects of the problem under discussion, which necessitates the re-evaluation, supplementation, or amendment of accepted standpoints. Even if we accept that every element of the process is dealt with promptly, it is still clear that the ten stages above may easily take 6-10 weeks to complete. This apparent sluggishness is not caused by bureaucracy (as is sometimes stated), but by the fact that many, often conflicting, opinions are involved, and sifting through them to find the optimum solution is by no means an easy task.

Imagine that you want to influence a decision concerning an important ecological issue – for example, the way in which your town separates waste. If the decision-making process
is similar to the one presented above, then you should concentrate upon providing the mayor (in stage 2) and the board (in stage 4) with as much information relevant to the decision as possible. In addition, it is a good idea to win over at least one member of the commission in stage 6 and provide them with arguments to be included in the recommendation given by the commission. It is worth watching to see how the process develops, and whether the opinion that you believe to be correct is not distorted or rejected upon the basis of unsubstantiated assertions. In the same way, you should also provide information to board representatives (in stage 8) and council representatives (preferably before their meeting in stage 10). Such tactics obviously have a much greater chance of success than an approach whereby a pressure group attempts to assert its arguments in the final stage of decision-making, accusing representatives at the public meeting of environmental ignorance.

THE PARTICIPATION OF CITIZENS IN THE ACTIVITIES OF LOCAL SELF-GOVERNMENT

A working local self-government contains institutions that are concerned with involving citizens in its activities. Forms of participation may generally be determined without any limits being imposed (within the bounds of the constitution and the law, naturally). As citizens, everyone is a part of local self-government, and opportunities are also available to choose the way in which citizens may participate. Although the chapter entitled ‘The Citizen and Public Decision-Making’ concentrates upon the issue of citizen participation in greater detail, the following box provides an overview of the standard and non-standard forms of involving citizens in the activities of local self-government. Particular attention is paid to the most commonly used methods.

**Box 1: An overview of approaches to the involvement of citizens in the activities of local self-government**

**STANDARD FORMS OF PARTICIPATION**

**Public council meetings** – these provide a means whereby the citizen can obtain information concerning the activities of local self-government and an overview of the way in which important issues are decided upon. Any efforts to influence the decision need not necessarily be effective in this (often ultimate) stage of decision-making.

**Commissions** – these are generally composed of the town’s inhabitants, in addition to council representatives. Commissions are usually conceived on the basis of the specialised issues with which they are concerned. They provide an appropriate forum for systematic contact between local self-government and the areas that the commissions are involved in, and also provide an ideal arena for the submission and discussion of new proposals that may culminate in the drafting of a recommendation to the council. Grant commissions are a less familiar example of this; such commissions are made up of citizens who decide upon the awarding of grants by the municipality.

**Public meetings** – in some cases, these are demanded by law (for example, when the territorial plan is debated). At other times, public meetings can only be convened by a council resolution. This form of involvement is appropriate for the discussion of specific issues, but is very difficult to prepare in such a way as to ensure the participation of citizens.

**LESS STANDARD AND NON-STANDARD FORMS OF PARTICIPATION**

**Local referenda** – these are an institution of direct democracy, where the votes of citizens decide upon a given question. In many countries, local referenda only serve as a recommendation, and are not binding; the final decision is made by the council. A referendum is an appropriate instrument only when resolving the most important issues, because they are relatively demanding from both organisational and financial aspects. Councils call referenda in situations anticipated by law, according to their own judgement, and in regard to other important issues of primary local self-government activity.
Opinion polls – these serve to gauge public opinion on a given theme.

Public hearings – a participatory institution originating in the USA; they may serve to collect the suggestions of citizens at the beginning of the decision-making process, or their opinions and proposals once information has been gathered, and to specify alternative solutions.

Citizens’ juries – a participatory institution that began in Great Britain. A jury made up of citizens obtains the opinions of experts and ordinary people; thus equipped with better information, they approve a decision on the issue or make recommendations to the appropriate body.

Focus groups – specially chosen (representative) groups of citizens, who form an opinion on a given issue; the aim is to estimate the probable reaction of larger groups.

Ad hoc advisory commissions – these provide advice in special, less-discussed areas.

Special events promoting communication and participation – open days, boxes for the collection of citizens’ complaints and suggestions, discussion programmes on local television stations, etc.

LOCAL SELF-GOVERNMENT AND ETHICS

The first important element of ethics in local self-government is the handling of power. The wielders of such power are both public officials and ‘regular people’, with a very wide range of values, personal interests, characteristics, tendencies, and customs. When assessing any particular issue, it is only natural for them to consider which particular decision would benefit them personally, their friends and relatives, etc. The outcome of possible ethical dilemmas (what to put first – the interests of the municipality, or one’s own interests) ultimately depends upon the personal ethical boundaries that limit the activities of each particular person. However, it is obvious that there is no place here for self-centredness; clear rules must exist stating what a public official may and may not do.

Amongst other things, ethical rules differ from legal regulations in that moral standards are unwritten, and their content evolves in accordance with the morals of society and prevailing social attitudes. In fact, one of the ways in which legal standards emerge is through the acceptance of moral standards (where laws reflect the ethics of society). Ethical rules, through their transformation into legal regulations, can then be enforced by state authority (criminals are imprisoned or are subject to other state-imposed punishments with their basis in law). That is why, in situations where the ethical aspects of the activities of public officials are regulated by law, the overall situation when assessing unethical behaviour is more favourable; the misuse of authority is perceived and punished in the same way as theft or any other criminal activity. In cases where ethics are left up to people’s own judgement, there is a risk that the number of ethical criteria applied will equal the number of people involved in any given process.

If, however, we are to apply ethical rules to the activities of specific institutions or people, then a clearly formulated (and therefore written) set of rules is needed. Ethical codes stem from this requirement. In more developed countries, these are generally a regular feature of systems through which rules are applied, and some of the rules contained within these ethical codes are presented in the following box. They are applied to the employees of local self-government, and it is evident that similar rules applying to elected representatives would be similarly beneficial (as this is not the case in every country). Run-ups to elections (when politicians attempt to win the favour of voters), and periods immediately following elections (when election promises are still fresh in people’s minds) are particularly appropriate occasions for citizens to assert ethical issues. Not in reproach, however, but rather as part of a programme according to which local self-government should function. A long road lies ahead of us before this becomes the norm; in order to attain this objective, patience and persuasion are more fitting than pressure and the omission of essential levels of natural development.
Box 2: An example of rules contained in the ethical codes of local self-government

<table>
<thead>
<tr>
<th>Rule</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PUTTING THE PUBLIC INTEREST FIRST</strong></td>
<td>Employees should place the public interest above their own or group interests. Personal or group interests may not affect their attitudes and actions.</td>
</tr>
<tr>
<td><strong>POLITICAL IMPARTIALITY</strong></td>
<td>The attitudes and activities of employees should be completely free of political favouritism. Their attitudes at work may in no way reflect any particular political affiliation or sympathy, and their private beliefs must not call into question their political independence in work-related issues.</td>
</tr>
<tr>
<td><strong>AN AMBASSADORIAL APPROACH</strong></td>
<td>Employees should be aware of the impact that they may have on public opinion when supporting any particular attitude or making any particular speech. Their behaviour should help to create and strengthen the good name of local self-government bodies, in particular by setting a positive personal example in their attitudes towards public affairs.</td>
</tr>
<tr>
<td><strong>RESPECTABLE BEHAVIOUR</strong></td>
<td>Employees should behave courteously, show willingness, and express interest in achieving an understanding.</td>
</tr>
</tbody>
</table>

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**THE DEVELOPMENT OF RELATIONS BETWEEN LOCAL SELF-GOVERNMENT AND THE THIRD SECTOR**

Before we begin to concern ourselves with the development of relations between local self-government and the third sector, let us first assess the current situation and use it as a starting point for improvements. It would be true to say that the partners on both sides often have a poor understanding of one another. They often fall prey to the belief that the other side is not capable of developing relations, or that the positions and interests of each side are intrinsically incompatible. In this context, it is also common to entertain certain fallacies, which generate an impression that incontrovertible truths exist – a situation that seriously damages any opportunities for understanding. For example, representatives of local self-government may fall foul of the myth that “decision-making is our affair; citizens do not understand issues the way we do.” Or perhaps, “Citizens do not understand us; they do not realise that we are working for their benefit, and are even suspicious of us. We cannot work with them”. Another, power-based myth is also common – “Citizens have voted us into office for four years; it is now our task to rule them, and they have no right to interfere”. On the other hand, citizens may believe that “we cannot change anything anyway...”, by which citizens renounce any possible initiative or influence. Another myth is that “all officials are the same, i.e., dreadful”, which is a perfect way of discouraging respectable officials. There are many other such myths. At this point, it is probably worth mentioning that before you adopt a particular attitude, you should check to see whether your impressions or expectations are accurate. Although generalisation and universal condemnation are very common phenomena, they are very rarely correct, and can cause a great deal of damage.

You should also be aware that some individuals or groups may even benefit from a situation where local self-government works in isolation and in a non-transparent fashion – where it has more connections with powerful local economic circles than with the citizens it is supposed to focus on. To become angry at this phenomenon and attack its originators would not be a particularly effective solution. It must be accepted as reality, and having determined its causes, an intelligent and efficient approach should be selected that will lead to positive changes.

**THE POTENTIAL FOR CO-OPERATION**

Local self-government and the third sector have a number of very good reasons to strive towards mutual understanding. (If this is not the case in individual situations, then this is not usually due to the attributes of local self-government or the third sector, but rather to
the characteristics of specific individuals, their level of awareness, and whether and how they are able to communicate). Experience has shown that local self-government and the local third sector in particular have the potential for communication, because:

- both sides work closely with their own (local) surroundings and have a primary interest in seeking support within the community;
- they represent a decentralised, self-governing element in the organisation of society;
- in the case of third sector organisations oriented towards the public interest and public needs, the direct overlapping of missions is involved on both sides;
- both sides represent an active civic attitude;
- a great deal of freedom exists on both sides for co-operation and the selection of its various forms;
- the needs and capacities of both partners often complement each other to a significant extent;
- the attitude of local self-government towards the active citizens of the local third sector has an opinion-making aspect, which is generally very important for the former in regard to its political standing;
- the third sector is a source of potential local political figures.

It is a shame that this potential often remains unperceived on both sides. This is due to a number of factors – in transitional countries, for example, such a situation may arise because both sides are relatively new in society, and are relatively unknown institutions (which means that they are also unknown to each other). Even in more developed countries, an obstacle may be posed by the fallacy of ‘compulsory rivalry’ between the third and the first sector (which is characteristic of more radical third sector activity). It is often sufficient to introduce yourselves to one another and familiarise yourselves with the interests and needs that exist on both sides, which will reveal hitherto unknown areas of intersection and possibilities for useful collaboration.

THE DEVELOPMENT OF CO-OPERATION STIMULATED BY THE LOCAL THIRD SECTOR

Imagine the following situation. You are a civic association oriented towards social areas, primarily children and youth. The local self-government is responsible for caring for families and children, but the most recent assessment of social issues specified the need to address the problems of elderly residents as its main objective. Although you are not pleased with such an orientation, you decide to discuss the needs of the municipality within your organisation and seek space for co-operation. As you know that the local self-government does not possess the capacity to solve this problem entirely, you begin to develop the idea of setting up a project that would involve elderly residents in the specific activities of children and youth (doing the shopping, collecting and recording local folk tales, traditions, and customs, etc.), which would bring benefits to both sides.

You are aware that the local self-government knows little about your association, so you prepare a brief, one-page, informative document that sums up its most important aspects in very clear language. You discover which representatives are also sympathetic towards the issue of children and youth, and arrange a personal meeting with them. You inform them about your organisation and your plans for co-operation, and also discover their opinions as to how information may be transmitted to other representatives. You arrange a similar meeting with the mayor. The first meeting is aimed at clarifying your objectives and seeking appropriate space for co-operation. After a year of co-operation on specific activities, the local self-government re-evaluates its objectives in social areas and decides to
create more opportunities for children to cultivate the use of their leisure time. This opens up new possibilities for co-operation, and it is decided that these objectives should be supplemented by the activities of your organisation.

At this point, you may feel that this is an over-simplified, ideal situation. It may appear so at first glance. Nevertheless, it conveys the message that the search for mutual advantage is one of the first steps towards true co-operation. But what opportunities exist for the development of co-operation in your own particular situation? To help you find an answer to this, fill out the following questionnaire and discuss it in your organisation.

*Exercise 1: A questionnaire on the development of relations with local self-government*

1. On what occasions have you contacted your local self-government?
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2. Have the opportunities for communication concerning the development of relations been favourable so far?
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3. Are you aware of the specific background to negative attitudes towards your activities?
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4. Before you attend a meeting, do you insist upon knowing the ways in which your potential partner operates?
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5. Are you able to adapt yourselves to the modus operandi that is typical of your partner? If so, why? If not, why not?
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6. Do the members of your team possess basic communication skills? If so, do you exchange experience gained in situations where they were applied? If not, do you feel that such an exchange of experience would be useful?
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7. Do people interested in your activities have access to information about your organisation, its mission, its ongoing activities, and its funding? If so, is the information generally available? If not, list the reasons why, and ways in which this situation may be resolved.
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After previous experience and the attainment of a certain level of maturity on the part of the co-operating sides, more serious and stable forms of co-operation may be considered. One of these is the contractual definition of relations; another is activity in joint institutionalised structures.

Contracts generate two contradictory reactions: on the one hand, it is common to argue that they lead to unnecessary formalisation, while on the other, the expression of mutual obli-
gations in written form undeniably represents a very convincing method of overcoming suspicion and uncertainty on each side and building trust between the partners. There are many types of contract, and it is a good idea to engage expert legal assistance when drawing them up.

Institutionalised co-operation also has a number of different forms. One form that is gaining in popularity is the concept of community organisation, which utilises various types of institutional support from local self-government – from situations where an organisation comes under the ‘auspices’ of local self-government, to cases where local self-government is one of the members of a community civic association. Local self-government may entrust a limited amount of its tasks to third sector organisations (such as the management of specific-purpose funds), or local non-profit organisations may carry out expert tasks for local self-government; in some cases, this may involve making tasks public for the purposes of communicating with citizens (publishing magazines, carrying out research, etc.). There are many possibilities – in fact, an unlimited amount. When preparing to engage in such types of co-operation, it is necessary to bear in mind that the agreement of the council is usually a legal condition for co-operation to begin.

After these reflections, let us review the practical findings and recommendations of third sector representatives in regard to developing co-operation with local self-government:
1. Determine how the work of your non-profit organisation is perceived by your local self-government.
2. Work in a purposeful way to eradicate any unfavourable attitudes towards you.
3. Ascertain the urgent needs of local self-government and expectation of assistance.
4. Seek out capacities that coincide with the needs of local self-government.
5. Support your activities through citizen participation.
7. Find out the organisational structure of your local self-government and its basic rules of operation.
8. Differentiate between the statuses and competences of each local self-government body; do not demand the impossible.
9. Be prudent, correct, and well prepared when entering into decision-making processes; utilise existing forms of citizen involvement in local self-government.
10. Eliminate the propagation of half-truths and unsubstantiated assertions; seek the truth impartially, and be prepared to accept any findings that stem from this.
11. If you expect a specific result, draw up a proposal alone. When doing this, be aware that the approach to its preparation can have a significant influence upon the first, and decisive, impression.
12. Communicate honestly, skilfully, and effectively. Investigate your own successes and failures, as well as those of others, and avoid repeating mistakes; seek out new knowledge in everything you do, and use it to perfect your activities.

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THE CITIZEN AND PUBLIC DECISION-MAKING


Why are we dedicating space to citizens and public decision-making? Why should citizens take part in public decision-making at all? What, in fact, is public decision-making? What may be done to overcome the disinterest and indifference of our fellow citizens? Is it possible to even out the imbalance of power between citizens and public officials? What appropriate forms and techniques of involving citizens in public decision-making may be used? Is there a chance of changing anything at all?

This chapter will provide you with a mosaic of concepts, theories, experiences, approaches to public participation from the point of view of the citizen, and opportunities open to citizens that enable them to enter the public arena and influence public decision-making. The aim of this chapter is to facilitate orientation in regard to methods of public decision-making and to describe appropriate ways of involving citizens in these decision-making processes.
Before we begin, we should first define a few terms used in this chapter:

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Terminology corner:

**Public decision-making** – decisions with public consequences; the results of such decisions have an influence on the public as a whole. Public decision-making includes any decisions made in relation to the use of public funds (money raised from taxes and fees collected from citizens).

**The authorities** – in this chapter, ‘the authorities’ means the public authorities, comprising all public decision-making bodies in both national and local government.

**Power** – the ability of individuals or groups to assert their interests, despite the resistance of others.

**Debate** – generally a discussion between politicians or experts. The participants of a debate endeavour to reinforce their position by winning arguments.

**Public discussion** – a discussion between the citizens of a community, which gives them an arena, within the framework of a psychologically safe environment, to express their own opinions, attitudes, ideas, and fears, as well as an arena in which these opinions are listened to and considered by others, and which may have an influence upon them.

**Strong democratic talk** (Barber, 1984) – public discussion between citizens, allowing for public perception and political deliberation. It creates space for the transformation of individualist attitudes held by a discussion’s participants into attitudes that express the common interest of the community.

**Community** – a group of people who are linked to one another in some kind of discernible way. This chapter is mainly concerned with communities that are linked geographically – towns, rural municipalities, micro-regions, neighbourhoods, etc. People in these communities are joined by their places of residence, and sometimes by their profession.

**Stakeholder** (in a community) – every institution, organisation, group, or individual that has a claim to something in relation to the community; they have the right to participate in decisions concerning funds, use or provide services, or are directly influenced by activities within the community (Bryson, 1988). With regard to decision-making, three basic types of stakeholders may be identified: 1) those who are formally responsible for decision-making; 2) those who are influenced by decision-making, or who have some kind of interest in the decision-making process, and 3) those who are able to prevent or influence the realisation of a decision in some way (Potapchuk, 1991).

**Empowerment** – strengthening or increasing the power of citizens.

**Negotiation** – a process in which disputing parties directly or indirectly exchange ideas, promises, threats, or other information related to one or more issues. A differentiation between position-based and interest-based negotiation is beginning to apply. There is one main difference between these two types: in positional negotiation, the sides only concentrate upon their positions, whereas in interest-based negotiation, there is also an effort to uncover the needs and interests from which their positions originate (Dukes, 1996).

**Mediation** – ‘assisted negotiation’, or help from a third party when negotiating. Mediation is a process by which participants, with the assistance of a neutral individual or individuals, systematically identify areas of conflict, allowing them to propose solutions, consider alternatives, and achieve a common agreement that meets their needs (Dukes, 1996). Mediators direct the negotiation process, but do not propose their own solutions to the conflict. Although there are many types of mediation in existence, this chapter is primarily concerned with community mediation, the mediation of public disputes, and the mediation of public decision-making.

**Third party** – a general term for any of a number of roles of someone assisting disputants in settling a dispute – a mediator, facilitator, or arbiter (Dukes, 1996).

THE CITIZEN, THE STATE, AND PUBLIC DECISION-MAKING

Years of communism have taught people to rely on the state and expect the decisions of politicians to ensure security and (an often false) sense of safety. This is also true in the case of young people; although they only spent their early childhood in the communist era, their values and expectations have been inherited from their parents. This particularly applies to areas where individuals are usually capable of fending for themselves, or solving problems with the help of their families or the local community. For example,
the transfer of responsibilities and powers to the state in the area of children’s education means that the state gains complete control not only over financing, but also over school curricula. Security and safety, however, are only one side of the equation. The other side is the price paid for such security. Besides taxes, which are necessary in order to pay for social security and the administration of the system, it is important to realise that strengthening the influence and competences of the state actually undermines freedom, the ability to accept responsibility for one’s actions, and individual and local community initiative when tackling public issues.

To achieve a better understanding of the long-term effects of communism on the citizen, please read the following exercise. It illustrates the values that prevail in post-communist countries today as opposed to those held in Western Europe.

Exercise 1: What values do Slovaks acknowledge, and how do they compare with those held in the West?

A number of different, generally acknowledged values may be grouped together in the following six categories. These values may be discerned in any culture, and individual cultures and countries may be compared based upon the different levels of their prevalence.

Values:
1. Conservatism – maintaining good relations, both within a particular group and externally; maintaining a state of mutual interdependence between people.
2. Autonomy – where the individual feels stimulated to show initiative and individuality.
3. Hierarchism – regarding the allocation of roles as definitive and favouring the maintenance of the existing social structure.
4. Egalitarianism – where the individual takes personal responsibility for socially responsible behaviour, aimed at the development and well-being of society as a whole.
5. Conquering the world – an assertive effort to change the world in such a way that individuals may satisfy their objectives and needs.
6. Harmony – avoiding (not solving) conflicts between people; a tendency to blend into one’s surroundings, rather than attempting to change them.

Now read the following six statements carefully. You may have met with them already in conversation with your friends. Each of these statements expresses one of the six listed values – try to match each of the values with the statement that best depicts it:

Statements:
- a) “There will always be those who decide for others, and those who obey. It makes for a comfortable life.”
- b) “My talents are mine alone, and other people surely understand that I perceive matters in my own way. I want to utilise my energies and realise my own talent; if other people did this, then they would understand my position.”
- c) “I know what people are involved in and what they are capable of providing me with; on the other hand, they know what they can expect from me. It is sometimes tiresome to have to adapt to their expectations, but it is also safe and beneficial.”
- d) “The world should be the way I, and those close to me, want it to be. Why should I have to adapt to a world created by other people?”
- e) “In my heart of hearts, I would like to have everything I want; however, if this were to come at the expense of others, then it would not bring me complete satisfaction. People should always take each other into account.”
- f) “The world is not governed by our activities – no vision of an ideal situation is worth the effort if it involves ruining good relations between people. There is no such thing as a ‘good conflict’.”
Write your answers here: 1.... 2.... 3.... 4.... 5.... 6....

Now try to answer questions concerning differences and similarities between your society and those of Western Europe. In which of the values above do you perceive the greatest differences between the people of your country and those in Western Europe? In what do these differences lie? What do you consider the greatest similarities to be?

Intercultural research (Schwartz, Bardi & Bianchi, 2000) has shown that, despite the significant changes that have taken place in Slovakia since 1989 (an open political system, a market economy, etc.), marked differences between values held by Slovaks and those held by Western Europeans have been preserved. Values seem to have a longer ‘shelf-life’. In contrast to Western Europeans, Slovaks place significantly less emphasis on the values of ‘autonomy’, ‘egalitarianism’, and ‘conquering the world’, and significantly more on the values of ‘conservatism’ and ‘hierarchism’. The only similarity between the two cultures lies in the amount of emphasis placed on the value of ‘harmony’.

In Western countries, both the rights and the obligations of the individual (particularly in regard to fending for oneself) are perceived to be dominant, and determine the character of public governance. The state should only perform functions in situations where collective administration is absolutely unavoidable. If the state is too ‘overblown’, then citizens become dependent upon it, turning independent citizens into ‘clients’ that are reliant on the state. This is a situation where most states with a strong social welfare system realise that taxes are not sufficient to raise the required amount of public funding – money which should be used to satisfy the social needs of all those who are unable or unwilling to satisfy them alone. In addition, it is not within the state’s power to meet all the various demands and expectations concerning the fair distribution of public funds.

Many people retain misleading notions about the exclusive position of politicians in public decision-making. If you are also of the opinion that, while such deliberations on the role of the individual and the state may be interesting, it is very difficult to change the thinking of most citizens or public administration in practice, then please read on. The following pages may convince you that you are not necessarily as powerless as you may think. However, you should first take the following test to determine whether you yourself have fallen prey to any of these myths about politics and politicians in the area of public decision-making.

**Exercise 2: Some myths about politics and politicians in public decision-making**

*Do you agree with any of the statements below?*

- Politics is not my business – it is something that concerns politicians, political parties, the media, and perhaps a few experts (or quasi-experts) and celebrities.
- The only way that I can become involved in politics is to vote in elections.
- Politicians exist in order to make correct decisions concerning issues that I do not understand. Politicians should be people who know more about such issues than others, and should consequently have the right to decide.
- Good politicians are those who assert their opinions at all costs.
- Good decisions are those with which the most experts agree, and which can be supported by facts to the greatest extent.
- Politics as a whole is a dishonest business – it enables politicians to get rich at the expense of ordinary people and results in many unpleasant conflicts.
- Power is bad, and is wielded by politicians and wealthy entrepreneurs. We are powerless.

Regardless of whether you agree with these statements or not, it is important to recognise that they are myths.

In the following paragraphs, we shall provide some suggestions as to how these myths may be overcome.
SO HOW IS IT WITH PUBLIC DECISION-MAKING AND POLITICS?

There are many different definitions of politics – from those found in dictionaries to those in documents concerned with political analysis. Often, the most important concept in the definition is that of power. However, here we are concerned with definitions that encompass dilemmas in public decision-making. The American political analyst, Benjamin Barber, also defined politics in these terms in 1984: “...the need for politics arises when some action of public consequence becomes necessary and when men must thus make a public choice that is reasonable in the face of conflict despite the absence of an independent ground of judgment.” (Barber, 1984). He went on to assert that the basic question of politics is: “What shall we do when something has to be done that affects us all, we wish to be reasonable, yet we disagree on means and ends and are whithout independent grounds for making the choice?”

This definition says nothing about the special status of politicians or experts. On the contrary – it emphasises that politics is composed of all those decisions and activities that have a public impact, regardless of who carries them out. Moreover, it limits politics to a level of decision-making where experts essentially find themselves in the same situation as anyone else. Politics, therefore, begins where even experts cannot agree upon the most important, objective criteria according to which decisions must be made.

The crucial concept in such a definition of politics is ‘decision-making with public consequences’. In most cases, it is easy to differentiate between public and private decision-making according to its impact on the public at large. However, some apparently private decisions may have an evidently public impact, whether positive or negative in nature. For example, the decision of a private factory owner to double production may result in lower unemployment, as well as a deterioration of the environment in the region. Other activities may be private in nature when taken individually, but have a public impact when viewed collectively. For example, an increase in the number of cars purchased by individuals may be reflected in a corresponding increase in car production, and have a public impact through greater environmental pollution, an increase in the number of car parks and road building schemes, a reduction in the efficiency of public transport, a rise in the incidence of traffic jams, and a higher road accident rate.

Over the past decade, the attitudes of citizens in regard to public affairs have changed significantly. In order to make these changes effective for supporting the development of civil society, two conditions must be fulfilled: there must be a growth of citizens’ interest in public affairs and a simultaneous reinforcement of individual responsibility. A number of ongoing processes have indicated that such a situation is on the horizon; for example, ever-improving access to information through modern technology, greater difficulties in keeping information secret, the speedy distribution of knowledge from abroad, a rapid decline in confidence in formal and institutional authority, rising dissatisfaction with the state distribution of funds, mounting public pressure for the reduction of taxes, and the accumulation of experiences gained by various successful and unsuccessful campaigns and protest activities by citizens’ groups.

CITIZEN PARTICIPATION

Try to imagine the following situation:

The local council of a certain town, after consultation with the chief architect’s office, decides to build a multifunctional complex consisting of apartments, business premises, and a cultural/sporting centre on council land in close proximity to a 1960s housing estate. A foreign-owned construction company wins a tender organised by the council. An outline of the situation, along with the name of an official who may be contacted if citizens have any comments to make, is posted on a notice board in the council building for a num-
ber of weeks. The town and the construction company sign a contract for the construction of the complex, and the company begins work on the site. The residents of the neighbourhood only realise what is happening when a corrugated iron fence is erected around a park and bulldozers start flattening the trees in it. The elderly residents in particular are outraged that their quality of life has been reduced; they protest against the noise, dust, and the many unfamiliar people working on the construction. They are also unhappy that one of the very few parks in their neighbourhood is to be changed into a busy commercial area. Some of the more active residents start a campaign against the complex and the foreign company building it. They begin to spread rumours that the foreign company has bribed the mayor and local councillors, and the media immediately seizes upon the scandal. Under pressure from the public and the media, the town councillors finally decide by a slim majority to halt the construction of the complex. As the town is unable to resolve the issue for a number of months, the company decides to pull out of the contract and demand compensation from the council through legal channels. The story ends with affronted residents and local councillors, a ruined park, and the enormous debt that the town now owes to the foreign company. The town’s reputation in the eyes of potential investors has been damaged for years. The residents appear to have won; in reality, however, they have only succeeded in halting any kind of development in their neighbourhood for many months at the least. After all, who would dare to risk another scandal?

At first glance, this story may appear to be a good example of the successful defence of public opinion in regard to land development. And in a certain way, it is. However, as the end of the story indicates, enmity between citizens and local government may have long-term, undesirable consequences for both sides. Why does such enmity arise? Is it a natural process, which cannot be changed? Or is it possible to build a different relationship between local government and citizens? Was the problem caused by the media, which championed the residents’ cause and created a public scandal? Or did the problem lie with the residents, who failed to understand the benefits that they would receive from the construction? Perhaps the local council was at fault – gauging the interest and power of the residents incorrectly, and failing to inform them of the project with sufficient forewarning.

How can such complications be avoided? How can local government and citizens alter their behaviour in order that their interests be taken into consideration and that decisions satisfy the demands of both parties?

Specific methods of citizen participation will be discussed in more detail later in the chapter. However, let us first present a brief historical overview of public involvement in decision-making in Box 1. Subsequently, we shall examine participants in public decision-making, along with their powers, motivation, and attitudes.

**Box 1: From a belief in experts to professional citizenship**

Throughout most of the 20th century, the civilised world perceived society as a mechanism that works best when organised hierarchically and led by politicians and experts. Both Western and Eastern European countries had high expectations from science, which originated in the Enlightenment. Science provided a rational view of the world as a predictable, and through knowledge and rational behaviour, alterable reality; consequently, various attempts to run countries in a spirit of rationalism began. Administrative methods reflected the scientific knowledge of the age, and were supposed to ensure increased effectiveness in administration.

**The model of strictly defined participation**

From the end of the 19th century to the mid 20th century, theoreticians of public administration believed that the administration of public affairs could not function efficiently if no effective protective measures against public interference were in place. For this reason, theoreticians divided public admi-
nistration into two separate parts: 1) politics – decision-making – and 2) administration – the execution of political decisions. Politics was an area where the public could only become involved in strictly limited ways. These 'strictly limited ways' meant voting in elections, active membership in political parties, or lobbying by interest groups when political decisions were to be made. The second part – administration (i.e., the execution of decisions) – was regarded as a purely professional area, which should only have room for neutral experts, who should be protected against any form of manipulation by various interest groups. This division was later explained by Harmon (Thomas, 1995) who stated that the belief that politics should be the exclusive domain of elected representatives stems from the supposition that they are the only participants in the political system who are compelled, through the ballot box, to answer for their decisions. In other words, elected politicians approve laws, decrees, and policies, the execution of which is entrusted to the appropriate executive authorities. These authorities are obliged to enact orders solely from above, and for which elected politicians (the government and parliament – both national and local) are responsible. Executive officials are in no way accountable to the citizen, and are officially isolated from them. Only politicians are accountable to citizens – in elections that take place every four years.

Weak points in the model of strictly defined participation
If you feel this model to be appropriate, then you should be familiarise yourself with its weak points. This hierarchical system is extremely unwieldy. Political programmes are essentially the only way into this system, and it is very difficult to insert new and especially controversial themes into these programmes, particularly if they involve minorities. In fact, this system does not even function in accordance with the principles upon which it is based. Experience has shown that the strict separation of political and administrative spheres in public administration is unrealistic. The fact is that experts and employees actually participate in political decision-making, and they are often the very people who draw up conceptions and strategies that have long-term public consequences. Moreover, the self-same employees are those who most often come into direct contact with citizens in the course of their work. The ineffectiveness of this approach can be illustrated very aptly by the education system, social welfare, and health services; civil servants have a greater and more direct effect on our health, welfare, and the education of our children than the citizen who uses and pays for these services. Teachers will often follow the orders of bureaucrats instead of satisfying the needs and demands of children and their parents. They are deaf to the needs of the actual ‘client’, because the system requires that they be more accountable to officials from governmental supervision and the school’s management than to parents and children. A society in which higher authorities (centralised state bodies or local government bodies) are required to make decisions, provide funds, or ‘merely’ express their approval in order that a small, local problem be solved is an anathema to the principles of democracy; it is also extremely inefficient.

To sum up: experience has shown that most everyday decisions that affect the lives of citizens are not made directly by politicians, but by officials and experts employed by the state, who execute laws, decrees, and state or local regulations. It would be naive to believe that their interpretation and decision-making is always neutral in nature. And if any of you still doubt their power, just think of all the situations where you have come into contact with officials who expected a ‘small’ consideration for an accelerated settlement of your request. And although the original reason for isolating public administration from any influence by citizens was to reduce the threat of corruption, the effect is precisely the opposite. Corruption flourishes in situations where citizens have no control over, and are unable to legally and transparently affect, public administration.

An alternative – professional citizens
The distinguished theoretician of public administration, T. Cooper (in Thomas, 1995), characterised the required role of public administration as that of professional citizens, whose obligations toward their fellow citizens grow in proportion to their level of influence upon public decision-making. These obligations include responsibility for creating and maintaining horizontal relations between the public authorities and the citizen – seeking to apply ‘joint power’, as opposed to ‘power from above’. Amongst other things, this means that officials should actively engage in providing all public information to the citizen, seek solutions to public problems that are acceptable to the community in co-operation with its citizens, and emphasise the public benefit over personal interest at all costs.
It could be said, therefore, that a combination of experience and public pressure has convinced foreign theoreticians in the sphere of public administration that the involvement of citizens in planning, decision-making, and the subsequent realisation of public projects is a fundamental obligation, not only for politicians, but also for civil servants.

**PARTICIPANTS IN PUBLIC DECISION-MAKING**

Before you decide to become involved in public decision-making and influence its outcome, it is a good idea to find out who the main participants of this process are. Every particular situation involves different people and competences, but in general, participants may be divided into the following five basic groups: politicians, officials, experts, the public, and investors.

- **Politicians**
  This group includes all elected representatives on a national and local level (members of parliament, the President, mayors, etc.). Politicians should, as elected representatives of the people, have a primary interest in listening to and satisfying the needs and demands of their voters. The truth of this depends to a great extent upon specific people – both the politicians themselves and the voters who elected them to power.

- **Officials**
  These are all employees of the state administration (from the Prime Minister, through members of the government, down to clerks in district councils), and of local government (heads of city councils and town council employees). Officials must act within the limits set out by the constitution and the law.

  Limits on the involvement of citizens in public affairs are set out by politicians, generally using the principle of ‘strictly limited participation’. Officials subsequently have little motivation to listen to and respect the interests of citizens when creating conceptions and strategic programmes – when the opinion of citizens is particularly important. This group will have to undergo the greatest changes, transforming its current public inaccessibility into an environment where public control and co-operation with citizens are encouraged.

- **Experts**
  These are mainly independent experts in a contractual relationship with the state administration or local government, even though these institutions often have their ‘own’ experts. Naturally, investors or citizens may also employ experts. The greatest myth is often associated with this group – that of the ‘holy truth’ that stems from their expertise. This myth is one of the reasons why experts generally remain completely isolated from the opinions of citizens.

- **The Public**
  This group is made up of individual citizens, formal and informal groups in which they are involved, and non-profit organisations representing the interests of a certain group of citizens or a certain public interest. Citizens in this group may have very different interests and opinions. Their interests may be private in nature or oriented towards the public benefit; citizens may be organised into groups and associations or be active as individuals.

- **Investors**
  This group is composed of private entrepreneurs whose investment activities have public consequences. Investors usually have clearly defined personal interests at heart, along with resources that allow them to realise these interests. They most often engage in negotiations with the first three groups, and rarely negotiate with the public. Situations where investors have anything other than their personal interests at heart are also rare.
Even this definition and brief description of the participants of public decision-making provides enough evidence to illustrate that there is a clear imbalance of power when each group’s interest in public participation is compared with their actual influence on the decision-making process. The following exercise will provide you with a simple guide to assessing the attitudes and powers of participants in public decision-making in specific situations.

**Exercise 3: The attitudes and powers of interested parties**

Within the framework of your own particular situation (concerning, for example, a decision upon investment aims in a region, motorway construction, a change from the commercial function of premises owned by the local government to a function enabling the cultural activities of citizens, etc.), try to assess the attitudes and powers of individual interested parties. Think about the opportunities to change attitudes and increase the influence of the weakest groups. It is a good idea to fill in the specific names and attitudes of participants in the boxes, and complete the table for each of them individually.

**The attitude of individual parties to public involvement**

<table>
<thead>
<tr>
<th>Interested party</th>
<th>What attitude do you anticipate from this group towards public involvement? Why?</th>
<th>What would you like to achieve in regard to these people? How will you go about it?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Politicians</td>
<td></td>
<td></td>
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<tr>
<td>Officials</td>
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<td>Experts</td>
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<tr>
<td>Citizens</td>
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<tr>
<td>Investors</td>
<td></td>
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</tbody>
</table>

**Sources of power of each interested party**

<table>
<thead>
<tr>
<th>Interested party</th>
<th>What is the power of this interested party, and where does it stem from?</th>
<th>How can this group increase its power?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Politicians</td>
<td></td>
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<td>Officials</td>
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</table>

**THE CITIZEN AND POWER**

We have indicated that one of the most important characteristics of participants in public decision-making is the power that they wield. In this section, we shall go deeper into the issue of what power actually is, how it may be applied in society, and what may be done to prevent the misuse of power. (Issues concerning the division of power within the state are
dealt with in the chapter entitled ‘The Third Sector and the State’). However, you should first complete the following exercise, which will introduce you to this theme from the aspect of individual power.

**Exercise 4: How powerful are you?**

Think about the ‘roles’ you play in life (as a parent, employee, spouse, neighbour, citizen, etc.); make a list of them and evaluate your power in each role:

.......................................................................................................................................................
.......................................................................................................................................................
........................................................................................................................................................

What specifically increases your power in certain roles: your age? your property? your education...?

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........................................................................................................................................................

Conversely, what contributes to a diminishing of your power in other roles: your age? your gender?

........................................................................................................................................................
........................................................................................................................................................

Now that you understand the situation in regard to your power as an individual, try to think about what power actually is.

Giddens stated in 1989 that power is the ability of individuals or groups to assert their interests, despite opposition from others. Power occasionally includes the use of force; however, it is almost always accompanied by ideas that justify the activities of those that wield it. Power, therefore, provides a means of mediation enabling the implementation of activities and projects, the attainment of objectives, and the realisation of visions. At the same time, power automatically generates resistance from those who do not agree with a given activity. However, not only does power punish, censor, assign, control, and restrict, but it also empowers people, giving them rights and enabling things to happen. Moreover, power gives rise to reactions from others, which may take the most diverse forms – from active resistance to passive resistance, and from passive support to active support.

The extent of power is also reflected in the individual self-awareness of every person. Our social identity is acknowledged by the use of terms that have a direct influence on our level of power (“I am a man”, “I am a homosexual”, “I am a mother”, “I am a director”, etc.). In other words, power stemming from social relationships therefore becomes the focal point of our individual personalities. However, this does not automatically mean that power is recognised by its wielder. A certain, strange law applies here, by which the level of power and the extent to which it is recognised are indirectly proportional to one another. The more power people have, the less they are aware of it; conversely, the less power they have, the more they suffer or attempt to compensate for this. This ‘law’, of course, is not applicable in all cases; however, it is usually reliable when applied in general terms. It explains the notorious social scourge of authority being misused by people in positions of power, as well as the rebellion, anarchy, and seemingly irrational behaviour of people ‘on the bottom’ – the rejected, anonymous masses. Power may be, but is not necessarily, one of the ways to human self-reflection. In the case of those who have too much power, the acknowledgement of this fact may contribute to a reduction in its misuse. For those who have too little, an understanding of this fact may lead to a decline in irrational, compensatory behaviour and to a search for genuine power. In both cases, the outcome is psychological well-being and an improvement in interpersonal relationships.
One way of perceiving sources of power, or differences in power between people, is by looking at structural differences in society. Traditionally, men have more power than women, older people have more power than young people, educated people have more power than the uneducated, etc. However, these structural differences are not automatically reflected in the balance of power. Situational factors may change this balance enormously, and the resulting patchwork of power-based relations may be reversed, or be subject to rapid change. The following exercise illustrates this:

**Exercise 5: Structural and situational power**

Imagine a situation where a young woman around thirty years of age is walking down a deserted street late at night, when a group of twenty-year-old men, evidently drunk, suddenly emerge behind her from a side street.

Who has the power in this situation? .................................................................

How does the young woman probably feel when she sees the young men? ......................

A hundred metres or so down the road, all of the men except one turn off the road to enter their students’ hall of residence. The remaining man – a Roma – continues on his way, and by the light of a street lamp suddenly realises that the woman in front is a police officer.

Who has the power in this situation? .............................................................................

How does the young man probably feel when the policewoman starts to speak into her radio? ..................................................................................................................................................

The most important theoretician on the subject of power is the French sociologist, Michel Foucault, according to whom the term ‘power’ cannot exist in absolute terms, because it is always relational (i.e., the power held by somebody is related to some other power, or to power held by someone else, thus creating a power-based relationship). Foucault regards power as a generalisation of war, taking the form of peace or the rule of law in only a few cases. He emphasises that it is not so important to concentrate upon the circumstances under which power is wielded, or by whom, but how it is asserted. Therefore, if you wish to enter into power-based relationships, you must first understand the mechanisms according to which they function, or the mechanisms of their misuse. How can we contribute to an alleviation of the negative effects of power? According to Foucault, by reducing power through legal regulations, rational methods of government in ‘power games’, and the introduction of ethics, cultures, and practices aimed at incorporating the genuine ‘I’ and freedom into political life. This is partly why Foucault pays great attention to critical considerations concerning the misuse of methods of government, to the political struggle for the enforcement of rights, and to ethnic research, upon which, he asserts, the foundations of individual freedom may be based. Although Foucault is sceptical in regard to the essence of power and power-based relations, he is also an idealist, believing in the internal strength of the individual as the main factor preventing the misuse of power.

An optimistic alternative to Foucault’s sceptical perception of the essence of power is the theory of communication propounded by the German philosopher, Jurgen Habermas (Kiczko, 1991) who, in the name of consensus, freedom, and the individual assertion of the
individual, presents all human relationships (including those based on power) from the perspective of mutual understanding, being dialogical and discursive in their nature. From the aspect of preventing the misuse of power, the crucial factor is that the entire problem is reduced to the issue of mutual understanding; either people endeavour towards such understanding, or they do not.

Ultimately, it is up to you as to which conception of power – the sceptical or the optimistic – you are inclined to believe in, or which path to a better world you are more inclined to take – the path of personal growth and trust in others, based upon a belief in ‘higher principles’, or the path of mutual understanding and the search for a consensus.

**THE MOTIVATION OF CITIZENS**

The second important characteristic of citizens in relation to public decision-making is their motivation towards participation in these decision-making processes. In the following paragraphs, we shall first discuss the most common reasons for citizens’ passivity, followed by the motives underpinning their activity.

Activists, leaders of interest groups, politicians, the media, and in fact people in general often wonder how it is possible that hundreds, thousands, even millions of people remain passive in situations where an issue develops in a way that contradicts their natural needs – where they do not defend themselves against direct or indirect threats posed by various investment aims, political decisions, or legislative objectives.

**The causes underlying citizens’ passivity** in regard to public processes may be summarised under the following five categories. Citizens remain passive, because:

1. They do not know what is going on around them; therefore, they do not know what the outcome of the planned activity may be.
2. Everyone seeks different things from life, and so everyone has his or her own grievances. New investments or legislature make themselves felt in different ways in the lives of different people, which means that the efforts of individuals to change the situation are incoherent and isolated. (When your own personal goal looms so large in your thoughts that you are unable to perceive the problem from a holistic viewpoint, it becomes difficult to identify a common goal).
3. They are convinced that society involves an inherent division of tasks, and everyone must concentrate upon his or her own particular role. (“I am proud to be a farmer. Changing the world is a job for someone else”).
4. They believe that decisions are irreversible – a fatalistic myth in regard to social processes (“It’s too late to change that now”).
5. They believe that they cannot have an influence (“I should probably do something, but what can one person do alone?”).

In the following exercise, you will be able to work out your messages and ways of motivating citizens despite these various reasons for inactivity.

**Exercise 6: Motivating various groups of passive citizens**

Imagine a situation in which a community organisation wishes to implement changes to a currently illegal garbage dump in order that it meet existing legal requirements. In this way, the organisation wishes to prevent uncontrolled garbage disposal in its municipality. In order to persuade local councillors to approve the allocation of finances for the reconstruction of the site, public pressure from citizens must first be generated.
In such a situation, how would you motivate citizens to attend public meetings and express their opinions? Think about the messages and ways of motivating individual groups of passive citizens that you would use.

<table>
<thead>
<tr>
<th>REASONS FOR INACTIVITY</th>
<th>The message for these citizens is:</th>
<th>We shall do the following activities in order to motivate these citizens:</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
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</tbody>
</table>

In reality, all of these categories of passivity are excellent examples of challenges when working with the public. When the entire problem is turned on its head, it is evident that the following five steps must be taken in order to eliminate passivity:

- Citizens must be informed about public activities; they must be allowed to see aspects of which they would not normally be aware; they must be met half-way, and ‘dragged into’ public issues.
- Citizens must be given an overview of various political, economic, environmental, health, cultural, educational, and other aspects of public processes. This will increase their interest and ability to perceive the specific issues that lie behind their problem – issues that often have a merely indirect influence.
- Citizens should be encouraged to take an interest in public affairs and in the use of their vote, by which they delegate their own political power to their elected representatives.
- Social and decision-making processes should be explained and demystified. Only a small number of processes are irreversible. Most social, political, and economic problems, and many problems concerning investment and the environment, may be corrected, slowed, accelerated, postponed, etc.
- Citizens should understand that, by co-operating in citizen associations, creating coalitions, demonstrating public interest, making open protests, and using extreme measures, such as civic disobedience, they may collectively increase their power and have an effective impact on public decision-making.

However, what are the real motives behind natural, spontaneous, human behaviour? Let us look at common motives a little more closely now and consider how to utilise them so as to involve citizens in public affairs.
If your goal is to involve the public in a particular programme, project, or activity, you should first prepare a number of messages for people with varying types of motive. That is, you should be aware of the fact that the public is diverse in nature and is made up of:

- people who act because this enables them to obtain some kind of reward or benefit, or because it allows them to avoid some type of punishment. Some people only have such hedonistic motives, and are blind to any other kinds.
- people who usually act because they see that other people, to whom they look up to, act in a similar fashion. They feel that such activities are expected from them (i.e., conformist motives).
- people who engage in activities because they feel that they are worthwhile, and then feel good about themselves because such activities are useful and virtuous. They need to have a positive image of themselves (i.e., they have an ipsocentric motive), and often disregard other, ‘lower’ motives.
- people who act because they feel that other people need their contribution. Their lives are governed by an orientation towards society, and are therefore prone to altruistic motives; ‘inferior’ motives are suppressed, or held in contempt.
- people who act because they feel that they should engage in certain activities – that they should fulfil a particular task. Such people are aware of their mission in society and are governed by ‘higher’ values or principles (issue-based motives); again, ‘less-er’ motives are suppressed or disdained.

Box 2: An example where various types of motivation may be used to initiate a change in public behaviour

Imagine a campaign that aims to improve the ecological aspects of packaging – specifically, an increase in the sales of milk in glass bottles. What types of motivation would you employ to address people with varying motives?

1. Hedonistic motives: “If you buy milk in glass bottles, you will save money on every litre you buy; moreover, milk in glass bottles tastes better”.
2. Conformist motives: “People in developed countries have been buying milk in glass bottles for years in order to help protect the environment. You should, too”.
3. Ipsocentric motives: “Do you want to feel good that you are finally doing something for the environment? Buy milk in glass bottles!”
4. Altruistic motives: “Are you worried that most people on the planet live in a highly polluted environment? Do you want to help them, but don’t know how? It’s easy. Buy milk in glass bottles”.
5. Issue-based motives: “Do you want to do something to improve the generally bad state of the environment? Do something that you can do every day – choose milk in glass bottles”.

How can these various motives be employed in specific cases of involving the public in public processes? Above all, creativity is the key. The principle of using different messages to address different motives remains valid – whether in the case of preparing a project for public presentation, arguments at a public assembly, a media presentation, or an opinion poll concerning a particular issue.

Box 3: Theoretical aspects of motivating human behaviour

Based upon his psychological research, the Polish psychologist, Janusz Reykowski, drew up a hierarchy of personal assessment standards that people use for decisions concerning value prefer-
ences. These standards also define how the behaviour of individuals may be motivated. Reykowski essentially argues that the manifestation of any kind of human behaviour is always conditional upon the subjective hierarchy of individual values. The assessment standards may be divided into five categories, meaning that there are also five corresponding categories of motivation that lie behind human behaviour, which have been described by A. Golab (1985), and which, in the interests of clarity, are presented here in a slightly altered sequence: hedonistic, conformist, ipsocentric, altruistic, and issue-based motives.

It is a generally accepted psychological fact that, throughout childhood development, people steadily adopt these motives. The first movements and sounds that children make are based on hedonistic motives, such as the need to satisfy hunger, get rid of a wet nappy, obtain the attention of their parents, etc. Gradually, children learn how to act according to conformist motives – to do what they feel that their parents expect of them, and thus obtain rewards, praise, etc. However, the hedonistic motive may still be brought to bear, and children act according to one or the other motive depending on the situation. A further stage in the development of children, self-awareness, creates the possibility to utilise another, ipsocentric, behavioural motive, which fulfils the need of children to have a good image of themselves. This motive develops throughout people’s entire lives, and its application depends upon the level of psychological maturity that each person achieves. Individuals who grow up in a psychologically unhealthy social and family environment may only develop this motive to a very small extent and apply it very sparingly. The next stage of personal development in the area of awareness, not only of one’s self, but also of the overall social environment, involves the creation of altruistic motives, which are applied in activities that are primarily aimed at fulfilling the needs of others. Even in the case of very psychologically mature people, this type of motivation is expressed very selectively; i.e., only in certain situations or social settings. People who are capable of such behaviour often act on the basis of other motives; in other words, they may act upon the basis of hedonistic, conformist, or ipsocentric motives. The last stage of development in the course of achieving psychological maturity is represented by the issue-based motive, which stems from the adoption of a certain system of values, philosophy, world perspective, or religion. People’s behaviour in such a case is based upon this system of values, and they are willing to devote their energy in the interest of asserting, preserving, or defending this system; however, these motives are also sometimes hedonistic, conformist, ipsocentric, or altruistic in nature.

We have mentioned that the application of ‘higher’ (ipsocentric, and especially altruistic and issue-based) motives is dependent upon the level of psychological maturity achieved by a particular individual. And the road to psychological maturity is full of twists and turns; a psychologically healthy family and social environment, particularly in the early stages of a child’s development, is an essential condition. When you consider the huge number of children living in broken or incomplete families, with alcoholic parents, or in families that are below the poverty line, it is easy to understand why the ‘superiority’ of the motive and the frequency of its application are in indirect proportion to one another. It is certain that the hedonistic motive can be found in every person; on the other hand, only a small number of people act on the basis of issue-based motives.

THE ATTITUDES OF CITIZENS

The last characteristic of citizens that we shall concentrate upon in this chapter is their attitude to the problem or question of the content of public decision-making. It is important to consider the attitudes of fellow citizens, as well as other participants in public decision-making, particularly in regard to controversial public topics.

An attitude is the way in which a person thinks, feels, and acts in regard to a certain issue; i.e., attitudes, in the same way as motivation, affect whether a citizen becomes involved in public decision-making or not. Moreover, attitudes determine the side that the citizen will take in respect to a public issue.

Citizens may be divided into seven groups according to their attitudes towards proposed solutions or decisions:
1. **Leading activists** – the main spokespeople and leaders of a campaign for the support of a proposed solution; people who encourage others to engage in active support.

2. **Active allies** – people who actively support the proposed solution. These are citizens who are willing to speak their opinion in public and take action in order to assert this opinion.

3. **Passive allies** – people who have an opinion (they support the proposed solution), but do not express it in public.

4. **Indifferent neutrals** – people who, for various reasons, have no opinion on the given issue.

5. **Passive opponents** – people who do not agree with the proposed solution, but do not express their opinion in public.

6. **Active opponents** – people who actively protest against the proposed solution.

7. **Leading opponents** – the main spokespeople and leaders of a campaign against the proposed solution; people who encourage others to engage in active protest.

This categorisation may lead you to believe that the more extreme the attitude of citizens is, the more they understand the issue in question, or the more information they have about it. However, this is not necessarily the case. It is more accurate to say that the more extreme the attitude (in favour or against), the less open citizens are to arguments that champion the opposite perspective, which brings us to the question of how this categorisation may be of use.

Whether you are trying to instigate a public debate or defend the interests of a certain group of people, it is necessary to know the attitudes that the public will take towards a particular question or theme. It is equally necessary to know how citizens with various attitudes may be approached.

Opinion polls are the best method of acquiring an awareness of public opinion on a given theme. They assist in ascertaining which section of the public has already made up its mind, and the number of people who have yet to adopt a definitive standpoint.

If you are trying to instigate a public debate, with the primary aim of making the various opinions and doubts of citizens more visible, your task must be to awaken the ‘silent majority’. These are passive allies, indifferent neutrals, and passive opponents. You should concentrate all your energy on these people; they should be given opportunities for dialogue, in order that they become able to form their own opinions and present them in public. The other groups will engage in public discussion spontaneously.

A different tactic should be selected if you are trying to defend the interests of a certain group of people (advocacy). In this case, you must use a separate approach for each group of citizens; individual approaches are depicted in Figure 1. The greatest amount of energy should be dedicated to winning over indifferent neutrals and galvanising passive allies. The most effective way of achieving your goal is to create a coalition of organisations and individuals from the three groups of allies (see also the chapter on advocacy).

In conclusion, let us look at Exercise 7, in which you will be able to identify those people and organisations with which it is expedient to form a coalition, and those with which it is not.
Try to make the following calculation in order to establish whether you have chosen the best partner for your coalition – for example, a coalition to defend a political objective, a coalition for an environmental campaign, or a coalition for the support of a health campaign.

You need to know three things about every potential partner:

1. **Interest?**
   - Is the partner interested at all in the given theme or problem? Is the theme important for your partner at all? If so, to what extent?
   - Rank the level of interest on a scale of 0 to 5.

2. **Attitude?**
   - What is your partner's attitude to the given theme or problem – for or against? And to what extent?
   - Rank your potential partner's attitude from -3 (most opposed) to +3 (most in favour). Do not give a value of 0.

3. **Power?**
   - How powerful is the given partner? To what extent is your partner able to affect the achievement of your aims?
   - Rank the level of power from 1 to 5.

If you multiply these three figures by each other, you will receive a number between +75 and -75; a result of 0 is also possible. A negative result indicates that you are facing an opponent; a result of 0 indicates that this partner will be of no use to you in a coalition, and a positive result indicates that a coalition with this prospective partner could be beneficial.

Which of these three factors plays the most crucial role?

- **Interest?** Very possibly – after all, if partners have no interest in the given theme or problem, then their attitude and power are irrelevant!
- **Attitude?** Perhaps – if their attitude is hostile, then potential partners could become potential opponents!
- **Power?** Not really. If potential partners are interested in a theme or problem and have a positive attitude towards it, then every partner is useful. Even relatively weak partners may form a strong coalition. Power is not crucial – it is merely important!

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FORMS OF CITIZEN PARTICIPATION

Now we know the situation in regard to the power, motivation, and attitudes of participants in public decision-making. Let us look more closely at forms and methods of citizen participation. We shall concentrate upon the basic methods that citizen associations or organised groups of citizens may use to involve fellow citizens in public discussions and decision-making. We shall also examine the ways in which local governments and the state administration make decisions, and indicate their openness or reluctance to the opinions and needs of the public. (Methods used by local government to make decisions, along with forms of participation in these decision-making processes available to non-profit organisations and citizens, are detailed in the chapter entitled ‘The Third Sector and Local Self-Government’). This section does not intend to present an exhaustive list of existing methods. We shall only concentrate upon those that we feel may be used in the conditions of the Central, Eastern, and Southern European region; some of the methods described have already been used by certain non-profit organisations.

We have divided this section according to the way in which citizens may enter the public arena and according to their influence on the final decision:

1. Let us start with the basics – public discussion, with no decision-making involved. This is aimed at seeking public interest in, and awareness of, the connections between the specific interests of individuals and the common interest of the community.

2. A natural continuation of this is public participation in decision-making. Various forms of decision-making by the public authorities are ranked according to the level of citizens’ influence on the decision-making process. This section will improve your understanding of the particular processes used by the public authorities in specific situations, and will also help you to discover which type of process in a given situation would be the most beneficial to you.

3. In the third section, we shall present community organising as an alternative, confrontational approach in situations where the public authorities refuse to engage in open debate and exclude citizens from involvement in public decision-making.

PUBLIC DISCUSSION

Recently, the term ‘public discussion’ has crept into the speeches of politicians with ever-increasing frequency. Equally, the media have emphasised the need to discuss questions that are important for the future of the country, such as issues of economic and social direction and the important decisions made by politicians in connection with them. Despite the popularity of the term, there is actually very little opportunity to engage in any kind of public discussion that goes further than mere debates engaged in by politicians and experts among themselves or with journalists. Television or radio discussions with professionals, moreover, are more involved with agitation by politicians in favour of their own opinion than a genuine understanding of a problem or a search for a solution. In fact, expert debates in the media have a contradictory effect. Instead of attracting public attention and educating ordinary people concerning issues that may have a serious effect on their future, the incomprehensible language used and the sharp conflicts between the participants often discourage the layperson.

In this chapter, the term ‘public discussion’ is understood to be a discussion among the citizens of a community, which gives them an arena, in a psychologically safe environment, to express their own opinions, attitudes, ideas, and fears; an arena in which these opinions are listened to and thought about by others, and which may have an influence upon them. It is an arena for strong democratic talk (Barber, 1984), allowing for public perception and political deliberation. It also creates space for the transformation of individualist attitudes.
held by participants of the discussion into attitudes that consider the common interest of the community.

The aim of a public discussion is not joint decision-making. It is more of a process of discovery, which can lead to better understanding and a change in attitude on the part of those involved in the discussion. According to Dukes (in 1996), it is useful to create space for public discussion when you want to:

- educate stakeholders and/or the public at large concerning issues that are subject to, or connected with, public decision-making;
- discover public interest – provide both the decision-maker and the public with an opportunity to become aware of what is and what is not the public interest in relation to particular issues, and also to discover fears, differences of opinion, or solutions;
- raise the level of awareness and understanding of specific groups of people concerning important areas of public policy;
- enable parties to a conflict to understand that, even in the most controversial issues, there are issues that can be discussed and people on the other side(s) worth talking to;
- reduce the risk of violent confrontation;
- build up public support for subsequent decisions.

Although there are a number of ways of carrying out public discussion, there are certain rules that apply to them all (Dukes, 1996):

- Discussion is not a war of words (a debate); the objective is not for participants to defend their attitudes and seek weak points in the arguments of other parties in the discussion. It is more of a dialogue, in which attitudes and opinions are mutually explained. Participants are invited to ask questions of others, and any participant is free to ‘pass’ on any question, without explanation.
- Participants speak for themselves, not as representatives of a group. Individuals should not assess or define the beliefs, values, or motivation of others, except when expressly asked to do so.
- Participants in the discussion should be polite to each other – they should listen to each other and use tolerant language.

There are various ways of carrying out a public discussion. The most simple categorisation divides them into: 1) the technique of individual interviews aimed at achieving an understanding of the attitudes, knowledge, and awareness of citizens (for example: listening projects – the technique of individual conversations led by citizens within their own community; individual interviews – structured, semi-structured, and unstructured, which may have a general orientation, or be oriented at a specific group of people or the local authorities). 2) the techniques of group education and involvement of the public (for example: education groups, dialogues, discussion forums – discussions targeted at a given, topical theme, discussions aimed at seeking common interests, workshops for creating a common vision, workshops aimed at reducing prejudice against minorities, or citizens’ juries).

Box 4: An example of using the listening technique in Slovakia

A Listening Project is one way of carrying out public research. It encourages discussion and listening between the inhabitants of a community. The local inhabitants – ‘the listeners’ – visit the households of their fellow citizens and find out what pleases the inhabitants of the community and what does not, and what they would like to change.

In Slovakia, the non-profit organisation ‘VOKA’ (the Rural Organisation for Community Activities) has had the widest experience with Listening Projects. Since 1997, such projects have been carried out in 28 municipalities throughout Slovakia, and approximately 4,700 citizens have been listened to.
Experience has shown that Listening Projects help people to become involved in public affairs in their community. The listeners realised that citizens have a clear idea of what is necessary in the community, and some of them are even willing to help solve local problems. People are hospitable, and are happy to contribute towards the solution of problems in their villages. The findings of the listeners affect the decisions of mayors and local government, help to create working plans in the villages, and assist non-profit organisations to find new allies or identify areas suitable for mini-grant programmes. After a Project is completed, the results are published in local newspapers, so all the inhabitants are able to discover the opinions of their fellow citizens.

Listening Projects also affect the listeners. Apart from teaching them how to listen to people, these projects also change their attitudes towards their fellow citizens and public affairs. Some of the listeners, after having had direct experience with a Project, decided to stand in local elections.

Methods of public discussion are often part of longer-term, more complex processes of involving the public, such as visioning or strategic planning in the community. One technique based upon public discussion, but which may also have a significant impact on community decision-making, is the multidimensional community diagnosis (Francescato et al, 1993, 2000). This holistic approach is a valuable instrument for charting and linking various aspects of the community (territorial, demographic, economic, service, institutional, anthropological, and psychological profiles). In groups, citizens make a ‘diagnosis’ of their community, and also create a profile of it (whether in a pictorial or written form). The results of their work may be submitted to local politicians for elaboration, and citizen groups may subsequently react to their version. This process may be both short-term and long-term in nature. Apart from the benefits brought by an increase in knowledge, the creation of a community diagnosis also has a stimulating effect on citizens in the community. Moreover, citizens become steadily more aware of their importance to the community throughout the process, thus gaining empowerment. This is particularly necessary in groups such as children, young people, women, the unemployed, minorities, pensioners, etc.

THE INVOLVEMENT OF CITIZENS IN DECISION-MAKING: VARIOUS LEVELS OF PARTICIPATION

Another way that citizens may enter the public arena is by participating in public decision-making. How citizens become involved in public decision-making, and whether they do at all, depends to a great extent upon the authorities that have decision-making competence in regard to a given issue. The authorities themselves decide whether they will use public involvement simply to create an impression of openness and legitimacy, or whether they will be truly open and respect the opinions of citizens. Due to a fear of resistance and conflicting public opinion, decision-making authorities usually avoid publishing full information concerning a proposed decision. They generally use methods aimed at merely generating an impression of public participation. In this way, they hope to circumvent difficult discussions and the necessity to defend the chosen solution. However, this does not mean that they will not have to defend it over the course of its implementation. The most common forms of public pseudo-involvement are:

- **Informing the public** after making a decision, with no possibility for citizens to express their opinion upon it. This also includes various techniques of diverting public attention and activities away from genuinely important issues.

- **Winning over the public** (also after a decision has been made) – efforts by the authorities to present a *fait accompli* in a favourable light, in order to win citizens over to their side. The authorities occasionally use various forms of manipulation to compel the public to support their decision.

- **Consulting public** – the organising of a public meeting immediately before a decision is
made, or publishing the plan in an inaccessible place in order to provide a minimum of information to the public, thus receiving only superficial feedback from those affected.

International experiences have shown that discussing alternative proposals with the public a sufficient length of time before the decision is actually taken is much more effective, and ultimately cheaper, than being forced to deal with public anger over the course of a decision’s implementation.

In order that citizens approve decisions with public consequences and accept them as their own, it is necessary that four basic criteria be fulfilled, and in the following order:
1. Citizens should be sufficiently informed about the entire decision-making process;
2. Citizens should be listened to before the authorities make a decision;
3. Citizens should have an influence on the decision;
4. Citizens should agree with, or be willing to accept, the decision.

There are a number of theories as to how various forms and methods of involving the public may be arranged. On an international scale, the most well known of these is probably the one put forward by Sherry Arnstein in 1969, in her classic ‘Ladder of Citizen Participation’. In our view, the five levels of citizens’ influence on public decision-making, which we developed from the ‘levels of joint decision-making’ put forward by William Potapchuk in 1991, have proved themselves effective.

The graph presented below depicts two basic factors:
• the level of citizens’ influence on decision-making (shown on the x-axis);
• the time needed to reach a decision (the y-axis).

Before we go into more detail about the individual levels of citizens’ influence on public decision-making and the usage of techniques at each level (Box 7), we will first present a graph depicting them.

Figure 2: The five levels of citizens’ influence on public decision-making
What are the individual levels of citizens’ influence on public decision-making? What characterises them, and how do they differ?

1. The authorities make a decision and subsequently provide information

The least time-consuming method is where the authorities make a decision independently and inform the public afterwards, whether directly (for example, at a public meeting) or indirectly (through the media).

This approach may be appropriate in a situation where it is important to make a rapid decision, and the people affected are aware of this; for example, in crisis situations (such as any type of natural disaster). The authorities may also be able to use such an approach in a situation where they have the trust and support of the citizens (for example, where they allow citizens to influence decision-making in other situations), or if the decision has been preceded by a wide-ranging discussion and an agreement upon priorities in which citizens have participated. It is important that citizens know in advance that a decision is to be made; in this case, the decision-making process meets the first condition for the decision’s acceptance by the public.

It is particularly inappropriate to use such an approach in situations where it may be expected that public opinion will be the reverse of that held by the authorities. Furthermore, if the public is capable of rapid mobilisation, then such a form of decision-making is very hazardous for the authorities.

2. The authorities make a decision after consultation with individuals

It is a little more time-consuming when the authorities, before making a decision, engage in consultations with individuals and determine their opinions, whether randomly, or using a representative sample (which should at least provide an overview of differing interests, opinions, and other characteristics expressing diversity). This includes all methods of determining public opinion, such as opinion polls, individual interviews with official and non-official local authorities and an ascertainment of their opinions, focus group discussions, and public hearings.

This type of decision-making meets the first two criteria for the decision’s acceptance by the public, which is an improvement over the preceding type.

In this case, collecting information on public opinions may be perceived merely as a smokescreen to conceal what is actually the *fait accompli* approach to decision-making detailed previously. It is generally very difficult for the public to distinguish whether the results of research are genuine or have been manipulated, as well as the extent to which these results have been considered and accepted when approving a decision.

3. The authorities make a decision after consultation with representative groups

Another possible method of decision-making is where the authorities create a committee for studying and creating proposals to solve a specific problem or issue. In order that the public become involved, this committee must include representatives of interested parties and citizens.

The recommended approach is one where the committee analyses the problem and proposes solutions that the authorities subsequently approve, either with a small number of amendments, or unconditionally. An important condition for the legitimacy of such a process is that the committee have a representative composition. In the event that a committee is successfully established from generally respected authorities, reflecting a wide range of interests on the part of those affected, then this is a process that meets all four criteria for the decision’s acceptance by the public. In this case, it is also important that the decision-making process be clear and accessible to the public.
Citizen committees, which are usually established when decisions are to be made by the state or local government, have various tasks and roles, and not all of them have a real influence on decision-making. Sometimes their task is merely to analyse the problem and monitor attitudes, providing the authorities with simple orientation in the situation. At other times, committees also provide advice and propose alternatives, from which the authorities choose the solution to be implemented.

Box 5: ‘Planning Weekend’ for the revitalisation of Liberty Square in Brno, Czech Republic – an example of decision-making by the authorities after consultations with individuals and interested parties.

In 1996, the Chief Architect’s Office in Brno began to prepare the announcement of an architectural/town planning tender for the revitalisation of the most-frequented area in the historic centre of Brno – Liberty Square. As the Office wished not only to respect the Square’s status as a monument, but also the opinions and preferences of the inhabitants and users of the Square, it entered into co-operation with a non-profit organisation, the CSOP – the Czech Union for Nature Conservation in Brno. At the beginning of 1997, they jointly prepared the conditions and running of the tender, which emphasised a high level of public involvement and the participation of other partners in the process of planning and implementing the Square’s revitalisation.

Before announcing the tender, a working team undertook various types of research, including a sociological study of households situated on the square and a survey among the inhabitants. The team informed the public about the planned tender through an exhibition and regular reports in the media. The tender was officially announced in September 1997, and in October, a one-and-a-half-day ‘planning weekend’ was held for citizens. The aim of the planning weekend was to encourage a joint discussion between all interested parties on the future appearance of the Square, at a time when it was still possible to influence those competing in the tender and when, by agreeing on priorities, citizens were able to assist the tender commission in deciding upon the winning design.

In the planning weekend, which took place in Liberty Square itself, approximately 80 citizens participated for two days. After the introductory, informative section, which took place on Friday afternoon, Saturday was dedicated to working with five themes: the main purpose of Liberty Square, the environment, movement and traffic, entertainment and art, and buildings and passageways. Discussion on each of the five themes was divided by the moderators into three areas: problems – what concerns you most; visions – how you envisage the future of the Square, and solutions – proposed measures. It is important that the ideas and demands of the citizens were methodically recorded and served to inspire architects in the tender.

After announcing the winning design, citizens had the opportunity to see all the competing designs in an exhibition and participate in a public presentation of the winning project and award-winning proposals. Once the entire process had finished, most of the participating citizens highly appreciated the opportunity to express their opinions in the early stages of planning. Equally, the process helped to improve the image of the town in the eyes of its citizens; over the planning weekend, they had the chance to communicate directly with local councillors.

The method of ‘planning weekends’ is based upon techniques of involving citizens in planning, which was brought into the region by the Prince of Wales Trust. In the Czech Republic, the Czech Environmental Partnership Foundation is continuing to promote this method.

4. The authorities make a decision together with representative groups of individuals
The authorities go a stage further in meeting the criteria for a decision’s acceptance by the public if they become one of the participants – an equal partner in the negotiations between the interested parties. Such an approach is only possible in situations where the

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2 Example based upon a publication by the Czech Environmental Partnership Foundation: Místo pro život, Příklady veřejných prostranství v České republice, 1999
state or local government, along with the other interested parties, begin to understand that none of them have the power, the necessary mandate, or the resources to solve a common problem alone.

If the interested parties have enough motivation to solve a common problem, then they can begin to negotiate with each other, which may culminate in active co-operation. The joint negotiations are then participated in not only by the authorities, but also by the representatives of non-profit organisations, entrepreneurs, and individual citizens. The authorities usually guarantee the joint agreement, which is binding for both the authorities themselves and the other parties involved. The latter typically participate in the agreement’s implementation.

Box 6: An example of co-operative planning in Barcs, Hungary

Barcs is a small Hungarian town located close to the Croatian boarder. The most pressing problem for the citizens of Barcs is unemployment. The rate of unemployment in Barcs and environs is higher than the national average, and the Roma population of Barcs is the most seriously affected in this area.

The Partners Hungary Foundation was asked to assist the local government in solving this problem, and its role was to mediate different interests in the community. They used the co-operative planning method, which compels the parties to negotiate, to identify and accept different interests, and to identify existing problems and find solutions to them.

The different parties initially had to recognise the problems that needed to be solved. After several need-assessment meetings with the Mayor, the representatives and executives of the Mayoral Office, the Roma Minority Government, and local companies and institutions (the Labour Office, the Local Office of the Hungarian Foundation for Enterprise Promotion, a parquet factory, schools, etc.), it was possible to launch a programme addressing unemployment. The Roma Minority Government suggested that the unemployment of the local Roma population, which is 6-7 times higher than the national average, should be the priority.

The local government’s main interest and motivation in this process was to improve Hungarian-Roma coexistence in the town and the vicinity. The Labour Office wanted to increase the employment rate. The Roma population sought employment and demanded similar chances and living conditions as those enjoyed by the Hungarians. The Roma self-government represented the interests of Roma people and at the same time endeavoured to reconcile the various conflicting interests. All the participants knew, however, that it would be a long and complicated process.

Participants in the process first received a one-day training course aimed at developing their communication and negotiation skills. The team then identified the stakeholders, whose involvement in the solving of unemployment issues was crucial.

As the next step, participants distinguished the causes of unemployment in order to define those areas where the causes could be eliminated or managed. Those were:

1. School/education deficiency;
2. Causes related to the personality of the unemployed person;
3. Causes related to employers;
4. Other causes.

In all of these areas, participants drew up tasks that needed to be accomplished, and assigned responsibilities to the pertinent individual or institution. The results were presented to different institutions by the Mayor, the town clerk, and the Head of the County Labour Centre.

All of the planned tasks required continuous, facilitated dialogue between the stakeholders. Some selected results of the process:

• With the co-operation of the local Roma Minority Government and the Labour Office, a comprehensive education programme was launched.
• In two primary schools, extra courses were organised for exceptionally talented children and for the physically or mentally disabled.

3 Based upon work by Partners Hungary: Co-operative planning against Gypsy Unemployment in Barcs and its neighbourhood – www.partnershungary.hu
• The Roma Minority Government contacted the kindergarten and three primary schools asking for cooperation to help Roma children at risk.
• The organisation of Roma cultural events is one of the most successful undertakings of the program. These events take place on a regular basis in the town and no problem has emerged in relation to them so far.
• Television programmes also represent significant elements of these initiatives. A monthly programme, ‘Gypsy Magazine’, is broadcast on the local television channel of Barcs, the primary aim of which is to present positive patterns and models.
• The launch of a special employment programme with two different parts: the first part is forest plantation, while the second is general forestry (cultivation) in existing forests. The programme ensures the employment of 109 people in the first three months, and 8 of them – those considered the most eligible – will work for a further six weeks. Those selected for employment in the programme are all long-term unemployed, and 60% of them belong to the Roma ethnic group.

The co-operative planning meetings have brought the different parties closer together. In this case, both the Roma and the non-Roma population of the community had serious prejudices towards the other side at the outset. By defining the causes of conflicts, there was a reduction in prejudice and tension. Co-operative planning strengthened the mutual respect of the parties involved.

5. The authorities delegate decision-making to others; citizens have control over the decision

The last level in participatory decision-making is where the authorities delegate decision-making (and sometimes implementation) to an independent group of citizens or a civic organisation. Control is effected either by a group established in a similar way to that seen in the previous case, or by a non-profit organisation. In this case, it is essential that the responsible authorities have effective mechanisms at their disposal to monitor the observance of those conditions and rules that have been delegated, along with the decision-making competence, to an independent entity. This is especially true in cases where public funds are used, and in the observance of general legislation. However, the public authorities should always retain the option to revoke the delegation of competences in justified (previously agreed) circumstances.

Box 7: Methods of public participation in decision-making by the authorities

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<tbody>
<tr>
<td>1. The authorities make a decision and subsequently provide information</td>
<td>• briefings – short meetings in which the authorities provide brief information on the decision to invited leaders</td>
<td>• public meetings</td>
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<td></td>
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<td>• providing information through the media (newsletters, press announcements, press conferences, advertisements)</td>
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<tr>
<td></td>
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<td>• briefings – short meetings with groups of citizens</td>
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<tr>
<td>2. The authorities make a decision after consultation with individuals</td>
<td>• lobbying (see the chapter on advocacy)</td>
<td>• surveys, listening projects</td>
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<td></td>
<td>• individual consultations with local experts</td>
<td>• public hearings*</td>
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<td>• opinion polls*</td>
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<td>• focus groups*</td>
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<td>• the collection of comments for the authorities (in person, by telephone, by e-mail)</td>
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<td>• the organisation of exhibitions (models and alternative plans), linked to the collection of observations on the investment objective</td>
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COMMUNITY ORGANISING

Community organising based upon confrontation differs fundamentally from the other methods of involving the public that we have mentioned in this chapter so far. It is a technique that may be used by activists and formal or informal groups of citizens in cases where the authorities with decision-making competence refuse to engage in discussions with the public. It is the only method described here that is based upon the escalating of conflict – a technique which, naturally, has inherent risks that should be considered before such a strategy is utilised. On the other hand, a reinforcement of positions and open conflict (albeit non-violent in nature) is sometimes the only way to highlight a problem and bring it to the attention of both the public at large and the authorities. In order to better understand community organising, we shall first focus on the successful ‘Balconies’ campaign (Box 7), and subsequently summarise its fundamental principles. We shall also outline situations where this approach is useful, and where it is not.

**Box 8: An example of community organising – the ‘Balconies’ campaign on the Chrenová housing estate in Nitra, Slovakia**

Imagine a twenty-year-old housing estate with a population of around 22,000 – one of dozens of such estates that may be found in the region, not only in Slovakia – and you now have a good idea of what the Chrenová estate in Nitra looks like. To complete the picture, do not forget to visualise the decrepit tower blocks, the shabby entranceways, the potholes in the roads, and the lack of children’s playgrounds. The

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*Written by Bohdan Smieška from the Citizens Action – Centre of Community Organising civic association*
inhabitants of this estate have no special relationship to it; they hide from its dreariness behind the doors of their apartments, partly due to the fact that they have repeatedly proved incapable of changing the situation alone.

An organiser from the ‘Citizens Action’ non-profit organisation began an initiative in this community in spring 1999, visiting its inhabitants personally at home in order to determine the problems that they felt to be the most serious on their estate. In co-operation with a group of active citizens, the most acute problem on the list, and the most suitable for organising a campaign to empower the estate’s inhabitants, was subsequently singled out.

The problem selected was that of masonry falling from the balconies of some of the high buildings, which posed a threat to those living in the buildings and to passers-by. The preceding five years of efforts by the inhabitants to solve this problem had resulted in fences being erected at a distance of two metres from the affected buildings. This stopgap ‘solution’ was implemented by the administrator – Službyt, s.r.o. – and obviously did nothing to solve the real problem.

The crucial factor contributing towards the inhabitants’ anger, representing an excellent opportunity for the organiser from the non-profit organisation to stimulate protest, was the appearance of a notice in the affected buildings, which read as follows: “We strongly advise the inhabitants of apartments to refrain from using their balconies as much as possible, due to loose and falling concrete on the upper balconies. We urge you to respect this advice, in the interests of avoiding any possible accidents!” The notice was signed by the operations manager of Službyt. At that point, the organiser began to engage in conversations with the residents of these buildings; within a few days, she had formed a ten-member group of leaders who drew up a campaign plan together.

The first activity as a part of the campaign was the rapid collection of signatures on a petition from the affected residents, which demanded that the director of Službyt immediately carry out an expert analysis of the balconies, and set a date for their reconstruction. All the local media were invited to cover the submission of the petition by a group of citizens; the leaders of the campaign expressed their viewpoints and announced the campaign’s official launch. As soon as the petition had been submitted, the leaders and organisers began to arrange a public meeting with the director of Službyt, which was set to coincide exactly with the date by which the law demanded a response to the petition. In the meantime, the town council dismissed the director of Službyt due to his inactivity, mainly as a result of pressure by the local newspapers. Although the initial response of the deputy secretary of Službyt to the petition did not meet the expectations of the residents, at the subsequent meeting, and under pressure from hundreds of citizens, he was forced to pledge publicly that the company would carry out an expert analysis of the balconies and request a grant from the council for their renovation by a specific deadline, describing the situation as critical. This partial success did not halt the activities of the citizens.

The campaign culminated in direct action by 25 activists at a meeting of local councillors, at which funds for the renovation of the balconies were to be approved. The activists had brought large pieces of concrete from the balconies, which they gave to each councillor, and also read out their view of the problem. At the same meeting, the councillors approved the allocation of approximately $70,000 for the balconies’ renovation.

The campaign was a success. The residents learned that an organised effort is genuinely capable of solving problems in their own community. The group of citizens and the ‘Citizens Action’ non-profit organisation gained respect and influence in the community and in the eyes of the ‘powerful’, and are now using this in further organising and in galvanising the power of the local community.

Let us use this story to sum up some basic principles of community organising:
• Community organising is aimed at empowerment – increasing the power of local people, or people with a common problem.
• Local people share in the selection of a problem and in creating their own solution to this problem.
• A fundamental part of community organising is seeking and training community leaders.
• Local people, together with campaign organisers, identify targets of confrontation – people, organisations, or structures – which are able to implement their preferred solution (in this case, the target was Službyt and its director).
• In the event that the target is not willing to implement the demands of citizens, pressure is built up so that the negotiation of these demands is enabled.
• **Be careful!** Despite all this, the **objective of community organising is not merely the solution of a problem. It is primarily about empowerment and providing education concerning citizens’ rights in sections of the population that are disadvantaged or discriminated against in some way.** It involves the development of individual skills in the defence of people’s own interests (self-advocacy).
• The basic activities that are characteristic of community organising are public meetings, boycotts, and protest demonstrations in which a large number of people participate. The organisers counterbalance the power of the official authorities, which stems from their position or wealth, with people power, which is based upon a large number of people demanding the same thing.
• Some of these activities lead to the creation of organisations (run by their members), which develop the capacity to have an influence on subsequent problems, and which embody the power and will of their members. Trade unions work, or at least should work, on this principle.

**Box 9: When to use and when not to use the community organising approach**

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<thead>
<tr>
<th>The community organising approach is necessary when:</th>
<th>The community organising approach is inappropriate when:</th>
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<tbody>
<tr>
<td>• the authorities responsible for solving a problem behave in an authoritarian manner and refuse to discuss the problem;</td>
<td>• the authorities responsible for solving a problem offer co-operation in addressing it and create space for public discussion of the problem in question;</td>
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<td>• apathy and a feeling of powerlessness prevail amongst the citizens affected;</td>
<td>• there is an active civic approach in the community with working problem-solving mechanisms in place;</td>
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<td>• long-standing discussions with the competent authorities have not led to a solution, or even public discussion on the given theme;</td>
<td>• the parties involved are in the process of negotiations, with an agreement on the horizon;</td>
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<td>• a latent conflict exists in society or the community, to which the competent authorities or the public do not wish to admit.</td>
<td>• a sufficient number of experts live in the affected community, who are capable of submitting a co-operative strategy to solve the problem, as opposed to confrontational or protest activities.</td>
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</table>

Today, there are many possibilities of using the method of organising people and communities. The founder of community organising is Saul Alinsky, who established the Industrial Areas Foundation in the USA in 1940. This organising still helps to organise communities throughout the United States. In his best-selling book, Rules for Radicals, Alinsky laid the foundations of organising the poor for the defence of their civil rights. Since that time, various approaches have been tried. Let us now look at some basic forms of community organising according to the principle upon which people or organisations are organised.

**The organisation of organisations** – the organisers orient themselves towards involving existing local organisations in the fight for a common objective. They join organisations in a coalition, or an ‘organisation of organisations’, concerned with a given problem; in regard to individuals, mainly the rebels are motivated, and clever publicity tactics are important.

**The organising of local people** is aimed at organising individuals living in the same community, motivating them to joint action. This usually takes the character of a social struggle, bringing together residents of a particular neighbourhood with comparable in-
comes. This model is based on house-to-house meetings – the organising of small groups in which individuals gradually become capable of leading the community.

**Organising aimed at consumer issues** – such as consumer rights, or the problems of tenants. This approach usually stems from a momentary, short-term problem, and rarely leads to large ideological changes.

**Organising based upon identity** – this approach is based upon affiliation with a race, ethnic group, sexual orientation, gender, etc. (such as the Roma, women, or homosexuals), upon the basis of which the community organises itself, raising questions of equality and social justice.

**The organising of trade unions and collective bargaining** usually involves the organising of employees as a basis for negotiations concerning wages and working conditions; it may also involve a defence of interests (advocacy) in political areas in regard to the rights of union members.

**Box 10: Legal means for mobilising the citizens**

It is an advantage to possess a good knowledge of the wide range of legal means available for mobilising citizens, not only when using the community organising approach. In this box, we shall provide a brief overview of the terminology that may be found in the legal framework of most Central, Eastern, and Southern European countries.

**REFERENDA**

A referendum is a general vote on issues of public interest, and may be participated in by any eligible member of the electorate. For example, according to the Constitution of the Slovak Republic, this instrument must be used to confirm (or prohibit) entry into an alliance with another country, or the cessation of such an alliance. The results of a referendum become law, and may not be changed for at least three years from the date that the law comes into force. However, a referendum is only valid if over half of the eligible voters take part in it, and the proposal is only approved if over half of those participating vote in its favour. Basic rights and freedoms, taxes, social security contributions, or the state budget may not be the subject of a referendum. Questions posed in a referendum must be clear and constructed in such a way that they may only be answered “yes” or “no”.

Alongside the nation-wide institution of a referendum, the legal frameworks of many countries also recognise local referenda (voted in by the inhabitants of municipalities). If certain conditions are met (such as the collection of a specified number of signatures on a petition demanding a referendum), then both types of referendum may usually be initiated by citizens and their organisations.

**PETITIONS**

Citizens initiate petitions in order to support their proposals or demands, or to express their opinion, or dissatisfaction with, the activities of competent bodies. The right to petition is usually enshrined in the constitution; for example, Article 27 of the Constitution of the Slovak Republic reads as follows: “...Every person shall have the right to address governmental authorities and public administration in individual and public matters with petitions, proposals, and complaints...” A petition may demand or propose many different things (from the introduction of new bus routes to changes in the law). The range of matters that may be the subject of a petition is therefore very wide, and there are only a few areas where the right to petition does not apply. Usually, a petition may not interfere with the independence of the judiciary (for example, a petition may not demand that a court make a certain decision in a specific case). Furthermore, a petition may not demand a breach of the constitution or the law, acts of violence, or a limitation of the rights of citizens on the basis of their nationality, gender, race, origin, opinions, religious beliefs, or social status. In addition, it may not demand the propagation of hatred and intolerance on these bases.

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5 Written by Ján Hrubala and Pavol Žilinčík from the Centre for Environmental Public Advocacy, Slovakia
OBSERVATIONS, STANDPOINTS, AND OBJECTIONS

Along with the general right of citizens to express their opinions regarding important problems, which is almost completely unrestricted, in certain cases, citizens also have specially defined arenas in which they may express their opinions before the approval of a specific decision. Examples include:

1) The development of towns and villages and the quality of life in them stems from the territorial plan to a great extent; for example, this plan determines the activities or constructions that will be carried out on the given territory in the future, sets out conditions that must be observed when using a certain territory, etc. Citizens have the right to participate in the preparation and approval of the plan.

2) Before permitting large constructions to be built (such as waste dumps or incinerators, motorways, dams, etc.), all the effects of the construction on the environment and residents must be assessed. Citizens may also express their opinions in this process – whether they agree with the proposed activity, which alternative suits them best, etc. Citizens have guaranteed access to all documentation and may present their standpoint on the proposed construction. In most Central, Eastern, and Southern European countries, the EIA (Environmental Impact Assessment) law currently regulates everything that citizens may do over the course of this process, as well as how this process is carried out.

3) Citizens who own land or buildings in a territory where an activity is proposed, along with people who own adjacent land or buildings, may participate in the decision-making process in regard to the usage of that territory and the authorisation of individual constructions. These participants may express their objections as a part of the process, and the appropriate state administrative office will subsequently decide whether they are to be acknowledged or not.

HOW TO OBTAIN IMPORTANT INFORMATION

Without the necessary information, the incentives or petitions of citizens are often reduced to mere conjecture. Although the right to information is generally enshrined in the constitution, some important laws enabling citizens to obtain important information are only now coming into force in the countries of Central, Eastern, and Southern Europe.

In Slovakia, for example, the Free Access to Information Act came into force on 1st January 2001, guaranteeing wide-ranging access to information on the basis of: 1) the obligatory publication of information (the method of organising an office, an overview of regulations, guidelines and instructions according to which the office is run, etc.), and 2) making information available on demand. Similar laws are in effect in other countries.

COMPLAINTS

Official complaints are used especially when expressing dissatisfaction with the approach of the competent authorities, and when applying for rectification. Legal regulations do not generally specify any official aspects for the submission of complaints; they are judged according to their content. However, the pertinent legal regulations do specify to whom, how, and when a complaint should be submitted, and the maximum time limit for its resolution. A complaint is considered to be resolved when the person who made the complaint has received written information concerning the result of investigations into the complaint and whether the necessary measures have been taken to eliminate any possible deficiencies; this is reason enough to make such a complaint if something is perceived to be unsatisfactory in the decisions of the competent authorities.

PUBLIC ASSEMBLIES

Public assemblies and demonstrations are one way of participating in decision-making that relates to public affairs. At an assembly, standpoints and approaches to problems may be presented, information and opinions may be disseminated, serious problems may be highlighted, and pressure to solve them may be generated. In other words, it is an important political right – in fact, one of the most basic rights and freedoms – and is protected by the constitution, the law, and international treaties. The manner in which the right to assembly is exercised is usually regulated by a special act.

The basic principles of exercising the right to assembly may be summarised as follows:

- Citizens have the right to assemble peacefully. This right may only be limited in a democratic society if it is essential to protect the rights and freedoms of others, to maintain public order, to protect public health, decency, or property, or to maintain state security.
• Assemblies may not be subject to authorisation by bodies of state administration. The only condition is that a planned assembly should be announced in advance.
• Assemblies may be called by any citizen who is at least 18 years of age.
• Municipalities may, in exceptional circumstances, prohibit an assembly or order its dissolution. The organiser may challenge such a decision in court, and the defensibility of this measure must be decided upon within three days.

PROTEST MEETINGS, BLOCKADES, AND HUMAN CHAINS
Protest meetings, human chains, blockades, and other radical forms of expressing one’s opinion and participating in decision-making are often a reaction to important, long-unresolved problems. They are generally used when all other possibilities have failed. Activities on the fringes of legality are sometimes engaged in over the course of such events.

Illegal activity generally comes in the form of misdemeanours and felonies, and only such activity that is “dangerous to society, with characteristics set out in the law” may be branded as such. Both misdemeanours and felonies pose a danger to society. What sort of activity can be considered to be illegal? What rights and obligations do the police and participants in the event have? An independent analysis in individual countries is necessary in this area.

THE PROGRAMME OF TRANSFORMING PUBLIC DECISION-MAKING
The participation of citizens in public decision-making may be understood in two different ways: utilitarian and value-based. When considered in a utilitarian way, the participation of citizens is merely a formal act of fulfilling the legal requirements for muting social, environmental, and other forms of unrest. However, the value-based approach regards citizen participation as an intrinsic part of civil society in a democratic country, where individuals are given the opportunity to become involved in public policy.

In the first instance, where public participation is regarded merely as a set of techniques and formal procedures, its effect is minimal – limited solely to individual decisions, certain civil service bodies, and a small number of citizens. The second instance requires a transformation of public decision-making and a change in the attitudes of all interested parties: officials, elected representatives, and citizens, as well as in the qualifications of experts who have an influence over public decision-making.

The philosophical and ethical transformation of public decision-making should be concentrated on three basic areas: the community, public governance, and methods of resolving public conflicts. This was proposed in 1996 by a well-known expert in this area, Franklin Dukes, and is based upon analyses of public conflict resolution in the USA. He formulated the changes necessary for the strengthening of democracy in each of these three basic areas as follows:
• towns, suburbs, and villages must become engaged communities, in which citizens and institutions (particularly local leaders and non-profit organisations) are encouraged to take the initiative in regard to public issues;
• public administration must learn how to react more openly to the opinions and needs of citizens and be familiar with problem-solving methods and must become agents at responsive governance; and
• more and more people in all three sectors should understand the principles of conflict resolution.

Such a programme of transforming public decision-making is inspiring and in many ways necessary under the conditions of this region. Let us look at its basic elements in more detail.
THE ENGAGED COMMUNITY

A basic condition for participation in public decision-making is that citizens demand that their opinions be heard, and are also prepared to take partial responsibility for public affairs.

However, this requires a change in the attitudes of people from griping passivity, which may be seen daily in towns and villages, to active participation in events in their immediate vicinity – their community. Many writers (Barber, Boyte, Evans, 1984 and Etzioni in Dukes, 1996) regard the engaged community as the basis of democratic society. Communities create ‘free space’ for public discussion, the reaching of agreements, changes in individual attitudes, the partial relinquishment of personal interests for the common good and the interests of society, and for contributions through voluntary work or financial donations. When influencing public life directly, citizens (whether they be volunteers or philanthropists) can distinguish the direct effect of their contribution on their fellow citizens, teaching them solidarity that stems from common interests and not from formal obligations.

An important concept in this area is social capital – an idea that was made popular by the Harvard political analyst, Robert Putnam. A community’s social capital is made up of norms (unwritten rules that individuals and organisations instinctively observe) and social relations, which build trust and mutual reciprocity between the community’s members and organisations.

Networks of social relations assist co-operation and promulgate the reputations (whether good or bad) of organisations and individuals; in this way, they help community decision-making and problem-solving. If someone fails to observe a business agreement, or conversely, if someone is a reliable partner, news of this will spread rapidly throughout the community. This is largely due to the fact that citizens meet and speak to each other in a very wide range of social contexts (regardless of whether this is at a church meeting, a football match, etc.). One outcome of this is that unreliable entrepreneurs will not win contracts with the town.

Thanks to a wealth of civic activities, individuals and organisations are becoming persuaded of the mutual benefits of co-operation, based upon their own experiences. A simple example: if I help my neighbours to fix their roof today, then they will help me to bake cakes for my daughter’s wedding tomorrow. At the same time, it is necessary to remember and appreciate the previous successes of co-operation, which will lead to a tradition of co-operation within the community.

It emerges from Putnam’s research that citizens living in communities with solid social capital spontaneously engage in public affairs, act fairly, and respect the law. The authorities in such communities are relatively honest, approaching all citizens equally, regardless of their political views, ethnic background, or religious beliefs. Social and political relations and networks are organised horizontally, not hierarchically.

Nevertheless, social capital alone is not a guarantee of progress and benefits for the entire local community. The key factor is how the community defines itself – whether the community is perceived as elitist, and therefore discriminatory, by those around it and its members, or whether it is open, with the advantages of co-operation available to everyone. Equally important are the values upon which co-operation and mutual advantage are based. If the sympathy and ‘small favours’ of politicians and important officials are bought with bribes, then this certainly cannot be regarded as positive social capital, even though this leads to a reinforcement of mutual interdependence. (See Exercise 1 in the section entitled ‘The Citizen, the State, and Public Decision-Making’ in this chapter to read about issues concerning mutual interdependencies and the values typical of post-communist societies).
Apart from bonding social capital (which strengthens internal relations between members of a community), bridging social capital is also very important. This helps to build relations, trust, and co-operation between communities. It is an excellent thing if residents of a suburb have good relations with each other, and interact well with local entrepreneurs; however, it is equally important to enjoy high-quality communications, good relations, and mutual understanding with neighbouring communities. It is also true in this case that if your neighbours are doing well, then this can only be to your advantage; if not, then you will feel the impact sooner or later.

To enable communication within the community and influence the decisions of public administration when addressing local issues, civic partners are necessary for discussion and negotiation. In some cases, such partners could be unofficial community leaders (although not political leaders). Community leaders should be able to express opinions on local issues in public, enjoy the respect of the community for their attitudes towards public affairs, and be capable of generating discussion within the community on important issues. They should also be able to transmit the opinions of their fellow citizens to the official authorities.

Local non-profit organisations may also become natural partners in public discussion. They are equally able to enter into negotiations; furthermore, they can offer their capacities in realising and executing some tasks of public governance.

**A RESPONSIVE GOVERNANCE**

The second basic condition for the effective participation of citizens in public decision-making is a responsive governance whereby public administration listens and reacts to initiatives from the community – the citizens. Elected politicians and the public administration often have a tendency to avoid communication with citizens and fall into the trap of perceiving their role in public decision-making in a particular way. For better understanding, we have used simple tags to describe each type of ‘trap’.

**Box 11: Traps for politicians and public administration**

1) ‘The Rulers’ – ruling public officials. In elections, citizens hand over their power to politicians, who thus obtain the right to make decisions according to their own judgement. The citizen is expected not to disturb officials in their work, so that politicians are able to implement their concepts. Moreover, citizens are expected to show appropriate respect and trust for politicians, as they were elected due to their character and wisdom.

2) ‘The Been-Everywheres’ – expert public officials. Public governance (both the elected and non-elected officials) should contain as many experts as possible with the appropriate education and experiences, so they are best able to solve problems in society. As they know more than the ordinary citizen, they have the right to make decisions on behalf of the lay public.

3) ‘The Auctioneers’ – populist public officials. Politicians sell their programmes in elections; those who receive the most votes have the right to realise these programmes. Laws, strategies, tax breaks, conceptions, etc., are commodities that politicians sell to the taxpayer. The rules concerning these commodities are the same as for any other goods on the market.

The relationship between the public officials and citizens (including companies and non-profit organisations) is actually a relationship between an entrepreneur and the customer – the political process is only concerned with “who gets what, when, and how”.

4) ‘The Messiahs’ – redeeming public officials. In elections, politicians offer to save the country from internal and external enemies. Only they are able to lead the country out of all its problems and create a wealthy and prosperous country – another Switzerland, the envy of the world. The voters who take part in elections believe that only these people are capable of becoming the country’s saviours.
5) ‘The Sweet Talkers’ – public officials of national understanding. Politicians persuade citizens that all conflicts are bad and dangerous, and that an agreement would be possible if other politicians (in the same way as they do) were to put the country’s well-being first, and not their own interests. They believe that it is necessary to eliminate conflicts within the public officials at all costs, and that any compromise is better than open conflict.

This list of ‘traps’ is not exhaustive. Maybe you can think of others, or perhaps combinations of them.

For public administration to become open, it is essential that there be a change in the approach of all civil servants – elected politicians, state and local officials, experts, and other workers in public administration.

Perhaps the greatest change that will have to take place is a change in the understanding of the tasks of the public officials. It must change its attitude of exclusive authority in public decision-making to one of shared/responsive governance. This entails sharing decision-making with stakeholders from other sectors, and not deciding on behalf of citizens, but with them. Such an approach naturally leads to a strengthening of the capabilities and powers of local people.

Another concept connected with community decision-making and the role of individual sectors in solving local problems is civic infrastructure (NCL, 1998), which is based on the concept of social capital.

Civic infrastructure represents formal and informal decision-making processes, public involvement, and the mobilisation of citizens in the community. Civic infrastructure is composed of formalised mechanisms of relations and decision-making processes between citizens, local institutions, and organisations, such as neighbourhood councils, parent-teacher associations, ecumenical dialogues, business forums, and negotiations between entrepreneurs, cross-sector forums, local elections, round tables, etc. An effective civic infrastructure enables strong connections between families, neighbours, and the community at large, providing community members with wide-ranging opportunities for participation in community life.

THE ABILITY TO RESOLVE PUBLIC CONFLICTS

When applying the principles of participatory democracy, the number of public conflicts will rise. This is partly because more participants will become involved in the decision-making process, which means a greater diversity of opinions; it will no longer be easy to challenge the legitimacy of these opinions. New space will be created for opening up public issues and defining various attitudes and values, as well as existing public conflicts in society.

Why is public conflict important? The various opinions on this issue have been summarised by Franklin Dukes in ‘Resolving Public Conflicts – Transforming Community and Governance’ (1996).

A healthy democracy would embrace conflict as central to the political process (Barber, 1984). Public conflict is not only an inevitable feature of political life, it is entirely appropriate and necessary (Dahl, in Dukes 1996). And unlike traditional liberalism, which suggests that conflict is intractable and best managed through adjudication or avoidance, a strong democracy uses conflict as a vehicle for participation, informed deliberation, civic education, and ultimately, co-operation (Barber, 1984). Ultimately, in a democratic society, conflict is the basis for social change (Bellman, in Dukes 1996). If there is to be a just relationship, if change is to occur, latent conflict must be made clearly visible to all parties (Stoltzufus, in Dukes 1996). It is through confrontation and advocacy that needs gain cur-
rency and legitimacy; in many situations it is this confrontation alone that forces the recog-
nition of interdependence that makes negotiation possible (Lederach, in Dukes 1996). As
Alinsky (1989) stated: ‘Conflict is the essential core of a free and open society’.

The growing number of public conflicts will be accompanied by a growing need for me-
chanisms to resolve them. Those involved in public decision-making will have to learn skills
in handling and resolving conflicts.

Of the possible factors affecting the success of resolving public conflicts, we shall men-
tion only one, which we feel to be the most important in this context. Conflict resolution is
significantly assisted if a third party (a mediator, or facilitator) oversees the process, a fact
that has also been confirmed from experiences with public conflict resolution in the West.
This process of assisted negotiation between parties to a conflict is called ‘mediation’.
Participants, with the help of a neutral person or persons, systematically examine areas
of the conflict in order to propose methods for its resolution, assess alternatives, and reach
a joint agreement that fulfils their needs (Ondrušek, Shapiro, 1999). Mediators supervise
the negotiation process, but do not assert their own methods of resolution.

**Principles of citizen participation in public decision-making are becoming steadily
more established in transitional countries. Opinions concerning how to proceed in this
area are, and will long continue to be, very wide-ranging in nature. In this chapter, we
have endeavoured to emphasise that, in the real democratic governance of public
affairs, the philosophy and values of public decision-making are at least as important
as the individual techniques of public participation. If we do not believe that citizens
have the right and sufficient ability to express their opinion on public affairs, even the
best techniques will ultimately prove to be ineffective. For this reason we welcome
every individual, civic initiative, or non-profit organisation that decides to enter into
public decision-making and seek that which is in the public interest. Thankfully, their
numbers are growing daily in this region.**

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ADVOCACY

CONTENTS: The Definition of Advocacy ■ When and Where Advocacy Begins ■ Preparing and Planning Advocacy Activities ■ Compiling Case Studies from Advocacy Activities

The origins of advocacy are connected to the development of pluralist democracy after the fall of the communist regime.

There are a number of theories on advocacy. This chapter is based upon conceptions drawn up by two American organisations – OMB Watch and the Advocacy Institute in Washington – and also upon many remarkable examples of advocacy in Central, Eastern, and Southern Europe, which are being implemented by non-profit organisations.

In the first part of the chapter, we shall define terminology and speak about where and when advocacy begins. In the second part of the chapter, we will inspect the basic instruments of advocacy and preparation for individual advocacy activities. We shall also speak more about campaigns and possible problems in their organisation.

THE DEFINITION OF ADVOCACY

A well-known authority on advocacy, David Cohen, offers the following definition of advocacy: Advocacy consists of organised efforts and actions that use the instruments of democracy to establish and implement laws and policies that will create a just and equitable society. These instruments include elections, mass mobilisation, civil action (including civil disobedience), lobbying, negotiations, bargaining and court actions.

Advocates design their efforts and actions to persuade and influence those who hold governmental, political, and economic power so that the formally constituted decision-makers will adopt and implement public policies in ways that will improve the lives of those with less conventional political power and fewer economic resources...

...When people participate in organised actions that involve non-governmental organisations, then media, and public decision-making bodies, democratic processes are strengthened.

In the course of their activities, advocates naturally come into conflict with those holding political and economic power. They are aware that politics exceeds the framework of political parties and state institutions. In view of the reality of post-communist Europe, this area is complex, and within the framework of a developing political culture, unfamiliar. In general, the opinion is still prevalent that ordinary people should not involve themselves in politics. There is a widespread, vague belief that citizens may vote their representatives into local and national bodies, but should then leave them to get on with their work and ‘not mix with politics’. If they wish to become involved in politics, then they should join a party, or take a job in some public institution. Scepticism is still rife regarding the opportunities to influence the activities of the ‘elite’. We often hear: “Basically, nothing has changed, and people still have no chance to influence anything”; “Don’t poke your nose into politics – you’ll regret it. The people ‘up there’ have the power, not you”; “You should pay attention to your work instead”, or “In any case, it’s all decided by money”. 

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Terminology corner: Defining new terms

**Advocacy** consists of organised efforts and activities by citizens and their organisations using democratic instruments to establish and implement standards and laws that lead to the creation of a just and equitable society. Instruments of advocacy include various civil activities (informing and educating the public, petitions, campaigns, civil disobedience, etc.), along with elections, mass mobilisation, lobbying, negotiations, and court actions.

**Lobbying** is a specific way of defending public or private interests, the objective of which is to change (implement, abrogate) a specific law or regulation, or its part.

WHEN AND WHERE ADVOCACY BEGINS

The application of advocacy in a totalitarian regime, which controlled political, economic, and social life on the basis of the constitution and laws, had little meaning. Advocacy in the true meaning of the word can only be applied and developed in a democratic system that ensures fundamental human rights such as the freedom of association, speech, obtaining and disseminating information, etc. In a democratic state, citizens may associate and establish their own organisations – civic organisations, clubs, associations, and foundations. These carry out their activities independently of governmental power; people learn how to involve themselves effectively in decision-making processes on local, regional, national, and international levels, and influence them.

Interest in entering the arena of public life is often accompanied by dissatisfaction and protest. However, there is much more to it than this. People simply desire to influence issues that affect their lives to a much greater extent; they are increasingly less passive in regard to issues that are decided upon by someone else. They express themselves on a variety of issues – social inequality, unemployment, the violation of human rights, rising crime rates, corruption, drug use, the destruction of the environment, or the neglect of cultural heritage. And this is not all – they often come up with alternative concepts and solutions to problems.

**Box 1: Does the public interest exist at all?**

There are a number of opinions concerning the term ‘public interest’. Conservatives deny that any such thing exists. There are only so many individual, group, or specific interests that compete with each other. This viewpoint maintains that it is meaningless to argue about the public interest, and that the term was invented by liberal or left-wing thinkers in order to legitimise their own beliefs of what people ‘really’ need. Fortunately, this extreme view is not widely accepted. Common sense tells us that a good environment, unpolluted water, healthy children, or a low crime rate is in the public interest, the achievement of which will increase public well-being.

Why is it worthwhile supporting non-profit organisations that endeavour to act in the public interest?

1. **They supplement the formal political system** (elections, political parties). They strengthen people’s direct participation in the political process so that the political system does not provide a framework merely for parties’ political activities. In non-election years, contact between the voters and their elected representatives is negligible, and various lobby groups battle secretly or openly with each other for the opportunity to influence them. If non-profit organisations try, through campaigns, leaflets, and media presentations, to motivate people to express their own opinions, this can only be a good thing. The fulfilment of election promises will not even be mentioned; the credibility of such assurances is truly minimal.

2. Non-profit organisations oriented towards advocacy have the opportunity, in the public interest, to ‘look behind the scenes’ in regard to elected representatives and the government, or to observe whether they misuse their power. These are organisations that galvanise the public, call attention to the misuse of power, and carry out the role of a democratic ‘watch dog’. This is particularly important for disadvantaged groups and minorities, which often become the victims of uncontrolled power.

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1 Text in the box written by Boris Strečanský, Director of ETP Slovakia
3. Such non-profit organisations also help to create political culture and increase interest in politics. Although the election turnout may be high, interest in political activity between elections is low. Non-governmental organisations involved in public benefit issues may thus provide (alongside informal public education through experience) an incubator for politically active leaders. These have the potential to bring other ideas and viewpoints into high-level politics as officials and party apparatchiks. Through criticism, they help to correct politicians’ mistakes, which is vital in a period of transformation, when the fundamental rules of public life and politics are being formed.

4. The introduction of new themes, and increasing public sensitivity to new problems. The resources of such organisations are sometimes provocative and shocking, often leading to a tough response from security forces (in the area of nuclear energy alone, let us mention, for example, the activities of Greenpeace in Slovakia or the Rainbow Movement in the Czech Republic – people climbing the cooling towers of nuclear power stations with banners, blockades of these stations or the buildings of important energy providers, banners and activists suspended from bridges, etc.). However, apart from the element of attracting attention or direct pressure on the competent authorities, there is an ever-present aim of raising the awareness of the public at large to a new problem, which although is not initially perceived on a large scale, is nevertheless extant. In this way, these organisations strengthen the diversity of social discourse and often endeavour to propose alternative solutions.

5. Asserting values in political dialogue. Advocates rarely act with low motivation. Rather, they are motivated by the effort to improve the society in which they live. Although we may disagree with their methods, their honest effort to improve the world is beyond reproach. Even though the road to hell is paved with good intentions, cynicism in this case is inappropriate, and the role of non-profit organisations as ‘a social conscience’ is justified.

PREPARING AND PLANNING ADVOCACY ACTIVITIES
In planning advocacy activities (whether this be a one-off event or a long-term campaign) simple guidelines are of no assistance. However, let us present a number of recommendations based upon the experience of successful advocates throughout the world, along with the first steps in planning advocacy activities.

CREATING A GROUP OF PEOPLE WITH WHOM YOU WISH TO RUN AN ACTIVITY
This should be a small group of approximately 5 – 9 dedicated and enthusiastic people who will implement and direct the activity (a coordination committee, steering committee, etc.). These people need not necessarily be close friends; they may have various personalities and experience. They should be united by a common objective – the willingness to act upon the issue and to comply with agreed rules concerning the joint activity. If the activity is concerned with a wide-ranging theme, it is important to include people who are able to perceive the problem from various viewpoints – those of geography, gender, experience, etc.

The success of the activity depends upon the level of political sophistication of individual members of this core group. This means that they must be aware of the division and function of power, and must understand the basics of the legislative process and working with public opinion.

It is advantageous for the committee to decide from the very beginning upon:

- a contact location, and one main office address;
- with regard to operability, a small, perhaps three-member, executive committee that may be modified as necessary;
- a spokesperson for the activity who will provide information to the public and especially the media, and mould the image of the advocacy activity;
- methods of internal communication – the approval of decisions, meetings, etc. – and methods of external communication;
- an approximate division of tasks between members of the group, based upon their abilities and time restrictions (this may change over the course of the activity).
IDENTIFYING PROBLEMS AND SETTING TARGETS

Although at first glance, this may seem a simple and clear-cut matter with regard to the given circumstances, this is usually a demanding part of advocacy activity. In order to define an issue concisely and comprehensibly and set out objectives that everyone will agree with, contemplation and a certain degree of skill is essential. It is necessary to:

• invent a name for the activity – as brief, comprehensible, and appealing to the widest range of people as possible;
• clearly and concisely describe the problem that led to the commencement of the activity;
• identify the group that decided to act towards resolving the issue – its members, and who they represent;
• define the objectives that this group has set out for solving the problem. It is important that the objectives be set out in individual points – very clearly, concisely, and objectively. There should not be more than three main goals;
• explain how people may involve themselves in the activity. It is a good idea to set out a definitive summary – “What You Can Do”;
• identify a person who may be contacted by the public and by those interested in the activity, along with an address.

These points may be used to create a simple leaflet or booklet, which may be used by all of the group’s members as a basic communications medium and published on the internet. If it is a wide-ranging, long-term activity, a logo for the advocacy activity is very effective, and may be used in various ways. In such an event, we recommend the services of a professional; it is not a good idea to over-improvise.

ACQUIRING RELIABLE DATA

The advocacy plan must not rely upon sensational or unverified reports. To start an advocacy activity without sufficient and reliable information on the issue in question would very probably lead to failure.

Immediately at the beginning, it is important to determine the causes of the problem and areas where involvement is necessary for its elimination. It is essential to know at which level decisions are made regarding the issue in question (local state administration, local government, the national government, parliament, etc.).

Data collection and the acquisition of information must be systematic. In this area, the work of volunteers may be employed; these are people who must be appropriately approached and cooperated with in order that their potential be fully utilised. It is best to begin with research into organisations and institutions focusing on the issue in question. This may involve various state, research, and educational organisations, together with libraries, but also specialised media and non-governmental organisations. It is a good idea to research resources accessible on the internet. You may be surprised how much information you acquire on an ‘unknown’ problem this way. It will be worth its weight in gold when composing a successful strategy.

DRAFTING A STRATEGY

When the problem has been clearly defined, and a sufficient amount of reliable information has been collected, it is time to draft an advocacy action plan. It is composed of similar elements to those of any other planning procedure you have certainly been involved in. If you have no experience in this area, you can find out more in the chapter entitled ‘Strategic Planning in Non-Profit Organisations’, and you may also use, for example, a simplified version of the “planning rainbow”.

Let us introduce a few basic principles. The plan must be written down, not stored in your head. Even though advocacy activities require many unexpected responses and changes to
planned measures, a framework timetable and a division of competences must exist. The estimated costs of the activity must be clear, along with the sources of financing. At this point, it is necessary to know what you are capable of alone and in co-operation with others, what volunteers are capable of, and what work must be contracted out. Sobriety and realism are important, combined with the group’s enthusiasm for the issue.

It must not be forgotten that every advocacy activity will be realised in the same environment and atmosphere, and will also reflect the psychological capabilities of the group. This must be taken into account when planning strategy; idealistic schemes should be avoided.

GETTING TO KNOW THOSE WHO DECIDE

Advocates must understand the system of power, the legislative process, and decision-making methods. They must be familiar with:

• the structure of the system – how the government, ministries, regional and district councils, and local government are composed;
• the functions of the system – who has what competences and obligations, and how decisions are approved;
• the nature of the system – aside from the formal aspects, there are a number of informal elements, which affect decision-making on individual levels of authority. It is an advantage to know the influence and interests of individuals.

Knowledge of the system is important in order to effectively influence it. It is not necessary to study details of the political and legal system – you can cooperate with specialists for this – but a certain knowledge of the political process is simply essential when entering the arena of public policy and representing the interests of others.

It is also important to be personally acquainted with people involved in decision-making, their characters, powers, and formal and informal aspects. Effective advocates endeavour to build relationships with people in crucial positions, along with their staffs. It is always helpful if these relationships are non-confrontational, and if the partners try to understand their limits and abilities. In advocacy, however, unpleasant conflicts with those in power are often unavoidable.

Members of non-profit organisations are frequently prejudiced against communication with politicians; however, the basics of communication with politicians are very similar to regular communication, and can be learned. One very important rule is that, whenever possible, communication between the participants should be easily manageable and pleasant.

Politicians are generally very busy people who deal with a number of problems and issues. Therefore, it is necessary to prepare carefully for meetings with them, and you should be interesting, persuasive, and inspiring at such meetings; your arguments and information should be clear, precise, and concise. It is also important to provide the politician with written information on the organisation, its position, and a means of contact. It is also important to agree on further methods of communication.

Success in contact and co-operation with politicians will depend to a great extent upon whether you convince the politician of your abilities, and upon your influence on public opinion, or the opinion of voters if these are elected representatives. The power of advocates rests largely in these capabilities.

THE CREATION OF ALLIANCES AND COALITIONS

In the area of public policy, the success of the majority depends upon the extent to which your efforts are supported. Anyone may become an ally (regular or influential individuals, citizens’ groups, or various types of organisation), or anyone who shares your interest in the solution or elimination of a given problem to a greater or lesser extent. Winning
allies and friends greatly effects the success of advocacy activities (see also exercise 7 in the chapter entitled ‘Citizens and Public Decision-Making’).

However, experience teaches us that, wherever they take place, most advocacy efforts are dependent upon small, dynamic groups of people serving as a catalyst. The creation of coalitions between non-profit organisations in advocacy activities is one of the most important, and most complex, issues. In post-communist countries, not only the representatives of political parties, but also advocates, are learning to live in a pluralist environment, to negotiate, and to achieve a mutually beneficial consensus. In a decentralised NGO sector, composed of a number of independent organisations, coalitions and partnerships are achieved with relative difficulty. It appears that this is easier in crisis situations.

Although the most important reason for creating a coalition of non-profit organisations is to increase the power and ability to achieve objectives, good co-operation within a coalition has a number of advantages. Coalitions of non-profit organisations:
• provide a forum for the joint consideration of a problem;
• combine financial, material, and human resources;
• reduce competition for access to resources;
• mobilise the interests of other people and groups;
• attract the attention of the media and people in influential positions;
• strengthen solidarity and unity in the third sector;
• build the image and significance of the third sector in the eyes of the public.

Coalitions may be local, regional, or national in nature. In view of the character of advocacy activities, they may be composed of similar types of non-profit organisation (focusing on youth, social issues, or the environment, for example), or a variety of organisations.

Despite its many undeniable advantages, working in coalition also has its drawbacks. Some of the problems include: more complicated organisation and logistics, the achievement of a consensus in dividing competences and in directing the activity, and possible rivalry between the participants.

In establishing a coalition, it is a good idea to understand, and continually emphasise, the reasons why you are trying to form the coalition. Essentially, there are three main reasons:

• The power of coalition through strength in numbers. The more entities involved in advocacy and lobbying on public issues, the more powerful the effect. This is not an area for petty squabbles; it is self-destructive to become insulted in disagreements and say, “OK, so we’ll go it alone”.

• The power of coalition through the diversity of its members. Various types of organisation have various, natural groups of supporters, and therefore various bases for public and political support. A coalition is much stronger if it unites groups that are usually not regarded as partners.

• The power of coalition enables the diversification of competences, capabilities, and expertise. Different groups have different knowledge, capabilities, and talents, which they can provide for a joint project. The know-how, contacts, and experience possessed by any member of the coalition (in working with the media, in organisation, and in creating strategies and tactics) can enrich the coalition as a whole.

There are tried and tested rules for composing and maintaining a functional coalition. If you want to draw inspiration from the experience of others, read the rules – a kind of coalition etiquette – in the following box. The third sector in Central, Eastern, and Southern European countries has often achieved many valuable successes, and has gained social authority and international recognition due to the increased ability of non-profit organisations to work in coalition. In Slovakia, for example, this was noticeable in the
nationwide OK '98 campaign; in Croatia, the Glas 99 campaign, and in Serbia, the Izlaz 2000 campaign.

Box 2: Coalition etiquette: The basic rules for building unity

**UNDERSTANDING**
1. Each member of the coalition should understand not only the way in which other members make decisions within their own organisations, but also the impact that this has on procedures and the functioning of the coalition.
2. Members of the coalition should clarify the areas in which they have similar interests – i.e., those in which they want, and are able, to cooperate – along with those upon which they do not agree and in which they have conflicting interests.

**STANDARDS**
1. Accept the diversity and division of tasks. A coalition cannot expect uniformity from its members in their actions and beliefs, but must respect their diversity and learn to utilise it.
2. Before causing a commotion, collect and verify information. Do not depend upon one source of information – listen to various viewpoints before you make decisions. Issues are rarely simple and uncontroversial.
3. Learn to disagree politely. If you are to work together, you must learn to disagree in a way that allows for further co-operation.
4. Strictly divide your roles as a member of an organisation from that as a member of a coalition. It is particularly important to avoid speaking in the name of the coalition (or sounding as if you are doing so), if you, as an individual or an organisation, have not been entrusted with this role by the coalition.
5. Do not use the media to express your disagreement with the coalition. If you disagree with it, resolve this problem within the coalition itself.
6. Share the credit for successes. If people and organisations work diligently, they should also receive praise. It is better to praise people too often than too infrequently.

**PROCEDURES**
1. Early on, decide upon the method of decision-making within the coalition. Each member should be familiar with the decision-making procedure; it should be clear, accepted by everyone, and thoroughly applied.
2. Decide upon the method of directing meetings of the coalition’s steering committee (the length of the meeting, regularity, basic rules, the minimum number of participants, etc.). Procedural issues of this type may lead to sharp conflicts, despite the goodwill of members. It is therefore a good idea to prevent them with clear and mutually accepted rules.
3. In advance, clarify the areas and level of decision-making freedom for the executive arm of the coalition. Divide decisions into areas where the steering committee must decide, and those upon which the executive arm may decide.
4. Agree upon the decision-making process in situations where a sharp conflict arises or persists between members. If these are important differences between members, which you are not able to resolve alone, you may use an independent mediator, arbitrator, or panel. It is a good idea to agree upon procedure before such problems arise.
5. Agree upon the conditions under which it is possible to re-discuss an already-approved decision. Effective decision-making is very important for the effective functioning of the coalition, and part of this is a common awareness of when it is appropriate to return to an approved decision and when it is not.

**WORKING WITH THE MEDIA**
In developed democracies (and in other countries), the media and journalists have often contributed to the success of a good idea, the protection of human rights, or the uncovering of a scandal. The significance of the media is undoubtedly great, often representing a cata-
lyst for social and political development. This is one of the reasons why the media, and working with it, is an extremely important part of advocacy activities. Through the media, it is possible to attract public interest, obtain support, and in particular, to come to the attention of those who make the decisions – these are the people who you want to influence the most. The broadcast and printed media churn out a huge quantity of information every day; it is not always easy to get our idea and our viewpoint into the headlines. However, it can be done; more importantly, it can also be learned. There are a number of guidebooks and useful documents for non-profit organisations which provide guidelines and successful techniques for working with the media.

Journalists are always looking for interesting and informative stories. They need dependable, up-to-the-minute, accurate information. In the same way as advocates, they also like to contribute towards exposing and solving problems that affect people. And after all, the media is involved with monitoring those in power. Therefore, it is up to your abilities as to how you utilise it in advocacy.

If you decide to start working with the media, then activities in this direction should become a component part of the advocacy action plan. In the area of media work, as in that of strategic planning, it is important to determine what you wish to achieve, where you are coming from, and what steps you will take towards fulfilling the objective. Along with the messages themselves, the form in which they are presented is also important. There is no such thing as a typical or universal reader, listener, or viewer, but if you want people to listen to you, then speak about problems that affect them using their own personal system of needs and values, in a language that they understand.

In the same way as it is important to understand the political system when lobbying, you should also utilise more intimate knowledge when working with the media – which medium is read, watched, or listened to by whom, how high its level of popularity and trustworthiness is, how the editorial office works, and what kind of information is preferred by journalists and when.
When working with the media, and in any kind of relations with the public, you must not forget who you are talking to. You may regard people according to the level to which they are **persuaded by the idea** you are offering, but also according to the **particular target group**, with particular needs, that they represent.

Experience has shown that those who are convinced do not need further convincing. They are familiar with the arguments, and may begin to feel bored by the repetition of well-known issues. Most of them need support and praise, not powerful arguments. Consider whether it is necessary to waste your oratory talents on people with **opposite views**. They will resolutely defend their positions and reject out of hand any attempts – whether rational or emotional – to influence them. Their negative attitude will often serve to strengthen your efforts. A large group of **undecided**, although generally non-hostile people will look on hesitantly. They have yet to make up their minds, but if you interest them, they will not refuse to listen. They offer the widest possibilities to gain support – turn directly to them! What are they most interested in? It has been shown that information itself is not always the key to changing attitudes. People are influenced by non-verbal communication and appealing words, comprehensible language, narratives that strike a chord, connections to their own problems, in whose name you are speaking, whether they can agree with you, and whether they can believe you.

Do you know who you wish to appeal to, your target group? Is this group large or small? Can you define it? Will it change during the campaign? To begin with, the mission may only affect a small target group, such as specialists; later, however, you may try to approach young people, housewives, or the public at large...

**STEPS IN THE MEDIA STRATEGY:**

- **Define the objectives that you wish to achieve** (awareness, a change in opinions, a change in the consideration of a certain problem, public debate), and the **target group to which you wish to appeal**.

- **Create the main concept of your campaign** – the message, a slogan, and a comprehensible motto.

  The message should be simple and original, appealing and comprehensible. It should be stated in your own words, but in such a way that it be understood by the target group. The slogan is not the same as the message, but should be based upon it. A message is a safe containing valuable treasure, and a slogan is the combination that unlocks it. A slogan is a colourful scarf worn by a well-dressed person; something we can see from a distance – a signal banner attracting attention. A good slogan is the central motif of the campaign. It is also advantageous to find a well-known personality to support your message.

- **Prepare a calendar or plan of media events.**

  What has already been set out by circumstance – what is the situation? What can you respond to? What other events will take place? How often will it be necessary to write to the newspapers or organise press conferences? What do you want to achieve in a week, a month, or a year? And be careful: does your organisation need a media plan at all if, for example, you organise an event once a year?

- **Identify the possibilities presented by, and approaches to, the media.**

  What should the scale of the campaign be, and which media will you use to address the target group? What is the structure of individual media – what is their level of popularity, trustworthiness, and accessibility? What resources (human, material, financial), and which contacts do you possess?

- **Find words and arguments – outline the theme.**

  Present ideas and activities to the public comprehensively and in an appealing way.
Prepare keywords, and arrange your arguments thoroughly. You can find a way to address every person through their personal system of needs and values.

**Exercise 1: Forming a media strategy**

This exercise will help you to form your media strategy, so try to answer the following questions as exactly as possible:

- What are your media goals? What are their time limits?
- What situation are you in now (resources, the internal and external environment)?
- What target group do you want to address?
- What is your message?
- What arguments and keywords will you choose?
- What do you want the headlines to say about you? What articles would you like to read about yourself?
- What forms of co-operation with the media will you choose?
- What types of media do you want to use?
- How will activities be scheduled?

Try to ask yourself some questions the other way around:

- What would be the worst headlines to appear in the media?
- What are the worst articles you could imagine?
- What keywords would you rather avoid?
- What can you do about this?

Both negative and positive methods may by used to come to a clear understanding of what you wish to achieve. The most important result of your efforts should be, apart from a clear plan for creating a simple and comprehensible report (your message), a kind of mini-mission concerned with a specific campaign, activity, or concept.

**WAYS OF WORKING WITH THE MEDIA**

In the following paragraphs, we will present a number of specific ways of working with the media. These are **press conferences, briefings, documents and telephone calls to the press, press releases and announcements**, and **press interviews**. Always remember whom you are planning to speak or write to, and whether the chosen method is appropriate for the objective you wish to achieve. After each interview or press conference, meet up and offer feedback. Do not forget to monitor every appearance in the press. This way, you can improve communication with the target group and increase the effectiveness of your work.

**Press conferences**

Only organise them when you really have something to say and when a press conference is the most appropriate method of achieving your objectives. Do not forget that you are proactive and providing information in an environment that you have chosen yourselves. In a press conference, you may also react to specific events – a newly-ratified law,
scandals, etc. It is important to set out your goals – what the results of the conference should be and what should be published – and to make a supreme effort to ensure that journalists attend, observe, and take away important information with them. Do not neglect to advertise the conference, or the material you wish to provide.

**Briefings**

The aim of a briefing is to provide information to journalists more regularly and in greater depth. A smaller number of people allows for more concentrated and thorough sharing of information. A briefing is more relaxed in nature, and space in the press is not expected; those invited are primarily journalists who have expressed an interest in the issue.

**Telephone calls to the press**

The quickest way whereby journalists can get access to you (and you to them). If you send a press report to a journalist, you should follow it up with a confirmation telephone call. In this way, not only do you confirm that a certain event has taken place, but you also establish contact and begin to form a relationship. The telephone also provides you with a means by which you can provide rapid information concerning unforeseen events.

**Press documents**

Once you have decided that the documents you have are precisely those that need to be shown to journalists, check to see if they are objective, up-to-date and timely, interesting, appealing, and cut to fit. However, you need not restrict yourself to articles or booklets – you may also provide annual reports, analyses and studies, and photographs.

**Press releases**

A press release should answer the questions: **Who? Where? When? What? Why?** and **How?** This sequence of questions need not be observed to the letter, but the core issues should be presented at the very beginning. It is best to write it in the form of an inverted pyramid, with the most important information at the start, because newspapers edit articles from the end. Do not forget the technical details; keep to a maximum of one page, use double spacing between lines, and affix your signature, contact details, and the date and time. If you fax your release to the publication, always state to whom it is being sent, and telephone to check that it has arrived in one piece.

**Interviews with the broadcast media**

Above all, ask yourself how the organisation benefits if you participate in an interview or programme. When preparing, ask yourself the following questions:

- **Why**, and in what context have I been invited? What attitude will I represent?
- At what time will the programme be broadcast? Where will it take place, and how long will it be? Will it be a news report or a discussion programme? What is the target audience?
- Will the programme be recorded, or live? Will the audience be able to phone in? Will I be alone, or accompanied by others?

Your appearance should be interesting, comprehensible, and memorable – only in this way can you help to support the attainment of the campaign’s goals, or the activities that you came to represent.
COMPILING CASE STUDIES FROM ADVOCACY ACTIVITIES

A case study represents the drawing of a line under a good advocacy activity, enabling its participants to assess the progress and results of their efforts. It also has great significance in edifying and inspiring other advocates.

A case study is not academic in nature, but a highly practical document. There are a number of ways to compile a case study concisely and comprehensibly. Nevertheless, all these methods have fundamental questions in common, which must be considered when compiling a case study:

- What individuals or organisations initiated the activity?
- When did the initiative begin? Has it finished, or is it still continuing?
- What was (is) its objective, and what was (is) the initiative expected to achieve?
- What situation or need compelled individual groups to begin their activities?
- Who was (is) responsible for financing the initiative?
- Who were (are) the key players in the initiative?
- Who was (is) responsible for decision-making within the initiative, and how were (will) the decision-making mechanisms (processes) be approved?
- At whom was (is) the initiative primarily targeted?
- What were (are) the most important activities?
- What results have been achieved so far? Or how have the criteria for success been defined?
- What further steps will be taken (if there are any left to take?)
- How much did the initiative cost?
- What were (are) the largest obstacles to achieving success?
- What have you learned from the initiative? Can you perceive any general lessons you have learned? What would you do differently? What is applicable in other activities?
- Are there any documents (to serve as examples) connected with the initiative (booklets, advertisements, special reports, etc.)? If so, where can they be found?

Exercise 2: Some questions for those who have already decided. (How would you proceed when encountering problems over the course of a campaign)?

It is not impossible that you may find yourself in the position of advisor to a campaign. How would you proceed in the following situations?

1. Your only source of information on the initiators of a campaign is its leader. He/she trusts you professionally, and therefore invites you to a meeting with the initiators as a probable consultant on the campaign. Some of the other advocates – the campaign’s initiators – welcome you, while others do not. You perceive that about half of them (4 people) are not friendly towards you, and have reservations concerning your possible role as a consultant… What do you do?

2. An impatient, more spontaneous faction of campaign organisers wish to rush into the commencement of activities. They want to organise immediate demonstrations and send appeals to the government and parliament. It is clear to you that it is too early for this, and that without sufficient public support, the campaign will end with a whimper rather than a bang. You also perceive that your reservations and objections concerning the progress of the campaign are not being accepted… What do you do?

3. The two most powerful leaders of a campaign are in permanent conflict with each other. There is a danger that this will be vented in the media… What do you do?

4. State institutions have received information on a new campaign. You have discovered (or the first signals exist) that they are planning to extensively discredit the organisers of the campaign in the media… What do you do?

5. Despite an original agreement stating that the campaign’s organisers will consult all the major steps of the campaign with you, this has not recently been the case. They have made a number of major steps without informing you, and although they have yet to make any fundamental mistakes, this cannot be ruled out in the future… What do you do?
6. In a later phase of a campaign, a source of funding has been found. However, along with the inflow of financing for the campaign, a number of new professionals have appeared who were not involved in the campaign from its beginning. They demand a reasonably large share of the campaign’s funds... What do you do?

7. After the first stages of a campaign, the defined goals have not been achieved. Everyone is disillusioned, tired, and frustrated, and all of these feelings are directed towards you – the consultant... What do you do?

8. One of the members/organisations in a campaign coalition has left the coalition with great commotion and announced that they do not wish to continue with the campaign, or that they wish to organise a new campaign that would be better organised, and which would achieve its goals... What do you do?

9. At the end of a successful campaign, all the members suddenly attribute the success to themselves – even those who, from your consultative point of view, failed to help or had a negative effect on the campaign... What do you do?

We have offered a number of examples concerning the possibilities of achieving positive changes in society and outlined vital credentials in advocacy. We hope that, thanks to you, the readers of this textbook, a number of further, inspiring examples will emerge in the future – in the interest of us all.

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THE DEVELOPMENT OF NON-PROFIT ORGANISATIONS

ORGANISATIONAL DEVELOPMENT AND TYPES OF NON-PROFIT ORGANISATION

CONTENTS: The ‘Lifecycle’ of Non-Profit Organisations ■ Stages of Development in Non-Profit Organisations ■ The Non-Structured Group around a Charismatic Leader ■ The Structured Group with a Definite Mission ■ The Registered Organisation ■ The Professional Organisation ■ The Organisation with a Balanced Division of Power ■ The Organisation with a Vertical or Horizontal Structure

Even comparisons that are unusual at first glance may be used to describe third sector organisations, their forms, and their journey through life to a certain extent. Schematically, organisations are often compared to pyramids and networks, and sometimes to roundabouts or well-oiled machines. However, comparisons with artificial constructions are not always the most exact. It would be more apt to compare organisations with living organisms, using examples from biology or informatics. A non-governmental organisation is not static, forever cursed with an unalterable structure; it evolves, grows and shrinks, and adapts to its environment. It is reminiscent of a higher and (from the aspect of its overall comprehensibility and prognostics) more elusive form of social organism with a high level of interaction. An organism that pulses, develops and contracts, suffers from temporary, chronic illnesses, multiplies and leaves descendants, and despite phases of hibernation and lethargy, survives, grows old, and dies. It sometimes produces hardy descendants, and sometimes only debts. For this reason, we shall try to describe the complex changes that organisations undergo throughout their existence, and how these changes may manifest themselves. An awareness of these contexts will help people in the non-profit sector to foresee important issues, make better decisions, and realise their ideals more effectively.
THE ‘LIFECYCLE’ OF NON-PROFIT ORGANISATIONS

The ‘lifecycle’ of non-profit organisations brings to mind the phases of human life. Based upon certain criteria, organisations are able to determine (in the same way as humans) the point of development at which they currently find themselves, and the developmental crossroads that face them. They are able to foresee issues that they may be forced to confront after taking correct or incorrect turnings at these crossroads, and after rising to the highest level of development or sinking to the very lowest.

Some decisive moments in the development of organisations may be clearly pinpointed. From the point of view of their members or less interested observers, these are moments that everyone remembers as being significant (for example, when the organisation is awarded an important grant, the founder of the organisation leaves, the organisation establishes an offshoot with a new programme, etc.). Other decisive moments are harder to identify, because they do not take place in an instant and have more of an ongoing nature. These are not events that occurred on a particular date, and which people are able to recall from memory; in some cases, they may have been unaware that the situation was approaching a crisis for a long time. In such instances, changes take place through an accumulation of tendencies, which lead to a sudden rupture that is less evident and often unexpected. (For example, an initially insignificant level of instability among employees may gradually increase to such an extent that it culminates in a total organisational upheaval. Or perhaps an organisation may gradually fulfil its original objective, lose clients accordingly, and ultimately lose its raison d’être as a consequence if it is unable to redefine this objective under altered conditions).

Changes that shift organisations from one phase of development to another (we have deliberately chosen not to speak of a ‘higher’ phase here, because this is not always the case) are not completely predictable. However, if people underestimate unclear signals and the natural laws of evolution at the outset, they are later surprised that the workplace and the group of people that they had known so intimately up to that point suddenly seem to be different. They can change before one’s very eyes in a very disturbing way, and in a way that one is almost completely incapable of controlling and managing. After periods of tranquillity and stable operation, an organisation can begin to change regardless of whether such a change is desired or not.

This situation could be compared to an ever-widening river. The direction of its flow may be partially altered if its possible tendencies and boundaries are calculated in advance; however, in the same way as hydro-engineers, you should also come to terms with the fact that planning and management cannot go against the natural current. Too many artificial interventions can only lead to unexpected environmental results. Although nature and evolution are not easy to comprehend, effective planning should be based upon an understanding of natural development.

Planning and managing the development of an organisation is similar. Changes in the organisation can be handled much more easily if you learn from the frequently repeated phenomena and laws that may be observed throughout the organisation’s development.

**Box 1: Changes in organisations expressed as a curve – the ‘elephant’**

Experts involved in the study of organisations use a very diverse vocabulary. However, they all agree with the assertion that changes in the transition of an organisation from one stage to another may be expressed by a characteristic curve.

The curve may be compared to an elephant in silhouette. The horizontal axis depicts the time scale, while the vertical axis depicts the qualitative development or decline of the organisation. In the first part (figuratively speaking, the ‘trunk’), the curve shows a shallow rise. After a moment of indecision, the
curve begins to rise exponentially (in the area of the 'head' and the 'ears'), and after peaking, subsequently registers a slight, linear decline of a temporary nature. After a relatively long period of equilibrium (the 'back'), the crisis occurs (represented by the elephant's rear end). The developmental crisis may culminate in another slight rise and a transition into another phase of development (with the 'tail' pointing upwards), or to a sharp decline, representing the collapse of the organisation, or the transition of some parts of the organisation to a lower level of development (a sharp fall down the 'back legs').

This curve, of course, is merely for orientation – it is a simple way of expressing what usually occurs. It is not absolute, and it would indeed be naive to state that every change in an organisation takes place in this way. The precise duration of sections of the curve cannot be defined – the transition may take place over a number of weeks, or sometimes over a period lasting more than a year. Reflections on the developmental curve may be assisted if you are aware of these four general principles:

1. **Crisis are natural**
   The development of an organisation oscillates between high and low periods. Periods of prosperity and success, where the organisation’s structure precisely reflects its mission, are punctuated by periods where the organisation finds itself restricted in some way, or where it has not kept up with social changes and has ceased to be productive; superfluous to the current needs of society, it does not know how to react effectively. Periods of crisis and developmental crossroads, sometimes accompanied by tension and temporary chaos within the organisation, are a natural part of development. Even a well-functioning organisation repeatedly undergoes periods of crisis, and the conflicts that accompany each of these crises are natural and probably essential. These conflicts need not necessarily cause damage; they may give rise to new developmental opportunities. The superstition that a good organisation avoids crises and has no conflicts is false. A good organisation has no fewer conflicts than a weak one; however, the former resolves conflicts in a productive way, and perceives and understands crises as an opportunity for development.

2. **A developmental crossroads always follows organisational progress**
   It is worthwhile preparing for a developmental crisis well in advance of actually meeting with a developmental crossroads, which generally emerges after the rapid advance of an organisation. The organisation should understand sudden progress as the herald of such a crossroads. Although it may sound a little strange, an organisation is best equipped to prepare for the handling of a crisis at times when it is prosperous. Paradoxically, this is a time when most of the organisation’s members are unable to even imagine that any kind of crisis could occur. Planning and implementing changes when problems have already occurred (with available space, financing, human resources, etc.) is very difficult, and is rarely successful without large sacrifices in terms of the organisation and its personnel. For this reason, it is not appropriate to wait for signals and phenomena that warn the organisation that it should set about planning changes; on the contrary, planning should be initiated precisely when the organisation is at its most prosperous, and when everything is flowing effortlessly. It could be said that the best indicator of the need for change may be a very lack of awareness of such a need.

An organisation that, after a period of prosperity, manages to obtain a new grant or new premises, or that manages to expand the scope of its activity by adding a new category of recipients, should rapidly begin a new process of strategic planning. It is usually too late to consider necessary structural changes when an organisation’s clients or members start to leave. Unavoidable strategic measures cost the organisation more and are less effective in times of crisis. For example, a large number of organisations only begin to think about new sources of financing when previous grants end and financing begins to dwindle away to nothing.

3. **A decline after expansion is not a sign that the organisation is collapsing**
   A temporary decline after progress, followed by a period of equilibrium, does not spell failure for an organisation. These are natural periods that follow any period of rapid improvement, which cannot be
continued indefinitely. An organisation may prosper despite the fact that the level of financing, its range of services, or positive media reactions towards it are lower than its members had become used to over previous months in a successful organisation.

4. A fall to a lower organisational level may be useful

A decline after negotiating a developmental crossroads need not be a catastrophe. The organisation finds itself on a level that it had previously been on, and the experience of having undergone a crisis in the organisation is interpreted as a lesson in development. After such a crossroads, the organisation may disintegrate into a number of parts with different developmental directions.

The ‘elephant’ above is a bridge between one level of organisational development and another. It is a description of one particular curve, or one kind of transition between two developmental phases. However, it is also a curve that is encountered repeatedly on various levels. Figuratively speaking, organisations crawl, leap, or somersault their way along developmental curves (in the shape of elephants) towards higher organisational forms, at least from a long-term perspective. It is also possible to describe an organisation’s entire lifecycle in a similar way; the same conditions apply as in the case of the ‘elephant’. It is a model of a typical, common lifecycle. Organisations generally experience these turning points, but the life of every organisation is unique. And to complicate matters further, in addition to ‘ordinary’ organisations, extraordinary organisations also exist that do not fit into any particular category; however, with a little exaggeration, we could speak of organisations that are slow to mature, organisations with artificially accelerated growth, ‘Siamese’ or ‘schizophrenic’ organisations, and organisations with weakened immunity or identity, as well as organisations with a ‘false idea of their omnipotence’ and ‘hyperbolised egos’, ‘nymphomaniac organisations’, etc. However, let us return to the most common types of non-governmental organisation.

STAGES OF DEVELOPMENT IN NON-PROFIT ORGANISATIONS

An ideally developing, model non-governmental organisation usually goes through six stages:

1. The non-structured group around a charismatic leader.
2. The structured group with a definite mission.
3. The registered organisation.
4. The professional organisation.
5. The organisation with a balanced division of power.
6. The organisation with a vertical or horizontal structure.

At first glance, such layering may seem strange. It is as if each criterion had come from a slightly different angle; the following level need not necessarily be a direct result of having solved problems on the previous level, individual levels converge, etc. Despite this, these criteria have some justification. They serve as a kind of developmental gauge. If you use this gauge to assess non-governmental organisations, then you will be more able to recognise their achievements and the developmental problems with which they are struggling, and to predict the problems that they will face.

Again, these six levels are merely for orientation – they are not Holy Scripture, or some kind of organisational ISO standard, but a flexible gauge enriched by the specifics of transformation in post-communist society. Naturally, each of you will know of non-governmental organisations that have the characteristics of higher levels without fulfilling certain characteristics that we have categorised in lower levels. The criterion determining each level is a key, minimum standard. We believe that an organisation would not survive for long on a higher level without meeting this criterion, even though it may possess some characteristics typical of higher levels of development.

At the outset, it is necessary to emphasise that if a developmental level of an organisation’s structure is described as being ‘higher’, this does not mean that it is a better, more valuable, or higher quality level. Organisations on both the lowest and highest levels may
all be excellent. Amongst other things, their quality will be determined by the extent to
which their developmental level reflects the mission and scope of the tasks that they are
supposed to carry out. Organisations may decide to maintain the lowest level of develop-
ment over the long term, because the structure of this level is best suited to the organisa-
tion’s needs. In such a case, it would be a mistake if this organisation were to endeavour
towards professionalisation, expansion, etc.

So, once more: the following categorisation says nothing about quality. The level of de-
velopment and the quality of activities are completely independent issues.

At a certain point, all organisations with a specific mission and scope of activities prob-
ably reach an appropriate developmental level, which is a basic condition for the success
of these organisations. Organisations remain at such a level for a certain period after
attaining it, and will also return to it if a higher level proves inappropriate.
Every level is characterised by a key criterion, which we believe is a basic condition for the categorisation of organisations at the appropriate level. This criterion will be defined for each level, so that you understand the genuinely important issues when assessing the development of non-profit organisations. We shall briefly describe the dilemmas that organisations find themselves in at such times, and present examples of activities or problems.

**THE NON-STRUCTURED GROUP AROUND A CHARISMATIC LEADER**

The statement by the Czech philosopher, Peroutka, asserting that nations live and die on the basis of the ideas upon which they were founded, is well known. However, this statement also applies to much simpler forms of social organisation.

A good non-governmental organisation is not established upon the basis of an irrational order from above; it cannot be written down on paper. When observing the history of successful organisations, one can usually find a person or a group of friends with a vision and mission at its inception. These are enthusiasts for some kind of idea, who find a common problem through discussions – a common desire to engage actively in helping others, and preventing evil, poverty, and injustice. Sometimes the first formulations of objectives are imprecise and general in nature. They often seem too idealistic or naïve; however, they have the power to influence others, arouse interest, generate discussion, and initiate specific measures. One or more leaders emerge, who have the charisma to win over other people. They differ from the rest in their passion for the issue, their courage to engage in unpopular or hopeless cases, and their expertise, which enables them to perceive and define the problems more deeply and precisely. They take specific measures earlier than other citizens.

The priorities and deficiencies of the voluntary ethos are most visible in organisations on this level. With no high level of planning, leaders and the groups of volunteers around them freely engage in independent activities that satisfy their need for fulfilment, a sense of meaning, and freedom, thanks to their sheer enthusiasm for the cause and their social, ecological, or cultural values. Casual, sporadic activities (such as visits to institutes for mentally disabled children, the rehearsal of a theatre piece for a graduation party, an ecological petition after relatives suffer health impairments, etc.) gradually evolve into more regular activities. Money, the fulfilment of obligations, and recognition are never mentioned, and much is spoken about a mission, even if implicitly. As a rule, most interested parties engage in absolutely everything; the division of competences is minimal. Decision-making is sometimes collective, sometimes autocratic, and almost always chaotic, with no defined responsibilities. The shared pleasure after every partial success is doubled; the shared heartbreak after every partial failure is halved. If young people dominate such a group, then couples involved in relationships and subsequent separations are a common phenomenon of this level of development. At the risk of sounding heartless, ‘going out’, loving relationships, and splitting up do not generally benefit development from an organisational perspective.

For a long time, the group need not have a name; the number of members, supporting workers, and volunteers changes constantly, and the boundary between these categories is vague. The identity and cohesion of the group sometimes strengthen the feeling of being exceptional and different from those around it, especially if the first steps taken by the group do not meet with general support. Many non-governmental groups function this way for years, and moreover, this suits them – they feel no need for change. These could be groups of environmentally-minded friends and acquaintances who meet each year to mow meadows, help frogs to cross the road, assist in creating programmes for the public on ‘Earth Day’, etc. Or groups who sing on religious holidays, for example. There is no need for
registration or a high level of administration. This informality and difference, rising above ‘everydayness’, is often the reason why these people engage in such activities in the first place.

Nevertheless, some organisations only exist on this level temporarily. Let us say an organisation becomes involved in a campaign that requires a greater level of organisation and co-ordination. Perhaps it would be useful to have access to a telephone for a few days. An approach whereby the person who is closest to the telephone when it rings is responsible for answering and making decisions is probably not good enough any more. Some tasks are attended to by a number of people while others are overlooked, and this becomes a nuisance. The enthusiasm of volunteers means that they work with great zeal; however, their lack of co-ordination often leads to poor results and painful disappointments. The organisation’s exhausted workers have an increasing tendency to provoke conflicts – they are irritable and dissatisfied. These and other signals (arising from a specific mission) are clear indicators that the organisation should restructure itself on a higher level. Not all organisations recognise this in time, leading to a depressing outcome. Sensitive, intelligent, and sympathetic people who had once engaged with a passion in seemingly promising, meaningful activities end up affronted, overworked, and disenchanted. Each of them accuses everyone else, and they are often unaware that the original methods of organising activities have become ineffective. Goals must be defined more specifically; they must be quantifiable and controllable. It is necessary to begin discussing specialisation and responsibilities.

**THE STRUCTURED GROUP WITH A DEFINITE MISSION**

After a certain period, the group realises that its effectiveness would be increased tremendously if people were to cease engaging in absolutely everything, and begin to specialise. A **process of clarifying informal roles and dividing formal roles** begins. This process never ends as long as the organisation exists. On the basis of self-selection, agreement, or the identification of authority, the organisation’s members assume responsibility for different activities.

An ideal division of roles involves people holding responsibility for the activities that match their expertise, experience, and interests most exactly. People only bear responsibility for a series of activities and functions that they are able to manage without becoming overloaded – they feel that their activities are exceptionally important, and that the organisation would be unsuccessful without their contribution. They are all currently satisfied with their current role, although they are willing and eager to take up other roles within the organisation. Alongside their regular tasks, they are continually learning and preparing for new roles. People are entirely familiar with the tasks, obligations, and rights stemming from their own function, and are informed about the functions of others. All of them are important, realising their functions the best of all; however, no one is wholly irreplaceable. If necessary, people are able to stand in for them – they know who they are to cover for, and who will cover for them in an emergency. However, this is merely a theoretical ideal. Although it would be impossible to find an organisation that possesses all of these characteristics, it is always worthwhile endeavouring to achieve such an ideal situation.

One clear sign that an organisation has reached the second level of development is the continuous division of roles and clarification of competences and responsibilities. Roles are not fixed; they change in accordance with the organisation’s current programme and needs. Due to their sheer number of programmes, some non-profit organisations cannot find the time for seemingly useless discussions and clarifications concerning who will be responsi-
ble for what. The time and energy wasted as a result costs them much more than these apparently worthless, interminable debates about the division of roles. Some organisations deliberately avoid taking such steps, as it seems to represent the introduction of bureaucracy – a paper chase involving employment contracts and the formalisation of relations in an organisation where everyone should make the utmost effort in any case, because they are working for a higher mission. Aversion to the bureaucratisation of an organisation sometimes stems from bad experiences in state institutions or large commercial companies, which may lead to a black-and-white perception of the issue. For such people, the concept of possible organisational structures alternates between two extremes:

- An organisation functioning as a hierarchical, authoritarian, bureaucratic behemoth, where the flow of information and decision-making conform to the Leninist model of distorted democratic centralism organised from the top down;
- An organisation with no structure, hierarchy, orders, or paperwork, where equality is a fundamental attribute, every person is fully responsible for his or her individual actions, and mutual assistance is motivated by a feeling of responsibility and reciprocal respect.

There are, of course, a number of shades of grey between these two extremes, where the structured model meets the unstructured, internal motivation overlaps contract-based relationships, and the hierarchical model intersects with the network model of organisation.

The relationship between superiors and subordinates need not be based merely on authority. One of the possible models applying to third sector organisations in particular is the **concurrent multiplication of roles**. The roles of superiors and subordinates are not fixed, but depend upon their positions and responsibilities in regard to a specific programme or project. In simple terms, such a variation of responsibilities may be described as follows. Let us say that, in one of your organisation’s programmes, your colleague holds managerial responsibility, whereas you are his or her subordinate in regard to issues arising from this programme. In another programme, you hold the main responsibility, whereas your colleague holds a subordinate role. In a third programme, you both assist another colleague, who is your superior. All of you have a number of roles simultaneously, while the tasks involved and your working relations vary within the framework of individual programmes. The result is a ‘non-hierarchical hierarchy’. The **rotating management model** may function in a similar fashion, where various members of the organisation, after agreement, assume the position of manager for a limited period of time. Organisations may also adopt other, similar models.

Some leaders of non-governmental organisations are sometimes afraid to discuss the optimum division of roles, because this often leads to a weakening of their power. The optimum division of roles entails the sharing of information within the organisation, and the manager does not decide upon every issue. The manager’s role is more involved with coordination than having the last word on everything, and many charismatic leaders are ruined by this. Even after years have passed, fearless champions of children’s rights or revered environmental activists with almost unlimited energy will still behave in the same way as they did when they began the cause with just a few friends. Despite the fact that larger projects, the organisation’s reputation, and dozens of like-minded colleagues and supporters are at stake, such people refuse to change their strategy. They still want to know about every step in detail, and make decisions upon them. They regard others as the executors of their plans; they are not there to engage in discussions, but to undertake tasks. The colleagues of such leaders have little chance to learn about new activities, because their superiors trust no one as much as themselves, and therefore fail to delegate competences to other people. They want to do everything themselves, even if they are “too busy”, and overwork leads to unnecessary mistakes. They are always exhausted, even
though some volunteers and colleagues remain idle. Leaders attribute this to the incompetence of their subordinates, their subordinates to the dictatorial style of their superiors.

This is a frequent and depressing phenomenon of the third sector. There are many high-quality, charismatic leaders who repeatedly establish new organisations, successfully guide them through the first phase of development, and then fail. Instead of stopping to consider and learn from their experiences, they go on to set up new organisations in the same vein and at regularly repeated intervals.

If the nature of activities demands, then the division of roles may also be formalised to a certain extent. We believe that it is a good idea to conclude a written contract with every member or volunteer concerning his or her activities, regardless of the fact that the organisation is unregistered, and that employment contracts therefore have no legal basis. It will clarify your mutual expectations and deepen your mutual responsibility and trust. The contract need not be complicated, or needlessly formulated in official language. Although a few words on a piece of paper do not constitute a legal obligation, they do make a relationship clearer.

Apart from structuring, another important characteristic of this level is the definition of the organisation’s mission. Organisations do not simply involve themselves in any particular activity that comes along. Their members have learned from their own experiences that engaging in projects exceeding their capabilities can be costly. Despite the fact that voluntary assistance and civic activity are necessary in all areas, engaging in every activity that evokes feelings of sympathy and responsibility, or that appeals to social conscience or the need to satisfy the pleas of others, cannot save the world. Organisations narrow their priorities in discussions, and define their mission, usually in written form. Were they not to do so, they would find themselves in never-ending conflicts relating to values, organisation, and personal relations among the staff, e.g., “Why are we involved in this and not that? Who can we accept money from, and who not? Why is our approach the way it is?” etc. The definition of a clear mission is like setting out on a journey by ship, in that the organisation cannot drift with the fair wind of existing political or financial advantages for long. The formulation of a mission facilitates the planning of specific, long-term goals and individual measures taken in the interests of the mission.

The behaviour of an organisation may be used to determine whether it really has a clearly formulated mission that is being fulfilled, or whether this is merely the subject of a few lines of text in a promotional pamphlet. An organisation with no clearly defined objective remains on the lowest level of development regardless of whether it may seem to be highly developed from the aspect of other criteria. A non-governmental organisation may be registered, and may have branches, paid employees, and sizeable assets. But if it does not have a meaningful, definite mission, it will always have a tendency to develop ‘infant’ ailments such as confusion, chaotic values, growing internal tension, and a lack of resistance to financial and political manipulation by the representatives of state or commercial power. Occasionally, the founders of an organisation may perceive its mission so clearly that they underestimate the value of its formal definition. Other members need not necessarily feel the same way, or indeed, agree with the mission’s concepts. Moreover, when internal or external conditions change, then a redefinition of the objective is essential from time to time.

**THE REGISTERED ORGANISATION**

Most organisations only register when they are forced to. A bank account is necessary to administer a grant, and can only be obtained by a legal person – an entity that is officially registered in accordance with existing laws. Registered organisations enjoy a higher
level of trust from without – from sponsors, the proprietors of rented premises, and current and potential clients – and often from within, from the organisations’ members themselves. Registration brings a statute (and often internal regulations), a stamp, and contractual relations. It can bring both advantages and disadvantages. Ultimately, responsibility for key aspects of the organisation cease to be so diffuse – amongst other things, the statute clearly states who (or which body) holds responsibility. It identifies the people authorised to represent the organisation, its income and expenditure, the way in which the organisation was established, and the way in which its activities may be discontinued.

The maturity of an organisation, its ability to think in the long term, is reflected in the way it registers itself. The process of preparing for registration is important. How should documents necessary for registration be prepared? How should individual measures concerning registration be undertaken? Should this process be the affair of only one or two people, or the result of discussions between all those involved? Are documents and activities concerned with registration (such as a general meeting in the case of civic associations) regarded as a necessary evil that must be completed quickly? Does an oversimplified notion exist that the statute can simply be copied from a similar non-profit organisation, and that the organisation should be registered as soon as possible? Or are the registration process and the preparation of the statute regarded as an opportunity to clarify the direction of the organisation and the principles upon which it will be based? Is there a search for formula-tions that, despite their limitation by legal standards, best express the interests of the organisation’s founders and members?

The method of registering the organisation should be considered. If you have not already done so, it is essential to determine the type of non-profit organisation that you wish to establish before registering it. A number of fundamental questions must be posed before this issue can be resolved.

- Why is the registration of the organisation desirable?
- Who is the founder? (The answer to this question may not be as straightforward as it may appear at first glance. Is the founder a group of original enthusiasts, their leader, a small sub-group of members, a legal entity, another organisation, a majority donor, etc...?)
- For whom will the organisation be registered? Do you want to help and look after your members above all? Or have you decided to direct assistance primarily towards others, or towards a mission that affects everyone?
- Do you want to provide services? If so, will these be services that are provided, or should be provided, by other (state, church, political) institutions, and which you would like to improve upon by providing them in an independent, professional, and non-state form?
- Or would you rather play the role of a spokesperson and defend the interests of a group of citizens or associations by influencing laws and decrees?
- Do you plan to register an institution that will not realise programmes on its own, but which will obtain and apportion finances for their realisation by other organisations?
- Do you want to register something completely new, or would you like to expand an existing network?
- How should basic decision-making principles within the organisation be formulated?

These and similar questions should be cleared up before you speak to a lawyer, who will prepare the wording of the statute in accordance with the law and your own expectations. The process of posing the correct questions and formulating the answers must not be ignored. The organisation was not established in a few weeks, and preparation for its registration should not take only a few days. It would be more accurate to speak of weeks and months in regard to preparative discussions. The task of a legal consultant in the
preparation of basic documents necessary for registration is not to devise and write the statute for you. A legal expert should be more of an advisor and technical assistant, helping to translate your conceptions of the organisation into the language of the extant legal framework.

When registering, external relations are not the only ones to change. Registration also alters relationships between the organisation’s members, although not everyone is immediately aware of this. A newly appointed statutory representative and an erstwhile friend – ‘one of us’ – can begin to act differently, strangely, after registration. Not everyone is prepared to acknowledge that this is because (in contrast to ‘you’ – the other friends) he or she now bears greater material or other responsibilities. The organisation’s founders and members who were present at its establishment frequently have a different relationship to it than those who arrived later. In addition to a few words about the history of the organisation, its traditions, ‘anecdotes’, and organisational taboos, new members should also study its statute and regulations carefully. They should also express their opinions upon them. It will help them to understand how, and maybe why, the organisation is structured the way it is. Moreover, this may also assist the organisation itself, because newcomers are not hampered by fixed habits and are more able to perceive areas where relations may become strained, or situations where the organisation behaves in an irrational manner.

Although it is registered, an organisation may be based exclusively on volunteers and not have even one professional employee. Even after registration, many organisations do not even have their own, or rented, premises, and often use the apartment and telephone of one of their members for their occasional meetings. Accounting in the case of some organisations is very simple – the columns for income and expenses show zeroes. (Assuming, of course, that they do not calculate the value of volunteer work, which would be more exact). This method of operating ensures a sufficient level of effectiveness for many types of activity and programme. In such a case, the organisation can get by without an increase in professionalism. However, professionalisation is essential for other organisations, becoming, at certain stages, a preventative mechanism against a possible decline or even disintegration.

THE PROFESSIONAL ORGANISATION

Sooner or later, the organisation will find itself in a dilemma as to whether it should preserve its wholly voluntary status, its relatively irregular activities based upon enthusiasm, and its responsibilities that are practically impossible to monitor, or whether one or two employees should continue their current activities on a professional basis. If they are to be paid, then their flexible employment will change to a contractual relationship. Their responsibilities will no longer be merely moral in nature, but clearly specified in employment contracts with a legal basis. The employment of professionals may bring a higher level of working expertise and consistency to the organisation; however, it may also lead to inoperative bureaucratic and administrative practices. Leaving a job and beginning to engage fully in the third sector represents a perceptible existential adjustment for newly appointed professionals. Although the third sector provides enjoyment and the opportunity to realise one’s values, it can sometimes offer lower wages and less security. If society is unhealthy, then affiliation with the third sector may come with a political label attached. (The unhealthy notion may emerge: “Those people work in non-state structures, are paid from primarily non-state sources, and are not subject to absolute state control. What if they are working against the state or the nation...?”) The attitude of professional employees to the organisation inevitably changes. To be an employee of such an organisation does not only mean more involvement in interesting activities, but also in issues concerned with salary,
social benefits, health care, and the organisation itself. Professionalisation may also reveal hidden interpersonal conflicts within the organisation. From a large group of former volunteers and friends, who will be paid for their contribution if the organisation only succeeds in obtaining a grant for one full-time and one part-time position? What will the level of wages and bonuses be, and who will approve or reject changes? Which services will people continue to provide to the organisation free of charge, and which will be subject to payment? Would it be appropriate to employ a married couple, or a relation of one of the organisation’s key workers?

The organisation will be repeatedly faced with a number of similar ethical questions from the very moment it decides to professionalise. As a rule, professionalisation stimulates an overall improvement in the quality of work, both internally and externally. Diagnostic, therapeutic, social, or educational work with clients is suddenly dealt with by an ever-increasing number of professionals. The workers in the non-governmental organisation pay attention to their education – they attend courses, schools, and seminars, and go on study visits to ensure that their activities become even more effective. Once an organisation has begun to function professionally, it will later become evident that one-off educational activities are insufficient, and that an overall, planned system of ongoing education is essential for all workers in the organisation, both employees and volunteers. Professionalisation also makes itself felt within the organisation. Archives, the handling of mail, telephone answering services, regular meetings, planning and control, marketing-oriented annual reports, and more thorough promotional material of a higher quality are all signs that an institution has become more professional. However, too much professionalisation can lead to a fragmentation of individual activities and a tendency towards prioritising the fulfilment of norms and avoiding risky activities that would lead to reprimand were they to end in failure. In short, it need not necessarily be an ideal solution. If an organisation begins to look too much like a large factory or bank, then it probably cannot avoid the feeling of estrangement from the organisation’s original values and the mutual formalisation of employment relations that will result.

Box 2: Facts about non-profit boards

In 1993, the National Centre for Non-Profit Boards (NCNB) in Washington carried out research into existing practices in the organisation and functioning of boards of directors (Slesinger, L. H.; Mayers, R. L., 1995). It sent a questionnaire to over 5,100 various non-profit organisations, receiving 1,163 replies that described a situation involving over 23,000 board members. Some of the main findings included:

- Boards are relatively large – the most common number of members (almost half of all the organisations) was from 11-25, while only 1% of organisations had boards that contained 5 members or less and almost one-fifth of respondents had boards with 25-45 members.
- Boards are composed of an equal number of men and women, most commonly from 30-59 years of age; only 3% of members were younger than 30.
- In addition, the research revealed:
  - 99% of organisations do not pay wages or any other kind of remuneration to their board members – their work is entirely voluntary.
  - 23% of organisations reimburse board members’ work-related expenses (transport, meals, etc.).
  - 75% of organisations possess a written list of board members’ responsibilities.
  - 60% of organisations possess written rules that regulate procedure if conflicts of interests arise.
  - 92% of organisations specify their board members’ terms of office (this is generally a three-year period).
  - 63% of organisations have a rule limiting the number of consecutive terms of office that a board member may serve (usually two).
  - 59% of organisations have a formal, quantifiable, long-term strategic plan in place (drawn up by the board), upon which the organisation bases its activities.
ORGANISATIONAL DEVELOPMENT AND TYPES OF NON-PROFIT ORGANISATION

- 91% of organisations have a rule stating that the executive director does not have the right to vote on decisions made by the board.
- 66% of organisations have a formal process in place ensuring that the work of the executive director is subject to annual assessment.
- 83% of organisations carry out some kind of educational programme for new board members.
- 75% of organisations have a rule stating that new board members must be chosen by existing members of the board.

THE ORGANISATION WITH A BALANCED DIVISION OF POWER

In a professional organisation, decision-making methods are more transparent; it is much easier to see who has what competences, and the responsibilities that people bear. This becomes more and more important as the organisation ages, expands its activities, involves itself in social life to a greater extent, and experiences an increase in its property and funding.

A well-written statute and internal regulations, reflecting the nature of the organisation, may prove crucial for the successful division of power. If the statute and regulations are not merely pieces of paper, and actually serve as a guide when making key decisions, then they may have a preventative role, and be relied upon in times of conflict. In a professionalised, developing organisation that has salaried employees and manages money and property, it is also appropriate to clarify issues of power, the possibilities of joint decision-making, balances between rights and obligations, and problems concerning internal and external accountability. The concept of an unregistered, friendly group of enthusiasts where all its members have the same level of power, relinquish an equal part of their sovereignty in decision-making for the good of the organisation, and have complete responsibility for self-monitoring, has long ceased to exist. As soon as some people have become paid employees, as soon as people cease to have the same functions and wages, or as soon as someone begins to hold ultimate responsibility, then the issue of the appropriate division of power becomes extremely relevant.

The organisation is faced with a question: how can it avoid ‘bossism’? (This American expression denotes a phenomenon where too much power is concentrated in the hands of one manager or a small group of people. This creates a threat that over-hierarchical, authoritarian decision-making could be brought to bear in issues that call for a higher level of democracy, participation, and control). How can the institution guarantee greater credibility and prevent the misuse of power and resulting public scandals?

Again, despite the fact that the principles of democracy are often the target of attack, people have yet to come up with a better system. Principles of the division of power into legislative/conceptual power, executive power, and judicial/monitoring power should also be applied on a microcosmic, organisational level, as well as to society at large.

At a certain point, the organisation will certainly become aware (in spite of the fact that this is not always pleasant) that controls and the organisation’s actual activities are of equal importance when it comes to successful operation. Mature organisations have an established system of internal controls (such as some form of supervisory body) that regularly assesses the extent to which the organisation’s programmes correspond to rules set out by the organisation itself, as well as by legal, tax, and ethical frameworks. From time to time, non-profit organisations commission an external audit, even if the law does not demand this; they increase their credibility by ‘showing their hand’. In addition to the obligatory provision of information to donors, they also allow controls by the public, where the most typical approach is to inform the public and all interested parties about the organisation’s activities and accounts in the annual report. Less well-developed organisations are doubtful that such a measure is appropriate – after all, why should they publish their bud-
get to a hostile, resentful, and uninformed public? The answer is: to correct this very lack of public awareness. Non-profit organisations have nothing to be ashamed of. The appropriateness of their actions should be subjected to public control in order to obtain greater public support, even if some state institutions (the users and administrators of taxpayers’ money) do not do this. The publication of data concerning non-profit organisations is the best way to prevent scandal and suspicion. The public plays the role of monitor. (See also the chapter entitled ‘The Third Sector and the Third Sector’).

Organisations that fail to understand the necessity for external controls cease to develop after a time, because they lose the trust of donors and the public. Most organisations rapidly grasp this principle and engage in frequent discussions with donors, print annual reports, commission occasional audits, and publish regular statements by internal supervisory bodies. Other non-profit organisations only understand and act upon this principle when they are themselves the subject of a scandal concerning the misuse of power or finances.

In organisations oriented towards the outside environment (foundations, funds, and public benefit organisations), the issue of the division of power is also reflected in the need to separate managerial (conceptual) and executive functions. The most common functional model – the board (such as an administrative board, advisory board, or board of directors) – determines the organisation’s basic direction and developmental concepts, and in particular, appoints its executive director, who is to realise these ideas. The director then creates a working team of executive employees. Some organisations implement such a structure immediately, while others only apply it when they finally comprehend the necessity for a division of power within the organisation. In the latter case, the restructuring of the organisation is much more complicated. In the following boxes, we shall present a more detailed picture of traditions associated with boards and the various ways they may function.

**Box 3: A basic categorisation of the tasks carried out by boards of directors**

There is no unanimous opinion as to what a board is responsible for. Some of the most basic functions, upon which most people agree, include:

- **Strategic decision-making**
  The board is responsible for making strategic decisions in areas of financing, and personnel (involving the executive director, and rarely, other key employees in the organisation).

- **Decisions concerning legal and financial aspects**
  The board ensures that the organisation is managed in an appropriate way; i.e., that it uses suitable approaches and that financial and commercial transactions are performed in accordance with requirements set out by the law, the organisation’s statute, and its internal regulations. It sets out rules and amendments concerning audits, investment, and the way in which financial reports are submitted.

- **Managing the work of the board**
  The board selects new board members in accordance with the organisation’s internal regulations. It ensures that new members are informed and educated to an appropriate degree that enables them to carry out their functions. It is responsible for drafting written conclusions from its discussions. It ensures that the activities of employees are carried out in accordance with their functions and internal guidelines, and that the board is able to develop further and engage in educational activities.

- **Fundraising**
  The board approves goals and plans concerned with fundraising, and assists in fundraising efforts.

- **Public relations**
  The board represents the organisation to the public and the media. It prepares strategies for raising community awareness of the organisation’s mission and activities, enhancing appreciation of the target group’s needs, and winning over the representatives of this group to the organisation’s side.
• **Planning**
  The board helps to define (or redefine) and approve the organisation’s mission, direction, and basic goals over a certain period of time.

• **Programme management**
  The board approves the direction and support of specific programmes (such as the structuring of the programming committee). It regularly assesses the overall efficiency of programmes – either directly, or by using the services of external evaluators (i.e., experts whose task is to assess programmes, as well as the organisation’s structure, capacity, and development capabilities, in an objective way).

• **Working with employees**
  The board selects, appoints, and assesses the executive director. It monitors and approves personnel policy. It has a system in place that states how to proceed in the event of significant complaints, conflicts, and crises.

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**Box 4: The issue of problematical boards**

Boards do not always function perfectly – they have their quirks and flaws. We shall now describe some of these (with a little exaggeration) and present the mistakes that are most commonly made.

• ‘The Phantom Board’: Such a board meets once or twice a year, and each meeting is attended by different people. Introducing the board members sometimes takes longer than the subsequent agenda. Members are required to express their opinions on a large quantity of submitted material that they have not had time to read; because no one is prepared, discussions are very time-consuming. The executive arm meets regularly and carries out all of the board’s tasks. Clients (i.e., the recipients of the services provided by the organisation) subsequently feel the effects of this lack of conceptual planning.

• ‘The Research Board’: Composed of analysts, this type of board generally analyses problems without producing any specific solutions; instead, it seeks the services of external experts. Its favourite counter-argument is: “If only we had more time/facilities/information/people/contacts”. This type of board seeks an ideal solution – some kind of ‘magic potion’ for the solution of problems. Usually, it only manages to discover ways in which a problem should not be solved.

• ‘The Starboard’: The names of its eminent members may look good on a letterhead, but someone has neglected to inform them that there is also an element of work involved. These are significant, cultured, and loquacious people, who love to listen to their own volubility. As soon as they realise that they are responsible for the work of the organisation, they generally leave without delay.

• ‘The Director’s Fan-Club’: Board members are fascinated by the charismatic executive director who founded the organisation, live solely for it, and are constantly expanding its already far-reaching mission. Such boards encourage a pseudo-culture of ‘meeting feedback’ and try to meet directors halfway, leaving all the initiative up to them, and endeavouring to fulfil all of their expectations. This situation generally persists until the organisation’s director makes his or her first big mistake.

• ‘The Board with Empty Pockets’: These boards are established because their members are able to obtain money for the organisation, their task having been defined as such. The members do not have a manifest relationship to, or understanding of, the organisation’s mission. They often fail to attend meetings, and later cease to understand why they should work for this particular organisation.

• ‘The Boardette’: This is a board that is too small, or that lacks diversity with regard to the number of activities that it must cope with. It creates sub-committees with one member, and often plays ‘committee roulette’, where each board member is also a member of another member’s committee. Such a board cannot fulfil all its tasks, and makes an ever-increasing number of incorrect decisions due to its lack of time. Members end up overworked and sceptical.

• ‘The Disordered Board’: Members are often involved in conflicts of interests, dubious activities, and opportunistic practices. Administrative and operational inconsistencies can lead to a decline in the organisation’s reputation, financial losses, or even total disintegration. No members of disordered boards are willing to bear ultimate responsibility for the organisation.

• ‘The Bored Board’: No essential decisions are expected from board members. They are sometimes

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¹ Loosely based on ‘Boards from Hell’ by Susan H. Scribner, 1995
hazy as to the decisions and activities expected from them, working as they do without a clear definition of duties, plans, or feedback. They do not feel that they wholly belong to, or make up, the organisation. After a time, they often have no feelings at all, except one of boredom.

- ‘The Two-for-the-Price-of-One Board’: Most members are also the leaders of other organisations that carry out contracted services for the organisation in question. They are both employees of the organisation and its clients. The board is unable to break the mould, because it is restricted by the existing structure and experiences of a limited group of people.

- ‘The Rowdy Board’: All boards have at least one vocal radical. In rowdy boards, such people are in the majority. Meetings are exceptionally demanding, especially on the eardrums; in the case of most members, the ratio of talking to listening is 9:1. You may often hear that “the principle is important, not the money”. In such cases, money and power are generally at stake. The rule of indirect proportionality applies here: the less significant the problem, the more it will be discussed.

- ‘The Billboard’: External appearances are all-important. A great deal of time and energy are spent on annual reports printed on glossy paper, impressive graphs, receptions, appropriate menus, gala celebrations, and prominent guests. Little time remains for attention to the organisation’s mission and everyday activities.

- ‘The Centrifugal Board’: The division of responsibilities and the attraction of new competences are the fundamental characteristics of such a board. Many committees are completely non-transparent after a time. Board members are so fascinated with their new tasks that they overlook the fact that someone has to carry them out; they forget about reality and the limited capabilities of their subordinates.

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THE ORGANISATION WITH A VERTICAL OR HORIZONTAL STRUCTURE

The transition into a stage of organisational ‘maturity’ generally means that the organisation begins to act in a manner reminiscent of dynamics in a family. It is compelled to seek out ways of expanding capacities and increasing efficiency in order to fulfil its mission. It seeks partners, establishing short-term or permanent partnerships, coalitions, strategic alliances, and associations. Fruitful and expanding organisations create a number of branches and delegate some activities to organisations that are better equipped to tackle specialised functions. They create subsidiary organisations and essentially repeat the process of dividing roles on an organisational level that they had earlier undertaken (on a much smaller scale) within the organisation itself, on the level of its employees.

Partnerships with other non-profit organisations may come in various forms. Sometimes a mutual, oral exchange of information concerning the mission and planned or previous activities is sufficient, along with an approximation and co-ordination of efforts with those of other organisations that have a similar orientation. Organisations involved in advocacy, lobbying, or pushing for particular decisions in the area of public policy often come to realise that coalitions with other organisations enable the creation of much more wide-ranging support on the part of the public and the media, and thus help to attain targets that none of the organisations involved would have been able to manage alone. Non-profit organisations reach such a stage in ‘letterhead coalitions’, in which they all agree to print the names of their organisations on petitions and letters expressing a common viewpoint or announcing a common platform. When concluding such a coalition, partners should remember to include a ‘back door’, incorporating into contracts a refined way of backing out of unfavourable coalitions in the event that the opinions, status, or members of the coalition change. This is particularly true in the case of larger coalitions. If organisations neglect to do this, a situation may arise where one of the coalition partners decides to leave in the middle of the process, with accompanying media attention, accusations, and unresolved financial disputes that may damage the image of the entire coalition and complicate the situation for the rest of the partners.
Exercise: Who should do what?

Sit down with your colleagues, and try to determine which people in your organisation should be responsible for the following activities:
1. deciding who should go on a two-week training course abroad
2. obtaining finances for the organisation’s operation
3. approving (or rejecting) candidates for volunteer work in the organisation
4. calling a repair service when the photocopier breaks
5. choosing/appointing the executive director
6. defining/redefining the organisation’s mission
7. taking the consequences for financial discrepancies in budgetary transactions
8. holding an interview with a journalist when describing the organisation’s activities
9. preparing and drafting the annual report
10. meeting donors or sponsors
11. resolving a conflict between two regular employees
12. monitoring and controlling the effectiveness of projects or programmes and the organisation’s activities
13. writing ongoing reports on projects
14. handling telephone calls, faxes, and mail
15. handling the organisation’s accounts
16. devising new, creative activities
17. contacting new (prospective) employees
18. writing press denials concerning untruthful information about the organisation’s financial practices
19. selecting new board members

• Discuss points where you agree, and points where you disagree.
• Can you think of an example from your own organisation where a lack of agreement concerning people’s specific functions has led to inefficiency in your work?

Your opinions may differ to a certain extent; however, the level of disagreement will probably not be very great. Discussing the division of roles in your organisation may form the basis of effective decision-making in the future.
• Compare your results and expectations.

Even more demanding is the process of stable association in the provision of services, where it is essential to agree upon the division of responsibilities and competences and to determine areas where the funds of both organisations may be saved, along with the most effective methods of achieving this. Association with other organisations may gradually exceed the boundaries of the district, the country, or the continent... One of the most common difficulties associated with the approximation of activities is the necessity to overcome language and cultural barriers. Nevertheless, one of the marvels of the third sector is that, for example, a Slovak non-profit organisation oriented towards the protection of animal rights may find it easier to agree with another non-profit organisation in Argentina than with representatives of the state and commercial sectors in its home town.

Combining the efforts of organisations is the most complicated process of all from the aspects of procedure and personnel. However, this is a phenomenon that Central, Eastern, and Southern European countries will (happily) not be able to avoid when rejuvenating their third sectors. Whether motivated by financial jeopardy or an awareness of the power of unity, many organisations will reach a stage where they decide to merge with other organisations. But what shape will these ‘marriages of convenience’ take? What will the logo and mission of the new entity be? Will it adopt the characteristics of one of the integrating organisations (in extreme cases, some mergers may have the nature of a take-over), or will it choose a new path? Will there be some kind of compromise involved? What will the
merger mean to people in these organisations? Who will lead the newly formed entity? Will there be redundancies, a change of address, or wage adjustments? These are all legitimate questions that cannot be answered, without preparation, in a single week or month. Moreover, unification does not come cheaply. Expenses for consultants, lawyers, facilitators, moving, and working with the public will run into sizeable sums for large organisations. The organisations involved will have to decide for themselves whether, despite these expenses and the problems that must somehow be resolved, unification will bring more benefits than disadvantages. (See also the chapter entitled ‘The Third Sector and the Third Sector’).

The co-ordination process will not only take place within the third sector. No large organisation will be able to function in practice if it does not co-ordinate its efforts with local government or, in some cases, with the state administration and the commercial sphere; i.e., if it does not engage in inter-sector co-operation.

The process of dividing organisations and creating new entities is also a complex one. In addition to technical details, the organisation must also answer a number of fundamental questions before partition:

- How decentralised should the model be? How should organisations solve the dilemma between the autonomy of individual components and the level of accountability? In what areas will organisations have the authority to make completely autonomous decisions without consulting with headquarters? Where will their autonomy be limited? Or in short – how should organisations divide up their internal power?
- How can organisations ensure loyalty towards their own internal goals and towards the group as a whole? What if these loyalties are incompatible?
- How should the issue of contributing and sharing out financial profits and non-tangible benefits be resolved?

There are a number of possible solutions:

**The egalitarian model**: all organisations in the network receive the same share, regardless of their input and size.

**The model of proportional equality**: all the entities involved contribute and receive the same amount in proportion to their size.

**The model of structural equilibrium**: some organisations receive more than they contribute and others less, based upon an agreement concerning the appropriate long-term policy.

**The combined model**: for example, ensuring a minimum standard of recompense for all while sharing out further recompense over and above this standard in proportion to input or the need for equilibrium.

At this point, the network begins to resemble that of a commercial entity.

Some non-profit organisations create specialised units or departments. These may be, for example, manufacturing or trade departments that bring in the capital necessary to fulfil the mission. Alternatively, they may be organisational substructures, or organisations within a larger organisation that are dedicated solely to advocacy, research, or influencing lawmakers. Foundations may be created that are aimed primarily at supporting other components of the organisation. And although this may sound strange, a non-profit organisation may even begin to function as a company after registering as such. Even this form of transformation (from a non-profit organisation to a company and perhaps back to a non-profit organisation again) is by no means harmful. It does not represent disloyalty to the organisation’s fundamental mission or spell an end to its values and ethos. Such notions are only propounded by badly informed, charismatic leaders of non-profit organisations, almost as if there were only one correct way for these organisations to develop, or only one possible destiny.
The reality is more varied. The third sector often has an instinct for discovering and cultivating needs that the private sector has yet to perceive. Unfulfilled needs often attract the professional services of the commercial sector, which may turn out to be so essential that a source for their financing is found after a time. Public agencies subsequently enter the established area, which require a stable fulfilment of their needs, with the aim of ensuring that a minimum standard is maintained. Non-profit organisations or companies are contracted to provide these services over the long term. When these services begin to differ too much from their original aim, when they become bureaucratised and fail to react to social changes, then enthusiasts can always be found who are prepared to help on a voluntary basis... and the entire process begins once more. Social care services are an example of such a trend.

All around us, we can see organisations in motion, at various stages of development; it is therefore a good idea to possess an awareness of what will probably happen – and look forward to it...

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Every single one of us makes some kind of plan every day. It is only natural. We consider what we want to achieve, and make plans in order to fulfil our professional or private goals. We decide what must be done today, and what can be put off until tomorrow. Strategic plans are made when we seek a clear conception of a long-term goal; we prepare steps that lead towards this goal, and identify the sequence in which they must be taken. New opportunities and crises are not addressed as immediately urgent tasks, but in keeping with the extent to which they may assist or threaten the achievement of the final result.

In this chapter, we shall concentrate upon the process of strategic planning in non-profit organisations. We shall describe and explain the essence of strategy, and present in simple terms some approaches to, and specific models of, this process.

**STRATEGY AND STRATEGIC PLANNING**

The term ‘strategy’ has been interpreted in different ways in different periods and situations. The communist regime understood it as the theory of leading the working class revolutionary struggle, while soldiers perceive it as a system for preparing and directing large military operations. In general, strategy may be described as a planned process that enables a particular situation to be addressed in the most efficient way, leading to the best possible results.

In the non-profit sector, strategy is regarded as a series of principal activities carried out by an organisation, culminating in the fulfilment of its objectives and missions. A strategic plan can therefore be compared to a map, which helps an organisation to get from one place to another. It is a written document that analyses the current situation and spells out the organisation’s visions – future alternatives for development – whilst also outlining the milestones that must be achieved and the strategic decisions that must be made to enable the organisation to continue fulfilling its mission in the future. In this context, the mission clarifies why, what, and how things are done in the organisation; it spells out its main approaches and values. It is what the organisation dedicates its resources, time, and talent to.

We should point out that this process does not involve the creation of ‘five-year plans’, which were popular during the era of communist planning. We are not concerned with plans that are dictated to organisations by someone else. We shall concentrate upon the process of jointly seeking and defining a strategic plan within non-profit organisations. All those who contribute to the fulfilment of the organisation’s mission should participate in this process; they should not only be aware of its importance, but also be acquainted with the instruments used in its preparation. It is a process that opens up great opportunities to influence the organisation’s future, and also establishes shared responsibility for proposals and their subsequent implementation, which is a key factor in an organisation’s success.
Terminology corner – what’s what

The **strategic goal** is the long-term objective of an organisation. **Strategy** is the formulation of alternative routes leading towards the attainment of the strategic goal. **Strategic planning** is the process by which an organisation’s members (the management, employees, and the board of directors, along with representatives of other organisations who have a significant influence on the organisation concerned) plan the future of the organisation and formulate conditions for the attainment of its objective. It involves the specification of measures that have crucial and long-term significance for the organisation’s overall direction.

The agreements reached during this process are reflected in the **strategic plan**. After its approval, the strategic plan becomes the fundamental document for the **strategic management of the organisation**, which involves the implementation and monitoring of the organisation’s activities, and their possible amendment, so that they are directed towards the attainment of strategic goals.

Before we describe various approaches to strategic planning, let us first answer the question, “What can we achieve through strategic planning, and why should we do it at all?” Experience has shown that plans should be made in order to:

- increase output,
- manage resources more effectively,
- establish a clear direction for the organisation in the future,
- direct attention towards the most important areas,
- strengthen teamwork,
- facilitate the solution of organisational problems,
- survive...

Non-profit organisations often argue that they have so much important work to do that no time is left over for planning. They believe that planning represents a useless waste of resources, and point to a lack of money for such an activity. They remind one of a financial manager who has no time to think about the budget as a whole, because there are so many different bills to pay every day. However, one day, there may well be nothing to pay these bills with. In the same way that organisations with a lack of effective financial management may fail, organisations that do not make plans and do not know where they are heading may suffer the same fate.

A number of years ago, certain organisations offering training courses concerned with strategic planning began to operate in Central, Eastern, and Southern Europe. Many non-profit organisations showed no interest in these courses, and demanded resources and funding instead. Today, many of them have ceased to exist.

*Exercise 1: Reasons for strategic planning*

Think about what experience has taught you in regard to the benefits of strategic planning, and try to make a list of reasons why your organisation should plan strategically. Discuss your observations and suggestions with other members of your organisation. Before you begin to engage in strategic planning, it is very important to answer the question, “Why should we draw up a strategic plan?”

Our organisation should draw up a strategic plan because:

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There is no ‘correct’ way of drawing up a strategic plan. There are only many models and approaches stemming from experiences gained by various types of organisation. Although they are all similar, they do differ in certain aspects. They all involve different lengths of time for their finalisation (a couple of weeks, months, or even years), different duration, different levels of detail, and different amounts of emphasis on individual elements. Discussions have always taken place between practical and theoretical experts on strategic planning in regard to the level of sophistication the process itself should involve – whether it should have a thorough and strictly managed structure, or whether it should be a purely intuitive, unmanaged procedure. Although it is possible that a bad strategy may emerge from a good strategic planning process, this is much less likely than the emergence of a good strategy from a bad strategic process. The process you select is up to you, but the following paragraphs, which present various approaches to strategic planning, may help you to decide. Some approaches are described in detail, while others are merely mentioned in passing.

The first approach to strategic planning has its roots in the 1960s, when the book ‘Corporate Strategy’ by Igor Ansoff had a significant impact on the entrepreneurial world. It brought a new view of strategy and offered a key to setting it – ‘gap analysis’ (which determines the difference between where you are and where you want to get to). Other experts later elaborated upon this concept. A period of ‘analysis paralysis’ followed (where it was shown that although strategic plans were repeatedly created, they were never realised), and subsequent emphasis on the concept of ‘strategic management’, which includes strategic diagnosis, planning, and guiding organisations towards the effective implementation of a strategic plan. In simple terms, the first model is based upon ‘the three basic questions’ encountered when drafting a strategic plan. The principles stemming from this model allow you to draw up your own strategic plan in a relatively short time; however, do not forget that effective analysis does not guarantee effective implementation.

Another approach concerns itself with the individual stages of strategic planning, and is based upon the methodology set out by Bryan W. Barry in his ‘Strategic Planning Workbook for Non-Profit Organisations’. It contains detailed descriptions of measures to be used when creating, developing, and implementing a strategic plan, which are explicitly aimed at non-profit organisations. If you have no experience yet in the area of strategic planning, then this chapter will help you to develop a clearer picture of what this process demands. The tasks and decisions involved are listed sequentially and in detail, accompanied by illustrative examples. The description of each stage is concluded with a summary that will help you to evaluate your success in dealing with it. If this simple approach is not enough, you can find more details in Barry’s books and workbooks designed for non-profit organisations. Similarly, John M. Bryson and Farnum K. Alston have written about the steps involved in creating and implementing strategic plans, with specific orientation towards non-profit organisations, in their book, ‘Creating and Implementing Your Strategic Plan – A Workbook for Public and Non-Profit Organisations’.

Approaches to strategic planning are in a state of constant development. This is partially influenced by the shift from traditional methodology, based upon linear thinking, to one which includes an awareness of chaos, where it is much more difficult to define what success actually is (today, success is not characterised simply by favourable financial results), and emphasis on intuition-based methods, where the process of creating strategy is highlighted. This more intuitive approach to the formulation and implementation of strategy was conceived in the 1990s by Henry Mintzberg. He regards strategy as an art form,
and perceives the “process of strategy development as careful, fragile, and dangerous as the work of a potter in making a vessel” (Crainer, 1998).

The battle between analysis and intuition may sometimes lead to ambiguity. For example, according to Costas Markides, “Strategy is a very simple matter. In its simplest form it is five or six creative ideas talking about how the organisation will continue in the competition battle in its field of business. It is not a plan, it is not a hundred-page document, it is not a budget, and it is not an objective. It is just five or six creative ideas. If your organisation is unable to express its strategy on one sheet of paper then it has no strategy.” (Crainer, 1998). The truth is actually somewhere in the middle. Strategy is not purely rational or purely intuitive; it involves finding the ability within yourself to recognise when and how your own intuition should be used in certain situations for the benefit of the organisation as a whole.

These approaches could be compared to a journey. Figuratively speaking, Ansoff’s approach involves a starting point, a destination, and a path between them that must be negotiated. Barry’s method involves individual staging posts, sets out a precise itinerary, and describes the towns that you must pass through if you are heading in the right direction. Mintzberg’s route, on the other hand, has more of a ‘meandering’ nature, reminiscent of Kerouac’s ‘On the Road’. It maintains that it is not important to pass through a particular locality recommended to you by your friends if you find something else on the way that enchants you – a location where it is worth lingering.

There are an infinite number of theories connected with strategic planning. However, all of them agree that the realisation stage poses a problem for most strategies. That is why, during the planning process itself, you should:

• accept the uncertainty that exists, observe events that take place outside the organisation, and learn from your own mistakes and those of others,
• use innovative approaches,
• concisely formulate detailed strategic documents, because they affect the interpretation of the strategy,
• trust in your own intuition and work as a team – involve all those who will subsequently ‘bring the plan to life’ in the planning process,
• and always look to the future.

Finally, it must be mentioned that every strategic plan as a product of strategic planning is unique in its own way, stemming from the basic values of a particular organisation. The following paragraphs could be compared to a rope that must be climbed; questions form ‘loops’ in the rope that help you to ‘climb up’, or draft your strategic plan, step by step. However, you should not lose sight of the fact that strategic planning is a way of thinking collectively within an organisation, and that a strategic plan will never be perfect or entirely complete. Throughout the entire process, you should concentrate your energy and attention more on creativity, flexibility, and constant improvement than on the dogmatic fulfillment of the individual stages of a process. Whichever route you choose, the critical point after approving the strategic plan is its realisation. However, your work does not even end there. Evaluate what you have achieved, continue to follow the ‘spiral’ (see below), and repeat the creation of a strategic plan on a new qualitative level.
THREE BASIC QUESTIONS WHEN DRAWING UP A STRATEGIC PLAN

You can draw up a strategic plan, i.e., outline the best possible future for the organisation and an effective path to achieve this, in a relatively short time once you have answered these three questions:

1. Where are you?

This question directs your attention towards the analysis of the situation in which your organisation currently finds itself, and an awareness of the environment in which the

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Lewis Carroll, Alice in Wonderland.
organisation operates. The process of creating and realising a strategy may be carried out using one of the following methods, or using an approach that lies somewhere in between. The first method involves analysing the market and the competitive environment, where opportunities that arise may be identified and utilised accordingly. The second entails a strategy beginning within the organisation itself. Research is carried out into areas where the organisation excels, and these areas of excellence are then employed under existing conditions. In short, there are a number of approaches to analysis that may be applied at this stage; however, ‘SWOT’, ‘STEP’, and ‘force field’ analyses may help to guide you through the maze of information available.

Box 1: Analytical approaches to strategic planning

**SWOT** is an acronym for **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats. It involves analysing the organisation’s internal and external environment, concentrating upon its strengths and weaknesses (the organisation’s structure, the board of directors, its employees, the quality of its services – results achieved so far, successes and failures, technical/material resources, ways of communicating, the current operating strategy, competition and the market, etc.), and upon external opportunities and threats (the needs and developmental trends of society, potential clients, allies/collaborators, competitors, etc.). Strengths are understood to be those attributes of the organisation that help it to fulfil its mission, while weaknesses degrade the quality of its work and hamper the fulfilment of this objective. Opportunities are external realities that help the organisation fulfil its mission and develop further, while threats hinder development and the attainment of these goals in some way. In view of the fact that both external and internal factors are subject to constant change, each analysis should actually comprise a number of SWOT analyses concentrating upon the past, the present, and the future.

**STEP** analyses involve an investigation of the external environment. When undertaking such analyses, you should ask yourselves which **S**ocial, **T**echnical, **E**conomic, and **P**olitical factors affect the situation. These factors may include inflation, political stability, the age structure of the population, a lack of certain technologies, etc.

**Force field analyses** concentrate upon the situation from the aspect of the factors influencing it. At any given point, forces are at work that benefit particular phenomena (changes, ideas, etc.), which are called **driving forces**. These are counteracted by restraining forces. The situation in which the organisation finds itself may therefore be regarded as stemming from the interplay between these two opposing influences. If the aim of the organisation is change, then this will only take place if the ratio of these forces alters. This type of analysis helps you to decide whether you want to initiate transformation by strengthening the motivating forces, by weakening the restraining forces, or by using a combination of these methods.

**Exercise 2: A SWOT analysis in your organisation**

Draw up a SWOT analysis for your organisation. Discuss and answer the following questions:

- What are the strengths of your organisation? What internal resources (human, material, financial, etc.) do you possess?
- What are your weaknesses? What do you lack, and what do you have too much of?
- What opportunities are open to you?
- What threats limit/await you?
- What critical points can you predict in the future?
- What is the current strategy of your organisation?
2. Where do you want to get to?
At this stage, you should concentrate on the future. Create, design, seek out, and discuss:
- **Values** – principles upon which your organisation is based and the approaches and standards that will be used to make decisions when attempting to fulfil targets.
- **The mission**, which identifies the organisation’s *raison d’être* and answers the questions: “Why does the organisation exist? What is at its core? What is it endeavouring to achieve? How will it achieve this?”
- **The vision**, which sets out the organisation’s aspirations and predicts how the world around it will look in a few years’ time.
- The whole range of aspects stemming from the values, mission, and vision identified above.

3. How can you get there?
Once you are aware of your own abilities and the needs of your surroundings, and have a clear conception of your ideal future, then you can begin to concentrate upon creating a framework to achieve the desired results. It is necessary to identify and describe a number of areas in detail, such as:
- Strategic opportunities for development.
- Problems, and priorities for their resolution.
- Goals, and quantifiable ways of gauging the success of their attainment. (How will you know when you have reached your destination?)
- An action plan. (Specific processes, tasks, schedules, responsibilities, and resources).
- Realisation and monitoring.

At this point, it would be a good idea to consider the continuous interaction with the environment around you. The vision is your ideal image of the future; however, it may not
necessarily be realised, and therefore the beautiful straight line leading towards it may in fact be a misrepresentation of reality – it is often more of a zigzag. Some approaches speak of ‘vision revision’ – a sober view of the possibilities of reaching your goals with the resources and facilities that you currently have at your disposal. Consequently, do not forget to take alternative prospects of development (or disintegration...?) into account.

Let us now look at the goals of strategic planning from a slightly different perspective. Try to think of them as a rainbow. The way in which different elements of strategic planning are layered is clear to see; it is up to the planning team itself as to whether these components will create a synchronised spectrum.

- **Values** – basic values that the organisation identifies itself with, such as charity, or assistance to fellow human beings.
- **The mission** – a path to the goal or objective of the organisation; a motto that should hang over the door, and to which you should always return in order to assess whether you are heading in the direction of your choice – for example, the construction of a children’s centre (as a set of activities).
- **The vision** – a picture of the ultimate, ideal situation; an image of the values acknowledged by your organisation having finally come to fruition, such as the completion of that centre, enabling the physical and intellectual development of young children.
- **Strategic goals** – targets that, when met, lead towards the fulfilment of the mission (with lengthier intervals in between), such as the choice of a location, the selection of people to care for the children, etc.
- **Short-term goals** – targets with shorter intervals in between, which must be met in order to fulfil strategic goals; e.g., the realisation of a two-month course for centre employees.
- **Strategies** – objectives and overall approaches that help you to fulfil your goals, such as the establishment of friendly relations with non-governmental and governmental organisations that engage in similar activities.
- **Tactics** – specific approaches to the achievement of goals; for example, the continual provision of information concerning the nature of your project to interested institutions.
- **Everyday activities** – very specific activities; ‘small change’ with which your ‘bills’ are paid, such as the composition and sending of letters to children’s homes in order to establish who the future inhabitants of the centre will be, etc.

*Exercise 3: The ‘planning rainbow’*

Compose such a ‘rainbow’ for your organisation. Begin at the bottom with the values at the core of your organisation, and continue upwards with your mission, vision, and goals. Put your most specific activities at the top. Once you have reached the highest level, go back to the beginning.

- Do your activities, tactics and strategies match up with your original values or vision?
- Have you discovered anything new from your journeys up and down?
THE STAGES INVOLVED WHEN PLANNING STRATEGICALLY

According to Bryan Barry, the strategic planning process may be divided into five stages, which are:

• Preparing the process,
• Analysing the surroundings.
• Creating a strategy.
• Drawing up a strategic plan.
• Realising the strategic plan.

Stage 1: Beginning the process – preparation

This stage concentrates upon the organisation of the overall planning process. The more attention you pay to this stage, the easier it will be to manage those that follow. So:

• Decide if and when you want to begin creating your strategic plan – identify the need for such a plan, and assess the anticipated benefits and risks.
• Evaluate the need for consultants. If you do not have much experience in this area, then books, articles, courses, and seminars, as well as advice from other organisations, may be of assistance. An independent consultant or facilitator can help you to prepare and manage the planning process. Before you opt for this approach, however, identify your expectations of such consultants – not every brilliant facilitator is automatically suited to the requirements of your organisation.
• Agree upon how the planning process will proceed – time limits, methods, approaches, composition, the responsibilities involved, and the backdrop against which the overall process will take place.
• Create a planning team – decide who will make up the team, the number of people involved, and their tasks and responsibilities. Do not underestimate the importance of a varied composition, to ensure that the strategic plan encompasses a variety of experiences and viewpoints. In the case of a large planning team, more structured meetings are necessary.

The first stage is the cornerstone of strategy creation and the formation of your strategic plan. Try to sum up the key points that you have agreed upon in this first stage, using the following questions as a guide:

• For whom will you create your strategic plan?
• What will its duration be?
• What important questions should your plan answer?
• How long will the planning process last? By when should your plan be complete?
• Should you engage consultants or facilitators? If so, who should they be, and what do you expect from them?
• How many people will make up your planning team? Who will its members be?
• Who else do you want to engage in the planning process? When and why should they be engaged?
• Which member of your organisation will be responsible for managing the planning process?
• Who will direct (facilitate) individual planning meetings?
• What will your planning process look like? What specific steps, approaches, responsibilities, and schedules will it entail?

Stage 2: Analysing the situation
Stage 2 involves a thorough assessment of the organisation itself and the environment in which it operates, so that individual members of the planning team begin with the same level of awareness from the outset. Therefore:
• Assess the organisation’s past and present – its beginnings (the original mission and activities), significant events during its development (changes, successes, and failures), and values that are still recognised today, along with its current mission and activities, the situation in regard to finances and personnel, and future plans.
• Define or redefine the organisation’s mission, which should clearly identify the target of its resources, time, and talent, and also characterise its objectives, main approaches, and values. Consider the mission from two perspectives – comprehensibility (“is our mission clear?”) and potential development (“should our mission change in the future?”)
• Carry out an analysis into the opportunities and threats that your organisation faces. You should concentrate upon the needs of your clients and other recipients of your services, upon competitors and allies, and upon other factors that may affect the organisation’s development.

In the second stage, the planning team should answer the following questions:
• What have we done and what are we doing?
• What do we want to do?
• What is necessary and feasible in our organisation?
• What are we capable of doing?

The answers to these questions create space for the creation of strategy. In architectural terms, the cornerstone has grown into a fully workable foundation.

Stage 3: Creating a strategy
Having completed the first two stages, you are now ready to begin creating a strategy – the orientation of the organisation’s development. Choose an appropriate planning approach that enables you to discover, identify, and assess alternative concepts of the future, and create the strategy itself. There are three basic approaches to strategy creation:
• defining the scenario,
• defining critical points, and
• identifying goals.

The first planning process involves defining the scenario, which is used to create a number of alternative views of the organisation’s future. After evaluation, the best of these is chosen and elaborated upon to form its final appearance. One way of tackling this process is to request each member of the planning team to consider and describe the best possible scenario of development in his or her organisation. Members envisage an organisation three years hence, which has undergone a period of development, and write an account of what they see – what the organisation looks like, who works in it, what
people do, and their impressions of relations and the overall atmosphere. Afterwards, members get together and present their visions of the future. The similarities and differences that emerge are noted down and subsequently discussed. Finally, the group assesses the individual visions presented; the best of these is chosen on the basis of various criteria, and subsequently refined and finalised. The advantage of this method is its rapidity, the maintenance of people’s interest and attention, and the utilisation of each individual’s creative prowess.

Another method of creating a vision or strategy is by defining critical points. This approach is based upon the second stage of the planning process – an analysis of the overall situation and critical points faced by the organisation, which are then elaborated upon further. The planning team puts individual points in order according to prearranged criteria. Each of these points is then discussed, and possible solutions are sought and recorded. Finally, the best are selected and utilised in the development of a clear and well-written strategy.

The third way of creating strategy is by identifying goals. This method begins by setting out the main objectives that your organisation wants to achieve. Possible strategies for the attainment of individual targets are identified, and the best of these are selected for further clarification.

In this third stage, you have chosen an appropriate approach to planning, created a realistic picture of your organisation’s future, and outlined the route that you will take towards its achievement. In other words, your ‘architectural plan’ is now complete.

**Stage 4: Drawing up a strategic plan**

In stage 4, you should concentrate upon creating your strategic plan, setting it down in writing, and getting it approved by the organisation’s members. However, this must be preceded by the creation of a draft proposal and its critical evaluation by members of the planning team. Only once this has been done can you concentrate upon the development of your plan, its thorough evaluation, and its finalisation. The plan should then be submitted to the organisation’s highest administrative body (as a rule, the board of directors) for approval.

The strategic plan usually contains:

- The mission and strategy – a definition of the mission itself, and the strategy involved in fulfilling it within the planning period, focusing on individual years.
- A plan concerning employees and volunteers – a description of positions and work commitments for individual years.
- A financial plan – a budget for each year of the planning period to ensure that any given action plan is feasible.
- An implementation plan – the main goals and tasks involved in realising the strategic plan.
- Other details – the strategic plan may also include a description of requirements and problems, a plan concerning facilities and equipment, a plan relating to the operation of the board of directors or the activities of members, a plan of the organisation’s structure, proposals for co-operation with other organisations, a description of possible risks, criteria for gauging the success of the plan’s implementation, etc.

To use the language of the building industry again, once you have agreed with your investor and other important individuals, you have now succeeded in creating a construction project for your organisation. Not only does this project illustrate the future shape of your organisation, it also defines the way in which you would like the construction work to take place.
**Stage 5: Realising the strategic plan**

Your work is by no means over when your plan has been set out in writing and approved. On the contrary, it is just beginning. You must now start realising your strategic plan by implementing individual action plans with specific tasks, responsibilities, and deadlines. This will also involve the ongoing supervision and assessment of the results achieved when carrying out various tasks, and the correction and updating of the strategic plan, if this proves necessary.

In stage 5, you are now building the structure of your organisation on the basis of the ‘construction project’. You can watch as it rises up before your eyes. Try to assess whether the original plan corresponds with reality, and amend and update your plan in accordance with the circumstances that influence your activities.

**Every strategic plan, and the process of its creation, is truly unique; therefore, the form it ultimately takes is up to its creators. Consultants and other experts may be of assistance, but only your planning team, made up of people who work in your organisation, can really appreciate what is needed; after all, they are the ones who will implement the plan, realise goals, bear the brunt of any failures, and celebrate the triumphs achieved.**

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It is not uncommon for non-state organisations to be based upon relations between friends or relatives. Voluntary organisations begin their work as groups; i.e., as sets of individuals joined by a common interest and the need to fulfil certain, perhaps common needs. A pleasant social climate, good interpersonal relations, and the eagerness to engage in something new play a very positive role in the process of establishing, building, and developing an organisation. But this is not enough for a non-profit organisation to function effectively and professionally. It is essential that the people in it work as a team, and that they be capable of making effective decisions and running the organisation efficiently.

In this chapter, we shall present a few fundamental conclusions from the area of team development, leadership, and decision-making. In books on management, of course, one can find an unlimited number of research findings and practical recommendations; however, this chapter would not be able to contain them all, even if it were hundreds of pages long. That is why we shall only concentrate on those areas that have a direct effect on the everyday life of non-profit organisations. We shall focus on questions that are often brought to us by helpless-looking leaders of non-profit organisations, their angry subordinates, or bewildered volunteers.

From a strictly scientific point of view, the findings and information contained in this chapter have been chosen a little unsystematically. However, the system used is based upon the most common issues faced in third sector reality. In these areas, the problems confronted are very similar throughout the Central, Eastern, and Southern European region.

THE TEAM AND TEAM ROLES

Perhaps you have already heard the story about the organisation with four members – Everybody, Somebody, Anybody, and Nobody – where the responsibilities of each were unclear. In any case, it is a good introduction to our discussion on team roles:

There was an important task to be done, and Everybody was certain that Somebody would do it. Anybody could have done it, but Nobody did it. Somebody was annoyed about this, because it was Everybody’s job. Everybody thought that Anybody could do it, but Nobody realised that Everybody would not do it. Ultimately, Everybody blamed Somebody when Nobody did what Anybody could have done...

The English word ‘team’ was first used merely to denote a pair or group of oxen, horses, or dogs in harness. It described a situation where a number of draught animals concentrate their energy in one direction, thus increasing the effectiveness of their efforts. Some people still understand the role of a team in this traditional and now outdated way. They believe that
a team has the nature of an effective group in harness, the strength of which lies in the fact that none of its members differ from one another, and that everyone pulls in the same direction. Similarly, a team is often depicted (in media reports from summer camps or sporting events) as a group of people pulling a rope together, singing in the same rhythm, wearing the same t-shirts, or adopting the same attitude. In teams governed by uniformity and consistency, the emphasis on similarity and staying in line can almost become overbearing. “You should go – everyone else will... Why are you leaving us, why are you breaking up the team...? Why do you want to do it differently from everyone else...? That’s the way it is – everyone thinks so....”

In less well-developed teams, and in large organisations where teams are also large, the roles of team members actually need not differ to a great extent. The multiplication of the individuals’ strengths and intelligence is quite sufficient for the job in hand; the division and supplementation of roles is not essential. Uniformity as a criterion for defining a team, however, may sometimes lead to problems. In many cases, it is impossible to proceed with such an approach. If the role of an individual within a team does not differ from the roles of the other members, people may begin to feel that their position is expendable, and therefore not particularly important.

Box 1: The effectiveness of teams and individuals

Research into this phenomenon has confirmed its existence in practice. The greater the number of people pulling a rope in competitions or experiments, the less energy each one of them has to invest in such a group effort than they would as an individual. People do not feel that they are pulling less hard – they pull with all their might. Despite this fact, research has shown that the overall pulling power is not a simple multiplication of the energy that each team member would have invested alone. The researchers did not want to believe this phenomenon, so they carried out similar, very interesting experiments with a group of people that had other tasks to perform. One experiment compared the power of people’s vocal chords individually and in a group; in the latter case, people unconsciously shouted less loudly. In a second experiment, the researchers put headphones on members of the group and shut them in separate cabins. Some individuals were then informed that the entire group was shouting with them, while they were in fact shouting alone. The volume of their shouts suddenly decreased. The instruments clearly demonstrated that people shouted louder when they were compelled to rely on their own efforts.

Supporters of collectivist philosophies criticised these experiments, claiming that they led to artificial results, having been produced in a laboratory. They stated that this research could not apply to real life, because people feel that genuinely important tasks are at stake, not just foolish experiments. So researchers turned their attention to the performance of miners, mechanics, and office workers in authentic situations, and in various, large, homogenous groups. Their previous findings were confirmed. The output of twelve miners in a group was not twelve times greater than that of a single miner who put in the maximum amount of effort. In every case, it was confirmed that 12 x 1 (in this context) is not 12, but sometimes 10 or 9, and in the case of large groups, the output of the group decreased to half of that predicted.

It is a well-known fact that people tend to rely on each other in situations where responsibility for certain tasks is not precisely defined, and where everyone is responsible for everything, which ultimately leads to some unpopular tasks being neglected. The overall output of the team is diminished. In large groups with the same, or unclear, responsibilities, a phenomenon known as ‘responsibility diffusion’ arises. Research has shown that people are more inclined to help a person lying on the street if they are walking past alone, or with one other person, than if they are a part of a larger group. Every person in the group feels that they do not have complete responsibility; many feel that someone else in the group is more competent than themselves, and should be the one to adopt a certain attitude, make a particular decision, or act in a specific way. The result of ‘responsibility diffusion’ is that the whole group sometimes acts unnecessarily, while some tasks are often ignored altogether.
In that case, why are team efforts perceived to be more effective than those made by individuals? Where has the team synergy gone? The answer is simple – the perception of a team as a group of homogenous ‘draught animals’ has become outmoded. A team is a team because it is able to synchronise the activities of a variety of different people, who supplement each other while dealing with a variety of different tasks. The strength of a team lies in its diversity – in the fact that people know how to share out tasks and functions in such a way as to utilise the strengths of individual team members. The synergetic effect is not brought about by the simple multiplication of individual output, but by the expansion of competences through the various roles that members of the team play.

So, how could we categorise roles in a team? The layperson’s view of a team provides us with a very straightforward typology. You can almost always find team ‘leaders’ – people who set the tone, look to the future, and possess natural authority, which is why others follow them. Sometimes, certain ‘ethereal presences’ may emerge behind the leaders, who are not as visible as the leaders themselves, but whose opinion is respected; they are people who often influence leaders and their decisions. These ‘ethereal presences’ have markedly conceptual ways of thinking, but do not like to assert themselves – in some cases, they are manipulators, who do not wish to risk their own necks, but who provide ‘wisdom’ and let other people act in their stead. Further, teams almost always possess less popular, ‘different’ members, who tend to be blamed for failures by the others (sometimes justifiably and sometimes not). These people could be referred to colloquially as ‘black sheep’ or ‘lightning conductors’. Teams often have a need for this function – if such people decide to leave an organisation after a period of tension, this particular role usually passes to someone else after a time. As a rule, teams also have one or more exceptionally responsible and effective ‘sloggers’ or ‘finishers-off’. Thanks to these people, teams are able to finish tasks for which no one else can find the patience or energy. Very often, team members may also be found who have an aptitude for innovation, and who are not afraid to take risks and engage in new assignments. The most appropriate term for them would probably be ‘innovators’, or ‘initiators’ – without them, some projects would not even get off the ground. It is also useful to have a counterbalance to such people in the team – ‘critics’ who correct them and act as an effective filter for their enthusiastic ideas by adopting a realistic, sceptical, and critical attitude.

Various theoretical concepts provide a variety of ways of classifying team roles. If the tasks that the team is to carry out are considered to be the central criterion for their classification, then the following definition, which is based upon work by Jennifer Henderson, should prove useful. It divides the main areas of team tasks into:

- **Direction**: (activities connected with determining the direction of the team’s development),
- **Management and leadership**,
- **Evaluating team activities**.

At least four possible roles may be identified in each of these areas.

**Direction:**

- The pioneer poses new questions and seeks undiscovered paths,
- The instructor answers questions and provides data,
- The leader provides group rules and leadership styles,
- The follower supports the others and encourages them to back the ideas of the pioneer, instructor, and leader.

**Management:**

- The commentator analyses data and puts them into a synthesis,
- The co-ordinator synchronises and integrates data and procedures,
- The supporter supports and guides timid and passive members,
- The pacifier helps to achieve harmony, consensus, and compromise.
**Evaluation:**
- The critic assesses ideas and decisions, and proposes changes and other alternatives,
- The corrector regularly controls and corrects the others,
- The monitor provides the team with independent feedback, and intervenes if necessary,
- The caretaker ensures that rules and regulations are observed, and that discipline is maintained.

This is, naturally, an ideal division of roles within a large team. In a smaller team, tasks and team roles are more concentrated, and people play a number of roles at the same time. However, woe betide the team where one member has a tendency to take on all these roles alone. There is a danger that this member will become overworked after a time, or possibly end up in a ward with the other ‘multiphrenics’.

**Exercise 1: Team roles in your team**

The aim of this exercise is to chart the roles that exist in your team and to encourage an awareness of their occurrence, diversity, and importance. Look at the roles listed in the text above, and in discussions together, try to attribute them to individual members of your team.

- The pioneer ................................................................................................................... 
- The instructor ................................................................................................................ 
- The leader ..................................................................................................................... 
- The follower .................................................................................................................. 
- The commentator ........................................................................................................... 
- The co-ordinator .......................................................................................................... 
- The supporter ............................................................................................................... 
- The pacifier .................................................................................................................. 
- The critic ..................................................................................................................... 
- The corrector ............................................................................................................... 
- The monitor ................................................................................................................... 
- The caretaker ................................................................................................................. 

- Who plays which role?
- Which of the roles are over-represented (i.e., appear a number of times?)
- Which roles are not covered?
- Could you think of any examples from the history of your team or organisation where the presence or absence of some of these roles was evident?

A team is strong when the representation of roles is varied and balanced, and where roles do not overlap a number of times. Moreover, if people acknowledge one another and respect each other’s individual contributions, then the organisation has a good chance of being effective.
Some naive modes of thought consider the ideal team to be a group of people who do not contradict each other, never experience any conflicts, agree with everyone else in the team, and are in fact united in everything. This erroneous notion fails to differentiate collective goals from collective thinking. The team’s need for solidarity and mutual respect is confused with obedience and a non-critical attitude to shared team decisions.

In order for a team to be a team, its members not only need mutual support and trust amongst themselves, but also the freedom to express criticism. They also need competition between ideas, which creates conditions for a number of alternatives to be assessed when making decisions on team affairs, thus creating the best possible basis for favourable results. A real team is far removed from the romantic notion of a group of smiling people who are in love with one another, never have arguments, and always look forward to seeing each other. On the contrary, such a situation could damage the efficiency and long-term function of the team itself. The presence of an over-authoritative leader is not the only cause of a group’s mistakes. There is an equal danger that a situation may arise where the group’s most cherished values are its mutuality, cohesion, and all-embracing serenity.

The phenomenon whereby errors of judgement arise from a false atmosphere of ‘team unity’ was christened ‘groupthink’ by Irving Janis. It occurs in highly cohesive teams, where members stick together to such an extent that they begin to shut themselves off to external influences. Opinions on the work in hand, recommendations, and feedback are regarded as an attack upon, or a threat to, the team; phenomena that would normally be considered healthy are intensified to such an extent that they begin to cause damage. These are the eight most notorious symptoms of this phenomenon, along with examples that illustrate them:

- An over-exaggerated feeling of solidarity: This leads the members of the group to favour solidarity over a holistic approach that would create a variety of viewpoints and disputes. “We started off together, we have not argued for years, we have always liked each other and thought the same way, and now someone wants to tear us apart. People who have different opinions and who cause conflicts should be expelled from the organisation before we start to argue in public...”
- A loss of critical methods of thinking: This is found in groups that are too cohesive. “What we are doing will certainly be successful. It is flawless, and if anyone thinks otherwise, then we should ignore them. The project we are undertaking is simply perfect...”
- An illusion of invulnerability: On the basis of previous successes, the group begins to assert uncritically that it is always right, and that it can afford to take risks. “They always approve that grant – they know us, and they know that our work is good. We will be awarded the grant, even if the project is not drafted in very precise terms”.
- Stereotyping the adversary: The group regards all opponents as rivals, because the concept of a common enemy is strengthened by team solidarity. “They are obviously jealous of our success; they want to harm us. Otherwise, why would they criticise us so much? There is no need to listen to them, the traitors...”
- Collective rationalisation: The group loses its power of judgement. So that the group does not have to face the fact that it is in the wrong, it draws up explanations, some of them completely contradictory in nature, ‘proving’ the suitability of its actions. “It is true that we have not yet worked on projects that involve working directly with disabled children, and that we do not have as much practical and theoretical experience as other charitable organisations. But we will handle the project very well, because many of us have children, and we understand children’s needs. In addition, all of us were children once, and we know what children want. Disabled children need love and affection the same as healthy children, just in greater amounts...”
- Illusions of morality: These are generated by internal group support. The group begins to use moral justifications to validate measures and decisions that are on the edge of social and ethical norms. “In normal circumstances, we would not be able to increase wage bonuses, but this was a really exceptional case. Anyone familiar with the issues would acknowledge that. Only uninformed people from outside would disagree”.
- The auto-suggestive adaptation of reality: This occurs once the group has persuaded itself that other people and institutions are bound to perceive the situation in the same way as they do. “Money for research purposes is a luxury in this case. We know what the real needs of our potential clients are. These needs are absolutely clear, and our clients recognise this too. They have not said this outright in our discussions with them, but their answers to our questions are unmistakable”.

Box 2: Groupthink
Illusions of unanimity: These emerge within the group when each member suddenly has the feeling that the group will approve a particular opinion. Rather than disturb team unity, people with a different opinion begin to doubt themselves and remain silent. “I wanted to make an observation, but now I feel that it is not worth discussing; in fact, I am not sure whether the information I have is correct. Essentially, all I wanted to say was that I am glad that we are approaching the goal so quickly, and that the solutions are so obvious...”

The ‘groupthink’ phenomenon has also been attributed to defective team decisions with catastrophic results; for example, when all warnings were ignored before the Challenger space shuttle disaster. The team of constructors and the managerial staff were so reassured by their own feelings of faultlessness that an atmosphere was created in which it was not perceived appropriate to criticise the undoubtedly success of the Challenger mission; crucial voices remained unheard. This was one of the main causes of the catastrophe that led to the deaths of eight astronauts shortly after takeoff, as well as the incalculable economic damage that resulted.

In non-profit teams, groupthink poses a particular threat in groups of friends that have experienced success and are unaware that performance, in addition to their own contentment, is also important. If statements similar to those listed above begin to emerge, then they should stop and ask themselves, “Is that the way it really is? Are we not lying to ourselves?”

Groupthink may also materialise in society as a whole, and is often labelled as ‘collective ignorance’. In an unhealthy society, the majority secretly contravene accepted rules. A dual existence emerges – public life, which abides by advocated norms, and private life, which is accompanied by secrecy and feelings of guilt. As in the story about the Emperor’s new clothes, the road away from such social senility lies in people’s courage to speak out about themselves and their perception of reality, thus helping others to do the same. The phenomenon of collective ignorance is not found only in fairytales. The non-profit community also has an unconscious tendency to treat some discussions as taboo. The false notion emerges that it is inappropriate to criticise people from non-profit organisations when this may weaken them in the eyes of the public – thus handing the government weapons, which may be used to wage a media campaign against the third sector, on a platter.

Anyone who has ever experienced moments of intoxicating pleasure that his or her organisation has experienced success after a long period of determined effort will appreciate the importance of teamwork. Nevertheless, this collective ‘rope-pulling’ does not represent a real victory if all you have done is bury your opponent in the mud. Teamwork should not involve ‘being against someone’, but ‘being in favour of something’. An awareness of strengths and weaknesses, respect for differences, the promotion of diversity, and a somewhat critical approach are the most effective instruments for the fulfilment of targets.

**LEADERSHIP**

Post-communist Europe has had extensive experience with authoritarian and autocratic leadership, and as a consequence, people are often suspicious in regard to leadership and leaders because these words have negative connotations. However, leadership is a natural and necessary phenomenon. Modern research has revealed that people’s social behaviour is closely related to the behaviour of animals. In the same way that a herd of cattle loses its orientation and structure without its leader, human social groups also require leadership, an example to follow, organisation, vision, and direction. The behaviour of animals is clear and comprehensible. Human behaviour, on the other hand, is less transparent; its real motives are cloaked in rational, pseudo-rational, cultural, and civilisation-defined formulae. Despite the social manners present in human society, the identical features of human social life and that of animals cannot be ignored – the rules of co-existence, rituals, the transfer of information, the diversity of roles within the social group, and the need for solidarity, followers, conformity, or rivalry. Many of them stem from the same sources. Leadership and status, along with decision-making powers and responsibility, are obvious in herds of cattle, but this is not always the case when examining human interaction. People sometimes take great pains to
ensure that such attributes are not evident; in other cases, a great deal of effort is devoted to ensure that they are. The status of individuals within groups is expressed by business cards, separate offices, different cars, individual telephone lines and mobile telephones, special personnel, and the various rituals connected with social relations (planned meetings, audiences, etc.). These are all demonstrations of special status, which naturally accompany the position of leader. Throughout the history of human civilisation, such trappings have been seen in various forms. They are external symbols signifying that this person is a leader of people and social groups. In the following paragraphs, we shall attempt to explain some of the cited phenomena.

The leadership of people has a reciprocal character, arising from the need to lead and be led. Leaders require followers, and followers leaders, but the age-old problem has always been the balance of this relationship. If it is created voluntarily, without aggression or manipulation, then it has a significant effect. The tendency towards leadership is very productive if leaders do not interfere with the rights of others, if they possess abilities appropriate to a given group and situation, and if they are accepted by a majority of the group’s members. When two people with dominant and submissive types of behaviour meet, then a mutual accord is reached. However, if two dominant people exist within a small group, both of whom want to lead the other, then this naturally leads to rivalry and conflict.

From the aspect of development, a social group led by an accepted leader has a good chance of being productive. Its prospects are also improved if its head (leader, managerial employee) has certain leadership or management abilities and skills. In what way should a leader or manager stand out? There is no simple answer to this question.

**Exercise 2: What are the characteristics of leadership?**

Number each picture from 1 to 9 (in the small boxes) according to the significance each attribute of leadership has for you – 1 for the most significant, and 9 for the least. Then classify them in three groups: 1 – 3, 4 – 6, and 7 – 9. The result will be three categories of importance.
The opinions of psychologists on the leadership of people and social groups differ. As you can see from Exercise 2, a dilemma exists as to whether leadership abilities are more or less inherent, or whether they can be learned. Does leadership stem from personal qualities, the charisma of the leader, personal charm, maturity, and a person’s persuasiveness? Or from some sort of ‘guide’ to leading others? Is it a question of power and status, or of helping others and championing meaningful and ‘correct’ issues? Is it the ability to plan into the distant future, or the planning and fulfilment of daily tasks? Successful leaders have a combination of these attributes. A person who possesses certain, inborn qualities is more likely to become a leader than someone who does not. On the other hand, diligent individuals can, through their abilities, rise above well-predisposed but less industrious leaders.

Power is a part of all interpersonal relationships; however, it brings with it a risk that depends upon levels of personal maturity. Organisations require a goal, vision, and direction, but if co-operation and mutual assistance are not promoted, then teams or organisations are degraded. It is difficult to achieve development without systematic, daily activities. The proportions and intensity of individual components of leadership cannot be precisely defined. Specifically, there are many variables involved – the attributes and abilities of the leader and co-workers, the aspirations of participants, the goals and tasks of the organisation, mutual relations, the environment as a whole, the professionalism of participants and their working career, the structure and development of the organisation, professional functions, and other factors.

Analyses of the competences of effective leaders have shown that the most successful possess abilities that are divided in a particular way. Approximately 40% of their abilities are those of communication – skills used when engaging in discussions with people, or effective, ‘people-oriented’ communication. A further 40% are abilities connected with leading others, assessing the appropriate style of leadership in accordance with the situation and the people involved, and flexibility in leadership; i.e., the ability to lead and manage individuals and teams. Only about 20% are professional competences (for example, education and experience in the area of construction when running a building company, sporting knowledge when leading an organisation promoting the development of sport, etc.).

**MANAGERS AND LEADERS**

To begin with, two terms must be differentiated – those of ‘leadership’ and ‘management’. There are no precise dividing lines between the two; however, areas do exist where the characteristics of these two terms differ. Leaders are more able to create vision – an image of something that the organisation wishes to orient itself towards and achieve. They know how to speak to people and win them over to the organisation’s side, and are able to orient people towards ‘the right thing’. They have a feeling for renewal and innovation. Managers, on the
other hand, are characterised by thorough planning, organisational abilities, and knowledge of how things should be done correctly. Management dominates in the specific work and output of organisations, while leadership is more useful in creating perspectives and in its ability to appeal to people. Both approaches are not mutually exclusive; on the contrary, they are both very valuable for effective operation. These attributes may be present in one person, two people, or entire teams.

J. H. Donnelly Jr., J. L. Gibson, and J. M. Ivancevich of the Universities of Kentucky and Houston have described the difference between these two approaches as follows: “Leadership is the ability to engage others to achieve and set goals with enthusiasm. It is a human factor which creates feelings of fellowship within the team and motivates it to achieve goals. Management activities such as planning, budgeting, organisational structure development, human resources development, or control mechanisms cannot be started unless the leader is able to give direction, win people for the vision, and motivate and inspire them.”

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<tr>
<th>MANAGEMENT</th>
<th>LEADERSHIP</th>
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<td>• Short- and medium-term planning.</td>
<td>• Strategic planning and creating vision.</td>
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<td>• Managing and controlling the budget.</td>
<td>• Winning people over to the vision.</td>
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<tr>
<td>• Building and maintaining organisational structures.</td>
<td>• Motivating people and developing organisational structures.</td>
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<td>• Managing personnel.</td>
<td>• Inspiring employees.</td>
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<td>• Planning; forecasting results.</td>
<td>• Innovation; meaningful and unexpected solutions.</td>
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<td>• Ensuring that people DO THINGS RIGHT.</td>
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(Based upon work by S. McCormick).

In non-profit organisations, leaders are enthusiasts or groups of enthusiasts who are able to determine the goal and win people over to their ideas; however, they often do not know how to transpose their vision into everyday activity. It is as if these leaders sometimes feel that precision and the completion of tasks might deter volunteers (“after all, they work for free, and they are not officials or entrepreneurs, so why should we bother them with such things?”)

Managers and leaders can be envisaged according to the abilities typical for their roles, or abilities that facilitate the fulfilment of tasks arising from these roles. Of course, they may also have a bizarre, absurd, caricatured, or even dangerous nature – dangerous if these roles are connected to elements of manipulation, addiction to individualised power, or the inability of leaders to reflect upon their own actions. This may border on demagogical or bureaucratic behaviour. Let us look at Figure 1.

Figure 1: The risks of crossing the boundaries between leader and manager (Labáth, 1997)
It is clear from the diagram that leaders differ from managers in their greater orientation towards the future and the creation of vision (the direction of the arrows indicates an increase in given abilities). Managers are more dominant in the completion of tasks, planning, and the ability to fulfil concepts and tasks in a methodical way. The functions of each should not be oriented towards the misuse of authority, or an unhealthy addiction to power – manipulation. If these roles are to support the organisation’s constructive development, then it is essential to avoid opposition to change and an inability to accept permanent development as a part of the organisation’s culture. Perhaps this is a little too straightforward – obviously, a certain level of resistance to innovation is only natural. This diagram is more of an indication as to where slip-ups can easily be made in these roles, and the orientation that many people have a tendency to take – a demagogical and bureaucratic approach. Demagogy and bureaucracy have no place in the conception of leadership and management that we are trying to explain, or should only appear to a minimal extent. The dimensions of misusing power and manipulation represent a tendency to utilise power in an egotistical way. Opposition to change is an indicator of the ability (or inability) to prepare for change; perhaps this element could be defined as the level of flexibility, or the ability to tolerate variations in the environment. Comparing demagogical and bureaucratic orientations can help us to define managers and leaders better. When power dominates these roles, the dependence of others upon those in charge is seen; when constructive leadership predominates, then there is more compatibility and overlapping of targets. Leaderships that are not dominated by power ensure that everyone has the same goals, so that ambitions are clear.

**LEADERSHIP STRATEGY**

Much has been written about various perceptions of leading and managing people and working groups. Some of the most common include:

- Theories of personality traits, where an efficient leader stands out from his or her adherents due to personal, social, physical, or intellectual features.
- Behavioural theories are based upon the conviction that the most important aspects of leadership are behaviour and action, and thus seek effective forms of behaviour from leaders.
- The situational leadership model considers the various situations in which leaders find themselves, their relationship with members of the team, and employees’ levels of development as important.
- Models of transformational vs. transactional leadership – two contrasting systems of leadership, the former based upon inspiration, intellectual stimulation, and taking the individual characteristics of team members into account, and the latter based upon systems of evaluation, etc.

In the following paragraphs, we shall concern ourselves with approaches that may be practically applied in non-profit organisations. We shall pay particular attention to the managerial grid and situational leadership, beginning with the now classic theory of the managerial grid drawn up by R. R. Blake and J. S. Mouton in the 1960s. The basic characteristics of a good team are performance (the reason for its establishment), and relations between team members, as can be seen in the following diagram:
When we put the various levels of orientation towards people and performance together, the result is five possible approaches to teams and organisations.

- **Country club management** is oriented primarily towards relations, creating an agreeable atmosphere and a relaxed working pace. Older readers may remember this from certain institutions in the past, where the work was not so difficult, and the atmosphere was pleasant and often merry.

- **Impoverished management** involves minimum demands on performance, but also minimum support for relations. The effort to build an affinity with the organisation amongst employees is almost non-existent. People do turn up for work, but they do not become involved; mutual relations are cool or absent altogether.

- **Authoritarian management** does not feel it important to waste time with interpersonal relations. The determining factor is output and only output; everything else takes second place. People are there to work, and not to disturb each other. With a little exaggeration, the situation could be compared to Chaplin’s ‘Modern Times’.

- **Middle-of-the-road management** strictly balances the needs of people to associate, create an agreeable atmosphere, and establish friendly relations with the demand for output and an appropriate workload. It represents a good compromise between the need for performance and people’s social requirements.

- **Team management** is generally regarded as the most effective form. It offers a high level of support for the development of interpersonal relations, mutual respect, and trust, while generating maximum output from employees. Teams are motivated and productive; they have a common interest in the organisation’s goals and its success, and a synergetic effect is produced. The high-quality fulfilment of tasks is coupled with an enjoyable working experience.

It is advantageous to maintain a balance between orientation towards tasks and orientation towards people. Analyses of teams have revealed that effective working teams have a long-term rating somewhere between 5:5 and 9:9. The accomplishment of tasks and good relations lead to a feeling of success, which is essential for everyone; moreover, only successful individuals are capable of creating a successful team.
LEADERSHIP STYLES
The attention of psychologists, sociologists, managers, and economists is often directed towards situational issues and the socio-psychological processes of leadership. One approach is situational management, devised by P. Hersey and K. H. Blanchard. Three variables are regarded as crucial in the leadership of people – the situation, the employee, and the leader of the team or organisation. They assert that the style of leadership is affected by the quality and interrelation of these three elements.

1. In leadership, the situation often changes, because it is not possible to adopt a particular style without knowing what lies in store. The style of leadership is different when putting out a fire than when carrying out a research project. If a fire breaks out, then a decision must be made in seconds – there is no time to involve a number of people in the decision-making process. If all possible alternatives were to be considered, then a great deal of damage could be done. On the other hand, research projects do not demand immediate decisions; it is much more useful to consider a number of alternatives and consult other experts. All the members of the team may participate in the decision-making process.

2. Employees all have different professional backgrounds – some are older and more experienced, while others are younger and more enthusiastic. All of them have different competences, while their motivation and readiness to share in the tasks of the team are different. If leaders consider the people who actually make up their team or organisation, the strengths and weaknesses to be utilised or avoided, and who should work together and who should not, then a much better result will probably be achieved.

3. Leaders are also limited by their characteristics, abilities, and professional experience. They seek their own styles, leading their first teams in one particular way, subsequent teams in another, and also work with particular teams differently at the beginning than after a certain period has elapsed. Time, experience, and mutual familiarity also play an indisputable role in the style of leadership. All this is dealt with by the concept of situational leadership.

Figure 3: Situational leadership (P. Hersey, K. H. Blanchard)

Let us look more closely at the leadership styles depicted in the diagram. The similarity with the managerial grid is no coincidence; however, the originators of situational leadership have added another dimension to the managerial grid. The vertical axis depicts the level of support for relations, which increase from the bottom upwards. The horizontal axis depicts the level of direct leadership, increasing from left to right in the direction of the arrow.

Direct leadership involves one-way communication from the leader to the subordinate, the specification of tasks and targets, the setting of deadlines, the planning of work, orders, deciding for others, leading working tasks, control, and the assessment of professional out-
put. The relationship of the superior to the subordinate is clearly defined. A low level of direct leadership indicates that these forms of conduct are almost non-existent, while a high level indicates a marked incidence of such behaviour.

Support means an effort to understand and accept people and their opinions, mutual consultation, and the joint search for solutions. Leaders create an atmosphere of security, building trust and paying attention to the concerns and problems of their subordinates. If the level of support is high, then two-way communication exists, and relations approach those typical of a partnership. A low level of support indicates a disregard for any kind of orientation towards relations.

By combining both dimensions, four different styles of leadership are produced:

• **Style 1 – directing** – is characterised by a high level of direct decision-making by the leader, and a low level, or absence, of participation by subordinates. The leader identifies problems, specifies goals, and decides upon, commands, controls, and directs the work in hand.

• **Style 2 – coaching** – is typified by a high level of both direct leadership and support. The situation could be compared to sporting clubs, where trainers demand superior performance, whilst simultaneously looking after the mental well being of the athletes, because they know that the former are dependent upon the latter. Leaders who act in this manner create plans after discussions with subordinates, explain targets and decisions, allow for two-way communication, win people over to the ‘cause’, and also issue commands and engage in control and assessment activities.

• **Style 3 – supporting** – involves marked emphasis on support for people, with little direct leadership. Leaders encourage subordinates to engage in activities, work with them, provide them with support for their efforts, facilitate their decisions, and help them to form constructive opinions.

• **Style 4 – delegating** – is characterised by low levels of direct leadership and support. It involves the delegation of competences and the transfer of responsibilities from leaders to their subordinates. Leaders observe their co-workers, assign decision-making powers to them, and accept the decisions made.

The concept of situational leadership involves the use of a number of leadership styles, and the combination of these styles according to the situation, the abilities of the leader, and the level of employee development. The natural, generally favoured approach is a progression from Style 1 to Style 4. In the beginning, leaders usually select a direct and impersonal style. Having attained more security, they go on to discard this style, and begin to discuss things other than work with their subordinates; they become more relaxed and spontaneous. Once they have created a favourable atmosphere of mutual trust and security, they naturally begin to delegate competences and tasks. They no longer need to assert themselves directly or play a supportive role.

Like leaders, their subordinates also require a certain amount of time to become experienced, adapt to their surroundings, train themselves, develop their competences, establish contacts, and create bonds with their colleagues. Each level of leadership corresponds to a particular level of their employees’ development, readiness for the performance of given tasks, and maturity.

• The style of direct leadership may be applied to new employees who do not feel confident, have yet to become aware of working conditions, and do not know what the substance of their work will be. They are enthusiastic about their work, and willing to learn, so little motivation is required. Direct leadership provides them with the necessary management, enables them to obtain the necessary knowledge and skills, and facilitates their orientation within the framework of their work and the team as a whole. Such a person could be described as an ‘enthusiastic beginner’.
• Coaching is worth applying to employees who are better acquainted with their work, have gained certain professional knowledge, and are beginning to open up to others. After a time, employees may begin to feel a little disillusioned that things are not the way they seemed at the beginning. They begin to behave like frustrated adolescents. Continuously high levels of demand on their performance will lead to an increase in their professional competence, while increased support will stimulate them and boost their confidence.

• Support is most appreciated by professionally capable employees whose level of engagement has recently become erratic. At this level of development, they may seem uncertain or unenthusiastic, acting like ‘hesitant pros’. They do not know what to do next, what direction to go in, and what their aspirations should be. What are their chances? Will they be able to become leaders themselves? Direct leadership is irritating to such people, because they know very well what to do, and when and how it should be done. However, they do need a great deal of stimulation, support, and understanding of their doubts and quests.

• Delegation is recommended in situations where employees are highly competent and independent, know all their organisation’s particular quirks, are confident, and enjoy the confidence of others. They are mature experts who do not need support, because they are already motivated, and do not need direct leadership, because they have a thorough awareness of the tasks at hand.

Leaders and employees undergo certain developmental stages, and the style of leadership must correspond to the given level of employee development. If the leader of a non-profit organisation were to entrust a new employee with the co-ordination of a particular project without providing sufficient support and management, then this would probably lead to feelings of frustration and failure on the part of the employee concerned. If the same leader were to impose severe limitations on an experienced activist with big ambitions, the outcome would be aversion and a loss of motivation. As employees change and develop, so should the approach of the leader.

Another, similar classification is concerned with three styles of leadership (authoritative, consultative, and empowering), and three types of employee (instigators of change, co-operators, and executors). It is important to focus on the relationships that may arise between them – where a concurrence of expectations will occur, and where they will not. If an authoritative leader works with an executor, or an empowering leader with an instigator of change, then there will be a marked accordance of expectations. However, if an authoritative leader works with an instigator of change, then a conflict of authority will emerge; on the other hand, direct co-operation between an empowering leader and an executor will result in a vacuum of power. In other words, it is very important to differentiate between the people with whom you work, the tasks you should entrust to them, and the ways in which they should be led.

Effective situational leadership requires a three-dimensional perspective:
• Diagnosis – estimating the developmental levels of an employee or employees,
• Style selection – opting for one particular method of leadership,
• Flexible reaction – natural transitions from one style to another according to the situation, the level of employee development, and the leader’s own leadership qualities.

**DECISION-MAKING**

Most experienced managers connect leadership with decision-making and power; the approval of decisions and the handling of power are a part of every manager’s daily routine. Let us first concentrate upon the issue of decision-making – not the individual consideration of alternatives, which is subject to various forms of personal motivation, but the decision-making process seen in a working team. The following diagram may be of assistance:
Figure 4: Participation in decisions and the effectiveness of the decision-making process (Based upon work by D. Strauss).

The vertical axis depicts team member involvement increasing from the bottom up; on the horizontal axis, the left side represents the minimum, and the right side the maximum amount of time necessary for a given decision-making procedure. Seven ways of making decisions are portrayed:

A: Decision-making without consultation with employees; leaders make a decision and inform employees of their position,

B: Leaders make decisions alone after consultations with a number of, or all, team members; consultations take place separately,

C: Leaders make decisions after joint consultations with the entire team; consultations take place in the form of team discussions,

D: Majority decision-making, preceded by discussions and the clarification of viewpoints; although this is relatively time-consuming, it increases involvement,

E: Compromise, i.e., reaching an agreement with a certain correction for the needs and interests of those involved,

F: The ideal situation – a consensus, where at least the basic needs of those involved are met, and everyone is prepared to respect the decision and apply it in practice,

G: The delegation of decision-making to the team, allowing its members to decide for themselves. The level of involvement and the time required depend upon the chosen approach of the team to which the task is entrusted.
The terms ‘majority decision-making’, ‘compromise’, and ‘consensus’ are occasionally regarded as interchangeable, and there is no clear difference between them. The diagram above depicts these forms of decision-making as a pyramid of interests. The triangle symbolises the composition of interests. Those on the bottom are the most important, with less important interests above, and the least important at the top. The three boxes contain representations of human figures. The shaded area indicates that interests are met, while the white area indicates that they are not.

Majority decision-making only accommodates the interests of some team members, and completely fails to fulfil the needs of the rest. The ‘winners’ are separated from the ‘losers’; some people support the decision, while others are left with unfulfilled needs, leading to feelings of defeat, loss, and incomprehension. Majority decision-making may be appropriate if it is agreed upon in advance as a ‘fail-safe mechanism’ to be used as a last resort. People who fail to assert their opinion take comfort from the fact that all the other possibilities of reaching a decision have been exhausted, and particularly from the fact that no manipulation was involved in the voting process. However, let us imagine that the majority decision-making approach is used at a stage when two factions have already emerged – the majority and the minority. If such an approach has not been agreed in advance, then it may be used as an instrument for asserting the interests of the majority. Taking a vote on whether to use this method in such a situation could be interpreted as arrogance of the majority towards the minority.

A compromise partially accommodates the interests of all those involved, but does not take the significance of these interests into account. The feeling of satisfaction is greater than
it is in the case of majority decision-making, but people still feel that, although the solution partially satisfies everyone, it does not completely fulfil the needs of anyone.

A consensus arises when at least the most important concerns of all those involved are accommodated. All those involved in the decision-making process have a feeling of victory, and no one feels defeated. Part of a consensus is the willingness to implement any decisions reached.

For an organisation to function well, the greatest possible feeling of identification with the team is important, which is why a consensus is the best solution in this respect. Of course, it is not appropriate in every situation, because it is time-consuming; in times of crisis, authoritative decisions made by the leader are the most effective.

The decision-making process may also be reflected in the situational style of leadership. In the direct leadership approach, decisions made independently by the leader predominate. In the coaching approach, it is typical for decisions to be made by the leader after discussions with subordinates, and after explanations or the acceptance of their opinions. In the supporting, participatory approach, decisions are made by the leader together with the team, or by a team that holds a mandate from the leader. When using the delegation approach, members of the team make decisions alone.

However, let us return to individual forms of decision-making and try to determine where each particular form is appropriate. When selecting a decision-making strategy, you should consider:

- which people are affected by the decision and in what areas they should participate,
- questions of time – how much of it is available,
- the importance of the decision and its potential consequences,
- what information is necessary for a qualified decision to be made,
- which professionals are needed if an expert opinion is decisive,
- what impact the decision will have on the working team, its members, and the current situation,
- the subject of the decision.

The question as to whether a good leader or good leadership is more advantageous is perhaps a topic of discussion for every organisation and team, from both practical and theoretical aspects. Leaders are undoubtedly important. Without them, it is difficult to ensure vision, the winning over of support, and the generation of enthusiasm. However, leaders are not as important as leadership itself; other team members may replace the individual benefits that leaders bring. Leadership may involve a number of people, or even a whole team.

All leaders must cope with the issue of how to simultaneously involve co-workers and support their participation while maintaining control and team performance. All leaders are forced to confront the dilemma as to whether they should make decisions alone or act as good managers of the decision-making process; they have a wide range of means at their disposal for the fulfilment of their role. If they do not come across as dictators or teachers, if they do not appear resigned or superior, if they do not restrict others, if they seek paths to agreement, and if they know how to make decisions, whilst sharing the decision-making process with others, then the situation in the team or organisation concerned is very promising indeed.

BIBLIOGRAPHY
ANNEX 1

The Institute of Policy Studies and the Centre for Civil Society Studies at the Johns Hopkins University in Baltimore, led by Lester M. Salamon, are ranked among the most renowned institutions involved in studying and charting the state of the third sector throughout the world. As well as carrying out research and education projects, they have also formed a worldwide network of third sector leaders, researchers, and activists, whose voices cannot be ignored if you wish to understand the direction in which the global third sector is heading. In addition to other activities, this network has succeeded in coming up with new ideas that are often perceived as informal, prognostic indicators of third sector development trends. Its landmark reports are based upon discussions between hundreds of third sector leaders from all over the world, who have been meeting at annual conferences for decades. The results of these conferences are general conclusions – declarations concerning issues of ethics, professionalisation, and third sector analysis.

The last published declaration was concerned with a hitherto very unorthodox approach, speaking about civil society in a way that differs from the norm. It regards genuine civil society not as isolated non-profit or community organisations, but (to put it simply) as a type of society in which the state, commercial, and non-profit sectors have an equal role to play. All three sectors jointly make up a genuine civil society, assuming that they work together and balance each other’s weaknesses with their strengths. Out of interest, we have reprinted the entire text of the declaration:

BUILDING CIVIL SOCIETY
(A guide to action)

Preamble
The past twenty years have witnessed a remarkable upsurge of organised citizen activism throughout the world and a new recognition of the contribution that private, not-for-profit organisations can make to the solution of the serious social, economic, environmental, and human rights problems that continue to plague the world community.

For all its significance, however, this development has also served to underline an important reality about what it will take to make meaningful progress on these problems;
for, the institutions of the civic, or not-for-profit, sector are no more able to solve these problems on its own than was government or the business sector before it. If serious progress is to be made in reducing poverty, ensuring social justice, achieving equality of life chances, and improving the quality of life for all peoples, ways must therefore be found to forge productive alliances among the sectors. In other words, a new phase in social problem solving and sustainable development has arrived. The key to this new phase is the building of effective partnerships among government, business, and the not-for-profit sector. We can refer to this new phase as the building of a civil society.

The building of civil society in this sense is not without its risks, to be sure. Non-profit organisations are rightly concerned that co-operation with the state and with business may erode their independence, co-opt their leadership, drive wedges between leaders and grass-roots communities, and blunt their opposition to structures that harm their constituents. Politicians may be concerned that strengthening non-profit organisations can cost them political support and create rivals for citizen affections. And businesses may have concerns about legitimising institutions that may challenge them in the future.

Despite these risks, however, the imperatives of co-operation are more compelling. Indeed, the central challenge of the future is to make such co-operation work, to build true “civil societies,” that is, societies in which the not-for-profit, business, and government sectors not only have a right to exist, but also learn to work together to solve pressing problems. The present statement is an effort to identify some of the steps that will be needed to build such civil societies. The statement reflects the work of more than 100 non-profit, philanthropic, government, and business leaders from over 19 countries who took part in the Eleventh Annual Johns Hopkins International Fellows in Philanthropy Conference from July 3 to 9, 1999, in Bangalore, India. Included were past and incoming participants in the Johns Hopkins International Fellows in Philanthropy Program from Europe, Asia, Africa, North America, and Latin America; Indian non-profit, government, and philanthropic leaders; and other leaders in philanthropy and non-profit action from around the world. The Statement is presented here in the hope that it may provide some fruitful insights to people everywhere who are concerned to build civil societies in their own countries.

I. Complementarities

It has been said that partnerships can work only where participants share a congruence of interests and a compatibility of perspectives. Such congruence and compatibility can arise, however, only where significant complementarities exist in the objectives, strengths, and limitations of the potential partners. Fortunately, such complementarities exist in abundance among non-profit organisations, government, and business. To be sure, these complementarities are often overlooked by the respective parties. What is more, they differ significantly in scope and scale among organisations, across countries, and over time. At the same time, without downplaying these variations, some general features of these complementarities can be identified. In particular:

NON-PROFIT ORGANISATIONS

Strengths

Non-profit organisations bring enormous potential attributes to cross-sectoral partnerships. Among these attributes are the following:

1) **Credibility.** Non-profit organisations often enjoy a high degree of credibility and “moral authority” as legitimate voices of the disadvantaged and excluded. In many countries, non-profit organisations are one of the major vehicles through which disadvantaged populations and overlooked issues can gain effective expression. In addition, non-pro-
fit organisations have a reputation for relative selflessness and altruism that adds to the trust that people have in them.

2) **Responsiveness.** Non-profit organisations are often close to, and therefore especially sensitive to, community needs and therefore in a position to help identify local priorities and tailor assistance to real local needs. They can also serve as effective channels for popular participation and democratic self-expression.

3) **Innovativeness.** Because of their scale and focus, non-profit organisations are often especially flexible and innovative in their approach to problem-solving and less bureaucratic in their operations. They can also function as agents of change, challenging established ways of doing things and bringing new issues to the fore.

4) **Mobilisation Capacity.** Non-profit organisations are adept at empowering people and building their capabilities, developing local leadership in the process. They thus engage citizen energies, promote participation, and mobilise untapped human potentials, all of which can enhance the prospects for success of both political and economic initiatives;

5) **Transparency.** Non-profit organisations are often more transparent in their operations than are their counterparts in the other sectors. They can thus offer models of democratic practice that can carry over into political life more generally, encouraging governments to increase their own transparency and accountability.

6) **Knowledge and Experience.** Non-profit organisations often have considerable knowledge and experience with social and economic problems. They can thus bring considerable professional and practical expertise to the design and implementation of effective policies and programs.

7) **Leverage.** By virtue of their unique position as private agencies imbued with a public purpose, non-profit organisations often have special access both to local communities and to external sources of support, and hence to special financial, human, and political resources. They thus offer leveraging possibilities unavailable to other institutions.

8) **Diversity.** Non-profit organisations provide avenues for the involvement of diverse groups and interests in the framing of public problems and the search for solutions to them. They thus keep the channels of public life open to new perspectives and excluded groups.

**Limitations**

Despite their strengths, however, non-profit organisations are also prone to important weaknesses that can limit the contribution they can make. Among the more important of these are the following:

1) **Insufficient resources.** Non-profit organisations often lack the resources – both human and material – to carry out the programs they conceive. This limits their ability to implement their ideas on a scale that can really make a difference and makes them vulnerable to donor priorities.

2) **Perceived ineffectiveness.** Partly because of their limited scale, non-profit organisations are often perceived as well-meaning but ineffectual, lacking professionalism and the managerial skills required to be fully effective and unable, because of limited resources, to attract the talent they need.

3) **Invisibility.** The role and functions of non-profit organisations are generally not well understood on the part of business and the general public. There is a general lack of information about non-profit organisations, and non-profits are not adept at “marketing” what they do or effectively articulating their missions, objectives and goals. This creates ambiguities and uncertainties about what non-profit organisations do and how they can fit into inter-sectoral partnerships.

4) **Competitiveness and fragmentation.** The non-profit sector often suffers from internal
rivalries and competitiveness, especially where resources are limited. As a result, information is sometimes not shared and opportunities for joint action not seized.

5) **Lack of Political Sophistication.** Non-profit organisations are often insufficiently aware of governmental processes and how power works. In addition, they often have stered-typed views of both government and business that make it difficult for them to perceive opportunities for co-operation.

6) **Personalism.** Though generally dedicated to the public good, non-profit organisations can also become personal fiefdoms of particular leaders. What is more, charismatic leaders sometimes fail to make provision for succession, leaving organisations vulnerable if they leave. This makes non-profit organisations seem less reliable to potential partners.

**GOVERNMENT**

**Strengths**

Fortunately, a number of the limitations of the non-profit sector are nicely balanced by strengths in the other sectors. In the case of government, for example, these strengths include the following:

1) **Resources.** Perhaps the major strength of government is its access to resources, both financial and human. By virtue of their taxing power, governments have the ability to raise and allocate public funds. They also have access to sizeable numbers of professional personnel who occupy positions in government agencies. While both the financial and personnel resources of government are often more limited than is widely assumed, they are still considerable.

2) **Authority.** Governments also have the ability to issue authoritative rules and compel compliance with them. They can thus bring an important element of legitimacy to partnership operations and help ensure that partnership decisions are carried out. 3) **Access.** Governments also have their own forms of special access – to international lending agencies, to other governments, and to leading businesses. They are thus often in a position to help put partnerships together and promote their success.

**Limitations**

Against these strengths, however, governments too have important limitations. These include the following:

1) **Bureaucratisation.** Though well-endowed with personnel, governments are often excessively top-down and bureaucratic in their operations, leading them to misread local needs, alienate local citizens, and miss opportunities to mobilise local energies. They also frequently operate through large-scale programs that have a high risk of failure.

2) **Risk-aversion.** Related to their bureaucratisation, governments have a tendency to be risk-averse. This leads them to avoid innovation and to shy away from arrangements in which they may risk losing control.

3) **Insularity.** Governments often fail to provide the kind of transparency that fosters real trust. In far too many settings, government leaders fail to share power, choosing to consult within a very narrow circle and therefore becoming prisoners of mutually reinforcing messages. As a consequence, they engender considerable suspicion among those they might seek to help.

4) **Fragmentation.** Despite the opportunities they have for broad coherent approaches, governments are often highly fragmented in their operations, with policies and programs operating at cross-purposes or in isolation from each other. This makes forging partnership with government far more confusing and disjointed that it would otherwise be.
BUSINESS

Strengths

Government is not the only potential partner of non-profit organisations in coping with public problems. Increasingly, businesses are joining in such efforts as well. In doing so, businesses bring their own unique strengths to the table. These include:

1) **Resources.** Business has command of exceptional human and financial resources to help in the solution of public problems. To be sure, these resources are far from unlimited and their use for social problem solving must be weighed against their use for economic investment and reward to entrepreneurs. Yet, the financial and in-kind resources that business can bring to social problem-solving are considerable.

2) **Organisational Skills and Capacities.** Businesses also possess managerial skills that can usefully power social problem-solving efforts and help ensure effective results. In addition, they have stable organisational structures that can provide an institutional base for joint action.

3) **Access.** Business typically has solid access to government and economic elites, which can be important in stimulating government support for co-operative initiatives and in legitimising these initiatives in government’s eyes.

4) **Technical Knowledge.** Finally, businesses often bring important technical knowledge to collaborative efforts. This can include knowledge of finance, communications technology, marketing, and similar topics.

Limitations

Despite their considerable strengths, however, businesses also face important limitations in responding to public needs. This can translate into strong incentives for co-operation with non-profit organisations and the state in pursuing public purposes. These limitations include the following:

1) **Poor Public Image.** The image of business in many countries continues to be poor. Even when they act in publicly positive ways, business motives remain suspect. This threatens the long-term viability of business enterprises and their ability to attract the most highly skilled and committed workers.

2) **Market Constraints.** Business is also constrained by the market system within which it functions. This mandates concern with profit as the first order of business in order to cover costs, meet shareholder expectations, and satisfy debts. While many businesses have come to recognise the importance of good community relations to the long-term success of their businesses, the tension between community and more narrowly “business” considerations remains real.

3) **Limited Comprehension of Community Problems.** Businesses are often isolated from the problems that communities are facing. In addition, they often have limited mechanisms for interacting with community leaders and frequently operate across a divide of considerable mistrust.

4) **Internal Diversity.** Finally, business is internally diverse, just as the non-profit sector is. Some businesses may actively engage in socially responsible behavior and yet suffer from impressions created by firms with far less enlightened approaches. This makes it difficult to forge a unified business approach or ensure that positive actions will be recognised and rewarded.

Resulting Complementarities

What the pattern of strengths and limitations outlined above makes clear is that important complementarities exist among government, business, and the non-profit sector in dealing with public problems. Limitations on the part of one sector are nicely matched by
strengths of the others. Important opportunities thus exist for productive co-operation among the three. Illustrative of these “win-win” opportunities are the following:

1) Co-operation with non-profits can serve the needs of business by:
   • Improving business’ public image through involvement in visible, socially responsible projects;
   • Helping to produce stable and “healthy” communities, which businesses need in order to promote sales and attract and retain high-skilled workers;
   • Promoting trust, confidence, and social peace, which are highly conducive to business success;
   • Encouraging open and honest government and helping to preserve “free spaces” for private action, which ensures fair policies for business as well as non-profits;
   • Stimulating improvements in workforce quality (e.g. through better education and nutrition).

2) Co-operation with non-profits can also serve the needs of governments by:
   • Identifying problems before they become more severe and helping to fashion solutions to them;
   • Providing a more effective and responsive delivery system for government-financed services;
   • Improving the political popularity and public image of government;
   • Providing access to charitable resources, voluntary energies, and external support;
   • Meeting the requirements of international funding agencies for citizen participation and civil society enablement;
   • Offering links to local communities;
   • Improving policy by providing information and expertise.

3) Non-profits, in turn, can benefit from co-operation with both business and government. Such co-operation can:
   • Offer non-profits added resources and the capability to “scale up” pilot projects so that they come to have a national reach;
   • Contribute useful in-kind assistance – space, facilities, technical assistance, marketing help – to non-profit undertakings;
   • Help give legitimacy to non-profit activities and access to business and government elites;
   • Improve the management and marketing of non-profit activities.

II. Obstacles

While significant complementarities exist among non-profit organisations, governments, and business, and important opportunities consequently arise for co-operative action, such action remains far more limited than it could be. The reason for this is that a variety of obstacles also stand in the way of such co-operation. Some of the more important of these obstacles include the following:

1) Mistrust and Misperceptions
   Considerable mistrust still characterises relations among the sectors. Lack of working relationships leads all sides to stereotyped views of the others. This is particularly true where corruption or lack of transparency undermines faith in one or the other of the partners. As a consequence important opportunities for co-operative action are never seized.

2) Lack of Clarity about Goals
   Given the prevailing stereotypes, there is a widespread failure to perceive the commonalities in the goals of the various potential partners. Indeed, the common tendency is to believe such commonalities do not exist.
3) **Lack of Communication**  
Few regular channels of communications exist between business and non-profits, and often between non-profits and government. The significant inequalities in power and resources among the sectors intensifies the communication problems, making it difficult for non-profit organisations in particular to gain the hearing they desire. This complicates the task of defusing stereotypes and makes it more difficult to locate suitable partners and enlist them in the collaboration.

4) **Conflicts of Interest**  
Some real conflicts of interest also exist among the sectors. Thus governments and non-profits are often in competition for funds. Non-profits frequently pursue policies in such spheres as environmental protection and workers’ rights that challenge the interests of businesses. Similarly, non-profit mobilisation of grassroots participation can often threaten entrenched political regimes. The task of partnership-building is thus to find areas of potential co-operation despite these significant conflicts.

5) **Lack of Partnership Experience**  
Too few opportunities often exist for business, government, and the non-profit sector to get to know each other and learn to work together. In addition, there is a dearth of guidelines and models of collaboration to explore.

**III. Strategies**  
To overcome these barriers and take advantage of the complementarities that exist, a number of strategies are available. Based on the experiences to date, the following seem most promising:

1) **Begin with Dialogue**  
Good partnerships begin with good communications. Given the mistrust and lack of understanding that currently exist among governments, non-profits, and business in many parts of the world, such communication is a special priority. To achieve it, special mechanisms should be created to allow these potential partners to get to know each other and share common interests. These can take a variety of forms:

   • Regular bilateral forums between non-profits and their potential partners in business and government, respectively, to share information and identify possible areas of cooperation;
   
   • Specialised working groups and task forces to explore critical issues and develop joint plans of action;
   
   • Marketing of non-profit programs and activities to the business sector to set the stage for potential partnerships.
   
   • Special efforts to recruit business leaders and other influential persons to non-profit boards so they can facilitate possible collaborations. Underlying all of these efforts must be a sincere effort to alter mindsets on all sides, including those of non-profits, which are often antagonistic to co-operation with business and government.

2) **Identify Appropriate Partners**  
Partnerships are strongest when they are based on a mutuality of interests. To identify such mutualities, however, serious "homework" is needed. Non-profits therefore cannot afford to assume that “business” or “government” in general is the appropriate partner for their efforts. Rather, careful research is needed to identify which business partners or government agencies are most likely to share the non-profit’s objectives and concerns. This requires working at many different levels – national, regional, local – and establishing direct personal relationships with business leaders and government officials likely to be sympathetic to collaboration. It may also require the identification of potential partners within the respective sectors.
3) **Find Common Ground**

Even after appropriate partners have been identified, it is still necessary to locate the appropriate common ground for collaboration. This requires identifying specific issues on which co-operation might be possible. Such issues must offer “win-win” possibilities for all partners – i.e. all parties must be able to identify advantages to be drawn from the co-operation. In addition, all parties must have particular strengths that they can bring to the collaboration.

4) **Clarify Objectives and Roles**

Even when common ground has been identified, further efforts are needed to clarify the objectives of the collaboration and the contributions to be made by the respective partners. This is best done in advance and in as much detail as possible. All partners must be involved in collaborations from the outset so that all feel “invested” in the strategy and approach. Care must also be taken to bring considerable creativity to the definition of partner roles so as to build on the mutual comparative strengths of the partners in an effective way.

5) **Provide Positive Feedback**

Partnerships thrive on effective feedback among the partners, and on the mutual recognition of the contributions that the partners are making. Non-profit organisations engaged in partnerships therefore need to acknowledge publicly the good deeds of their partners and find other ways as well to “incentivise” co-operation. This can be done in a variety of ways:

- By mobilising the media to publicise the role that business and government is playing in joint ventures;
- By offering “good corporate citizenship” awards to businesses engaged in collaborations;
- By utilising “challenge grants” by one set of donors to stimulate co-operation from others;
- By informing international donor agencies of the role that government agencies are playing in collaborations;
- By providing public recognition to the individuals involved in collaborations;
- By enlisting the support of universities and research bodies to lend credibility to joint ventures.

6) **Jointly Evaluate Results**

The results of partnership projects should be carefully evaluated and assessed. This is best done collaboratively as well, however. Joint monitoring and evaluation systems should be developed as part of partnership design and should be implemented on a collaborative basis to the extent possible.

7) **Build the Foundations for Future Co-operation**

Partnerships need to be specific and focused. At the same time, they need to be constructed with one eye on potential future collaborations as well. This can be done in a number of ways, including:

- Institutionalising support for non-profit organisations in the regular programs of governments and businesses;
- Enlisting partners in ensuring public recognition and a favorable legal environment for non-profit activity;
- Generating support for the basic infrastructure of the non-profit sector, including training, basic information resources, and umbrella groups;
- Establishing appropriate standards for internal non-profit operations.

**Conclusion**

As the new millennium dawns, a new approach to public problem-solving is gaining momentum throughout the world. After decades of ideological conflict pitting government
against business and voluntary action as the vehicle for coping with serious public problems, the recognition is growing that collaboration among the sectors, not conflict between them, offers the best hope for effective progress. The problems facing the world are simply too large and complex, and the resources available to any single sector too limited, to believe any other course will work.

Building such partnerships is far from simple, however, especially given the suspicions that now exist on all sides. Collaboration involves risks as well as opportunities and the balance of risks and opportunities will differ in different places and times.

Nevertheless, we are convinced that the collaboration route offers the most promising one for non-profit organisations, as well as business and government, to pursue. It is in this way, we believe, that truly civil societies can be built.

Adopted on July 9, 1999, in Bangalore, India.
ANNEX 2

ASSESSING NON-PROFIT SECTOR SUSTAINABILITY IN POST-COMMUNIST COUNTRIES

USAID has conducted an international comparison of non-profit sector sustainability in post-communist countries. The assessment criteria were set for several areas. We believe it is interesting to keep in mind the assessment parameters for sustainability and give you a brief overview. We also provide a comparison table with several sustainability indicators in 28 post-communist countries in 1997 - 2000.

Research assessment scheme

Legal Environment: the consideration was given whether it is easy to start operation of a non-governmental non-profit organisation (NGO), to what degree the state can freely interfere with NGO activities, and whether NGOs can freely express their opinion on, and criticise, public issues. Legal capacity was also considered – whether there are non-profit law experts and legal advice available to NGOs, and what is the tax treatment of NGOs.

Organisational Capacity: how clearly defined are the missions of NGOs, at what level is their internal management, is there a clear division of responsibilities and powers between the board and executive staff? Do the major NGOs have permanent, paid staff and are they able to actively seek support from the public for their activities?

Financial Viability: Do NGOs receive a significant portion of their funding from local sources? Do most NGOs have enough resources to survive in the near foreseeable future? What are the opportunities to obtain income from membership fees, service provision, sale of products, or rental?

Advocacy: Are NGOs able to influence public policy at the local and central levels? Do NGOs accept the idea of lobbying and civic advocacy and have there been cases of successful lobbying at the political level? Are their attempts to introduce legislative reforms favorable for non-profit organisations, local philanthropy, and the like?

Service Provision: What is the range of products and services provided by NGOs, how are needs and priorities of local donors and the community reflected as well as interests of foreign donors and the government? Do NGOs provide services and products to the wider community? Does it allow NGOs to raise part of their income in this way? Does the central and local government appreciate the value which NGOs can add by providing basic social services? Do public administration institutions provide grants to or contract NGOs to provide these services?

Sectoral Infrastructure: What is the level of development of information and service centres? Do they cover part of their operational costs from their own income or from local sources? How do intermediary support organisations function? Are NGOs able to create functional coalitions? Is there a network to facilitate the exchange of information? Are there examples of non-profit organisations working in formal or informal partnerships with local businesses or government/self-government and being successful in achieving common goals?
**Public Image:** What is the media coverage of NGOs? Does the media provide an adequate analysis the role of NGOs in civil society? Does the public understand principles of civil society and the role of the non-profit sector? Does the non-profit sector take care of its image in the public; does it care about transparency? Have NGOs developed a code of ethics of good practice guidelines?

**Sustainability Assessment** – Four-year scoring trends 1997 – 2000

Scale from 7 = worse than in the communist era, to 1 = almost completed reforms allowing for the functioning of the non-profit sector

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<th>Obč. advokácia</th>
<th>Obraz na verejnosti</th>
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ANNEX 3

COMMITMENT TO INTEGRITY:
GUIDING PRINCIPLES FOR NON-PROFITS IN THE MARKETPLACE

In their ongoing search to secure sustainable sources of financing, civil society organisations (CSOs1) sometimes use “self-financing” strategies (i.e. commercial or entrepreneurial approaches such as the sale of products or services, investments or other business activities) to generate income. For many CSOs, entering the marketplace means entering unknown territory. By entering the “for-profit” world we not only have a responsibility to carefully manage the risk placed on our valuable financial assets. We also have a responsibility to preserve and protect another asset – perhaps even more valuable – our reputations. Understanding the ethical dimensions of our involvement in commercial activities is therefore especially important. As values-driven and mission-oriented organisations, we must be very careful to manage our commercial activities as transparently and fairly as possible, always placing our non-profit mission and values first. We must maintain the trust placed in us by our constituents and the public at large. Not only for our own individual organisations, but for the civil sector as a whole, maintaining this trust is paramount and should govern all decisions and actions we make in the marketplace.

Commitment to Integrity: Guiding Principles for Non-profits in the Marketplace is a set of principles and standards to help CSO leaders recognise and better prepare themselves for the ethical dimensions of entrepreneurial activity and to help ensure that their standards of professionalism are reflected at every stage of business planning and development. These principles were developed specifically to address the self-financing or non-profit enterprise work of CSOs. There are numerous other more general codes of ethics, standards and principles that have been developed for the non-profit sector as a whole. As with all non-profit standards, the guiding principles are self-regulated and are only useful to the extent that organisations apply and respect them.

A Commitment to Mission and Values

• CSOs must place their mission before all other considerations. The profit generated through enterprise activities should only be used to sustain mission-related activities and for reinvestment to build the enterprise itself. Profit should never be distributed to the Board of Directors or personnel of the CSO.
• CSOs should be socially and environmentally responsible in their enterprise activities. They should neither sell services or products that are harmful to people or the environment nor ally themselves with other organisations that do.
• CSOs should manage their enterprise activities to simultaneously balance their “social bottom line” with their “financial bottom line.” Although sometimes short-run financial bottom line demands of the enterprise may require decisions that su|}

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1The term “civil society organisation” (CSO) here refers to the wide diversity of not-for-profit, non-state organisations as well as community-based associations and groups which fall outside the sphere of the government and business sectors. These organisations are often also referred to as “non-profit organisation”, “non-governmental organisations (NGOs)”, “charities”, “voluntary organisations”, etc.
• CSOs should never exploit their constituents to generate revenues for the organisation. In all labour practices and in advertising or public relations, the dignity and self-worth of the organisation’s constituents should be upheld.
• CSOs should ensure the highest quality standards in their enterprise activities, recognising that high quality in enterprise activities can also reflect well on the mission-related activities of the organisation.

A Commitment to Transparency
• CSOs undertaking enterprise activities should maintain clear financial records and submit complete and timely financial reports and statements for both internal and independent monitoring. Salaries of top management should also be made publicly available.
• CSO enterprise activities should be documented and be made publicly available. Reporting should clearly communicate the rationale for the enterprise activity, the nature of the enterprise activity and specify how any revenues from the enterprise were used.
• CSOs should have accounting that differentiates enterprise activities from program activities in order to maintain clarity and distinction in financial management.
• CSOs should pay any taxes and fees due on the revenues generated for their enterprise activities and adhere to all legal statutes governing these activities. Under no circumstances should CSOs undertake illegal or corrupt practices of any kind.

A Commitment to Accountability
• CSO enterprise activities should remain legally and ethically accountable to the CSO in order to preserve the integrity and reputation of the organisation.
• CSOs should gain support from the start of their enterprise activities from key stakeholders of the organisation.
• CSOs’ key decision-makers and statutory bodies should have an opportunity to share in enterprise decisions that may have significant implications for the mission-related activities of the organisation.
• CSOs should be open to sharing their enterprise experiences with other CSO peers when it does not threaten the essence of their enterprise activity.

A Commitment to Fairness
• CSOs should practice fair and inclusive hiring practices for their enterprise activities, adhering to a strong policy of non-discrimination on the basis of gender, race, national origin, mental or physical disability, sexual orientation, and political or religious opinion or affiliation.
• CSOs should hire employees for their enterprise activity on the basis of their ability and quality of their work. Nepotism of any kind should be avoided.
• CSOs should provide access to fair wages and healthy and dignified work conditions to their enterprise employees.
• CSOs should practice ethical supplier-vendor decision-making in their enterprise activities. Estimates from several vendors should be solicited and considered for all major purchases or contracts. Conflicts of interest in contracting of services should be avoided.
• CSOs should only use any tax advantages derived from their non-profit status to offset the added social and financial costs to their enterprises associated with fulfilling their mission-related activities. CSOs should never abuse their tax advantages to gain unfair advantage over business competitors.

Commitment to Integrity: Guiding Principles for Non-profits in the Marketplace was developed by NESsT (www.nesst.org) in collaboration with the Centre for Non-profit Management
(Slovenia), the Civil Society Development Foundation (Hungary), Lotos o.p.s. (Czech Republic), and Partners for Democratic Change (Slovakia), and with suggestions from other colleagues in Europe, Latin America, and the United States. Similar to the field of non-profit enterprise itself, this is an evolving document intended to be discussed and adapted for use by practitioners.
### ANNEX 4

#### EMPLOYMENT IN THE NON-PROFIT SECTOR

**as expressed in full-time positions, according to country and area of activity, 1995**

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<th>Region</th>
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<th>Central Europe</th>
<th>Other developed countries</th>
<th>Western Europe</th>
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<td>Mexico</td>
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#### Share of non-profit employment in total employment

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<td>Canada</td>
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<td>Greece</td>
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<tr>
<td>Japan</td>
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<tr>
<td>Netherlands</td>
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<tr>
<td>New Zealand</td>
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<tr>
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<tr>
<td>Sweden</td>
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<tr>
<td>Switzerland</td>
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#### Employment by type of activity

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<tr>
<th>Type of Activity</th>
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<tr>
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<tr>
<td>Education and research</td>
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</tr>
<tr>
<td>Environment</td>
<td>5.0%</td>
</tr>
<tr>
<td>Health care</td>
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</tr>
<tr>
<td>Culture and sport</td>
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</table>

#### Other developed countries

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<tr>
<th>Region</th>
<th>Latin America</th>
<th>Central Europe</th>
<th>Other developed countries</th>
<th>Western Europe</th>
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<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Norway</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
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<tr>
<td>Sweden</td>
<td>5.0%</td>
<td>5.0%</td>
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<tr>
<td>Switzerland</td>
<td>5.0%</td>
<td>5.0%</td>
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ABOUT THE AUTHORS

MARTIN BÚTORA
The Ambassador of Slovakia to the USA since 1999

He graduated from the Philosophy Faculty of Comenius University in Bratislava, and qualified as a lecturer at Charles University in Prague. He lectured at Charles University in Prague, and at Trnava University. He was a co-founder of the Public Against Violence movement, and was the Director of the Human Rights Section of the Office of the President of the Czecho-Slovak Federal Republic from 1990 to 1992. He was Vice-Chairman of the PEN Club’s Slovak Centre from 1995 to 1997. Alongside sociological publications he had published literary and journalistic works. He headed the Institute for Public Affairs in Bratislava from 1997 to 1999.

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He studied at the Law Faculty of Comenius University in Bratislava. Having completed his studies, he worked as a company lawyer for 12 years. After the Velvet Revolution, he began working within the newly conceived system of local self-government, and was the Chief Executive of Pezinok Town Council from 1990 to 1998. From 1998 to 2001, he was the Director of the EQ KLUB Pezinok – a civic association for non-profit projects oriented towards the development of local democracy. He works as a trainer, facilitator, negotiator, and advisor in the area of local self-government and promotion of effective co-operation between various elements of the local community. A number of his projects have resulted in publications aimed at supporting the development of open civil society on a local level.

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An internationally recognized NGO leader, Demeš served as the elected spokesperson of the Gremium of the Third Sector, a volunteer advocacy coalition (1994–99). He has served on the boards of national and international associations and foundations. In 1999, he was awarded a six-month public policy research fellowship at the Woodrow Wilson Center in Washington D.C.

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