

# The tools to finish the job?

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After over ten years of funding the redevelopment of civil society in Central Europe, most foreign donors are withdrawing. The decision is neither sudden nor surprising: NGOs in the region were aware of donors' intentions well in advance. Central Europe, and the Czech Republic in particular, is relatively wealthy and democracy well established, and other regions face more urgent problems. But challenges remain and the next few years will be crucial for the future of Central European NGOs. Is the sector equipped to survive the transition? Could donors have done more to prepare for their withdrawal? Might they have focused more on creating a climate in which civil society would prosper, rather than on individual projects?



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The NGO sector has grown incredibly over the last ten years. In the Czech Republic alone, with a population of under 10 million, there were 53,777 NGOs registered in 2003. There are about 30 active domestic grantmaking foundations (out of more than 350 registered), most of them involved in a very effective Donors Forum. There is a clear trend towards greater professionalism,<sup>1</sup> though there is still a good deal of enthusiasm and altruism about.

## Challenges facing the Central European NGO sector

However, compared to settled democracies, the NGO sector here still faces serious problems. First, institutions are still unstable and political culture relatively undeveloped. For NGOs, this means that, in addition to their specific areas of interest, they should take part in general reform of society.

Second, there is little capacity for influencing policy. Independent think-tanks are still very weak in most CEE countries, and universities do not play a significant role. In the Czech Republic, research is dependent on the state. Even progressive researchers often do not publish their opinions, because they fear they would never get another contract from the government or would fall foul of powerful lobbying interests. The lack of consistent articulated policies hampers public discussion and this can lead to political corruption. Thus, NGOs trying to implement best practice from the EU or the US often remain in opposition to the political establishment at both national and municipal level. It was a serious loss for the Czech Republic when Soros moved the Central European University from Prague to Budapest in the early

1990s. Stagnating Czech universities lost their only competition and the reform of the education system was set back.

Third, resourcing remains a problem. The culture of giving has improved significantly, but only in emotive areas like childcare, health and animal rights. Human rights, gender, minorities, environment, advocacy, NGO policy research – all these struggle for funding. This imbalance is most striking if we look at government spending. In 2002, the Czech public sector provided 4,427 billion Czech crowns (€140 million) for NGO activities. Forty-four per cent of this was directed to sport clubs, 26 per cent to NGOs providing social services, 10 per cent to those providing health services and 7 per cent to culture and monuments. Areas such as human rights and advocacy got less than 2 per cent. The distribution of foundation money is much more balanced: members of the Czech Donors Forum regranted 560 million Czech crowns (€17.5 million) in 2003 – but it cannot balance out the disproportion in state funding after the exit of foreign donors. It is also difficult to fund sophisticated concepts like regranted or endowment building. The NGO sector has taken a big step forward, but it is still fragile, and economically weak. On the positive side, the foundation umbrella body, the Czech Donors Forum, is an excellent example of a viable structure capable of pushing for systemic improvements in the fiscal and legal environment.

## How much did donors listen to local NGOs?

Private foundations with a long-term presence in the region did their best to listen to the needs of local NGOs, and to respond to them. They thought strategically, were flexible, and trusted their grantees. The personal commitment of programme staff, presidents and board members made the support of private foundations more effective than that of governments, despite the latter's much greater resources. To NGOs, it often seems that international institutions such as the World Bank or UNDP need more money for their own operation and for experts than they provide for local projects implemented by NGOs.

But serious discussion about exit strategies did not happen. To be fair, part of the reason could have been the serious financial problems that donors faced, given the fall in the share market at the beginning of the decade. Foundations were often unable to allocate more money for exit strategies. Fortunately, the commitment to the Trust for Civil Society in Central and Eastern Europe was made prior to this crisis. ▷

<sup>1</sup> The results of recent research by the Environmental Partnership among 71 key ecological NGOs in the Czech Republic showed an increase in staff capacity, expertise, and the number of volunteers.

However, the same lack of discussion characterized implementation of the Trust. Funders just announced a competition for the best proposal and said they had chosen the implementing intermediary. Evaluation of the implementation follows the track: national implementing intermediary to Trust office to donors. Most funders simply do not have the capacity to get their own feedback from NGOs directly, especially if they have already left the region.

### Did donors stay long enough?

If we look at the level of philanthropic culture today, and the level of political support for NGOs in Central Europe, no. The Central European experience suggests that 15 years is the minimum for real results. Realistically, however, most donors just could not stay longer. The irony is that the resources available in the beginning far exceeded the capacity of NGOs to use them. NGOs often had more money than they knew what to do with (the same thing is happening in the Balkans), whereas now, after ten years, when the sector is ready to absorb substantial help effectively and has real potential to effect change, most donors have gone.

Of course, everyone can be a general once the battle is over – none of the donors knew in the early 1990s how long it would take to rebuild democracy. Some came to the region for three years and ended up with commitments of ten or twelve years. The most patient, like the Mott Foundation or the Open Society Foundation, may remain another five years or so.

It is fair to emphasize that US private donors especially had a vital positive influence on the NGO sector in the region. Key private donors announced their exit a couple of years ahead and, despite the lack of initial consultation, foundations as a group did a good job in formulating the priorities<sup>2</sup> for the CEE Trust.

### Will NGOs be able to retain their independence?

The withdrawal of foreign donors and the entrance into the EU (with its implicit refocus on EU funding) will expose CEE NGOs to the risk of losing their independence. If they are ‘service’ organizations, operating in areas such as health, youth or sport, they are seen as implementing state policies. They will continue to receive state funding (as we saw earlier) and so become dependent on the state.

On the other hand, if they are environmental, advocacy or human rights organizations, they are often in opposition to governmental policies and unlikely to

receive state support. They will need to seek alternative funding (domestic foundations, private donors, income-generating services, short-term foreign aid). For them, the fact that Mott, OSF and GMF have decided to continue the support of indigenous intermediaries for a few years longer is of key importance, and will help them to survive the critical 2004–07 period.

### What role can local intermediaries play?

The role of indigenous intermediaries is another area for development. Regranting programmes established through these intermediaries (foundations) have had some success, and have brought longer-term results than many programmes implemented directly by donors or by foreign NGOs. However, the question for them is how to secure their long-term funding. This will obviously determine whether they are able to meet the needs of civil society in their countries. At least in the Czech Republic we have a good basis. Foundations are providing one-eighth of the funding available for NGOs from public sources, and the 1 per cent of money from Czech privatization dedicated to the endowment of Czech foundations helped to motivate a number of local grantmakers. The next decade will show how sustainable they are. Merger might be necessary for some of them.

### What more could donors have done?

So what more could donors have done to strengthen Central European civil society? Apart from staying longer, which wasn’t a realistic option. Trying to push CEE governments to create a more favourable legal and fiscal environment and generally be more supportive of the NGO sector wasn’t really something private donors could do, though some bilateral donors did attempt this, with mixed success.

The joint investment in the Trust is an excellent example of a responsible, coordinated exit strategy. The challenge now is to use the resources allocated to it to meet its three key objectives, and not to disperse them to a myriad of useful but small projects. The Trust must therefore concentrate on developing strategic instruments to raise resources for the sector,<sup>3</sup> strengthening key intermediaries, and securing a strong legal and fiscal environment for the NGO sector in Central Europe. Such instruments were already defined in the proposals for Trust implementation in 2002, but the reality in the Czech Republic is that key NGOs are working on these things practically without Trust support. @

<sup>2</sup> The Trust for Civil Society in Central and Eastern Europe has three mutually reinforcing objectives: to support legal, fiscal and political frameworks needed for healthy civil societies; to strengthen the non-profit sectors through institutional capacity-building; and to support the long-term financial sustainability of non-profit organizations.

<sup>3</sup> For example, the 1 per cent tax deduction law (already implemented in most countries in the region; the Czech proposal is ready to be submitted to the government), charitable lottery, certain tax improvements, etc. Also getting CEOs of key companies such as banks and auditing firms on the board to make politicians aware of certain joint interests of the NGO and business sectors.