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Non-Profit Foundations in Four Countries of Central and Eastern Europe*

Abstract: The paper presents an analysis of roles and visions of foundations in four Central and Eastern European countries: the Czech Republic, Estonia, Hungary and Poland. It offers a comparative account of the relevant legislation and the paths taken by these four foundation sectors in the aftermath of the 1989–91 democratic régime changes. They are depicted against a background characterized, among other things, by a partial demise of the state and rapid development of non-profit organizations. Using the methodology and conceptualizations of the research project *Roles and visions of foundations in Europe*, the authors describe the role profiles of foundations in these countries. They distinguish between role expectations of foundation stakeholders and the roles foundations are actually able to perform, given existing constraints such as legal regulations and limited own resources. The roles are further analyzed as parts of broader social visions in which foundation representatives and other stakeholders in the four CEE countries prefer to locate them. The dominance of certain roles and visions is explained with reference to specific features of post-communist societies.

Keywords: post-communist societies; third sector; foundations; Czech Republic; Estonia; Hungary; Poland.

Introduction

1. The Foundation Sector in the Central and Eastern European Transformation

A re-emergence of the sector of non-profit, non-governmental organizations (NGOs) is one of the most important aspects of the transformation of Central and Eastern European (CEE) countries towards democracy. Social self-organization has been

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given institutional structure, which is a precondition for its ability to function as a part of modern civil society. As all institutional development, this process has been dependent on the introduction of “rules, resources and recognition”—to use the formulation by Elster and his co-authors (Elster, Offe, Preuss et al. 1998: 31f). In other words, a complex set of legal rules has been created; the actors must have gained access to the material resources, knowledge and human capital necessary for their activities; and the new institutions have needed the support of a reasonably plausible justification, that is: a clearly definable role within the larger social context. The present article will discuss these issues, and especially the last one, in the context of the development in four CEE countries of a specific type of institutions: non-profit foundations.

A reason for why we consider foundations to be of specific importance is, that they arguably are in a leadership position within the NGO sector—at least they are often perceived as such both by themselves and by others. Thus, their development is illuminating not merely as an instance and an indicator of ongoing rapid societal change. The views and strategies they adopt will necessarily have great impact on the whole non-profit sector; and indirectly, on the outcome of the processes of democratic consolidation now taking place in this part of Europe. We will discuss the legislation, which is recent and still very much in flux; we will present some general information on the resources and finances of foundations in four CEE countries. Crucial to the future development of these foundation sectors is their role within society—both how they define it themselves, and the role(s) they actually perform. The countries to be discussed are Poland, the Czech Republic, Hungary and Estonia, all members of the European Union (EU) since May 2004, and ordered here according to the size of their population.

The present article is based on empirical research conducted in 2003 on the foundation sectors of Poland, the Czech Republic, Hungary and Estonia. The research included a systematic analysis of legislation and statistics concerning foundations; from each country, representatives of ten to sixteen foundations and two to four experts or policy makers were interviewed. The research was a part of the larger European comparative project “Roles and visions of foundations in Europe” presented in Anheier and Daly (*forthcoming*). The empirical evidence and many of the insights to be discussed here have been previously presented in unpublished research reports (Krzyszowski 2003; Lagerspetz and Rikmann 2003; Skovajsa 2003; Wizner and Aszalós 2003).

The article begins by giving an overall presentation of its theoretical starting-points, partly shared with other participants of the European project, partly drawing on literature on the specificities of the post-communist transformation. In the second chapter, we will give an overview of the legislation and other factors that have influenced the development of foundations in Poland, the Czech Republic, Hungary and Estonia. The research methodology will be discussed in Section 3.1, and sections 3.2 to 3.6 will present an overview of interview results, i.e., an analysis of the visions and the actual and expected roles of foundations in these countries. In the Conclusions chapter, we discuss the plausibility and future sustainabil-

ity of the various possible roles and visions suggested by foundation representatives.

2. Foundations and the State

Despite their location in the same geopolitical region, the formerly state socialist countries of Central and Eastern Europe differ from each other historically and culturally in a number of ways. Nor are they identical with respect to their present political and economic situation. This calls for caution every time one is tempted to make generalized statements involving several countries of the region. Writing about the prospects of non-governmental organizations, Éva Kuti (1999) therefore used the provocative title of “*Different Eastern European Countries at Different Crossroads.*” Sharing this cautious attitude, we nevertheless can recognize several common starting points for the development of foundation sectors. Most of these shared characteristics are typical of the whole post-communist Central and Eastern Europe—or at least of the eight new EU member states from that region.

As will be shown below, the legal definitions of foundations and similar entities in the four countries diverge from each other quite substantially. Still, the settings in which foundations operate do, in fact, bear many common features, resulting in similar challenges to be faced and roles performed. Despite the existence of earlier traditions, both the present foundations and the broader non-profit sector are very young. Among the four countries to be discussed here, the duration of their recovery and development ranges from 22 (Poland) to 16 years (Czech Republic). In all four countries, the process of building a non-profit sector involved a phase of weakly regulated spontaneous growth, followed by a period of further maturation under a more strict governmental oversight. Of paramount importance in the process of reconstruction of civil societies in CEE countries has been the still unfinished task of overcoming the legacy of civic passivity and of the negative aspects of what was fittingly described as the “resourcefulness” of post-communist citizens (Gliński 2004: 430), i.e., their learned ability to develop self-interested strategies of adaptation to circumstances, whether those of really existing socialism or of the emerging democratic capitalist social order. The flourishing of individualism in de Tocqueville’s sense, that is, a tendency to turn away from public concerns into the private sphere of life (cf. Tocqueville 2004: II, 2, 2) in post-communist countries can easily be identified as one of the heaviest obstacles to the development of both their democracy and civil societies.

It might be one of the most striking paradoxes of post-communism that the weakness of citizens and civil societies (Howard 2003), the widespread avoidance of public involvement, does not imply that the post-communist states are strong. Overall in the region, the collapse of communism created a deep crisis of the state, and participants in the process of social transformation were quick to discover that alternatives offered by market and the third sector were often superior to what the state could provide. However, an analysis of the institutional changes taking place in post-communist societies over the past decade shows that the state has gradually gone through a process

of reconstruction and re-consolidation after the initial loss of credibility and institutional capacity (Bruszt 2002). This is important to bear in mind when studying the post-communist non-profit sectors. Following the recent analysis of Fukuyama (2004; for the crucial distinction between the scope and strength of the state cf. Mann 1984) the state's capacity is to be considered one of the crucial determinants of the development of CEE societies; to draw on recent scholarship focused on NGOs-state relationship, far-reaching institutional isomorphisms exist between the evolution of the state and the non-profit sector (Skocpol, Ganz, and Munson 2002). On the attitudinal level, empirical evidence for some countries in the region shows that the relationship to the state forms an essential component of the identity of NGO activists (Frič 2000; Lewenstein, Palska 2004: 102). The state thus appears central for our analysis of the roles of foundations in CEE societies, both in its capacity of the producer of a regulatory framework for NGO activities and as the most important institution of democratically constituted and controlled political power.

Given the variety of legal definitions of foundations in different countries, including the four countries selected for our analysis, we draw on the structural-operational definition of foundations proposed by Anheier (2001). It is, in turn, a modified version of the structural-operational definition of non-profit, non-governmental organizations formulated by Salamon and his co-workers in the Johns Hopkins Comparative Nonprofit Sector Project (Salamon et al. 1999: 3). According to that definition, a non-profit, non-governmental organization has to meet five criteria: 1. It is an organization; 2. It is private, i.e., institutionally independent of the state; 3. It does not distribute profit to its stakeholders; 4. It is self-governing; 5. Membership or other forms of participation in the activities of the organization are voluntary. According to Anheier, a foundation is a non-profit entity meeting these criteria and the additional criterion of 6. Being an *asset*. True, applying this definition of foundations to different legal forms of non-profit organizations is not always easy.¹ We believe, however, that Anheier's structural-operational definition offers a safe set of criteria for singling out entities of sufficiently similar nature and can thus be used as the basis for cross-country comparison. In the following text, we exclusively focus on entities defined as foundations in the national legal systems of the four CEE countries given that these and only these were found to meet all the criteria of the structural-operational definition.

3. Roles and Visions of Foundations

The positions of foundations within their respective societies and polities, both normative and empirical, will be analysed by means of the concepts of *roles* and *visions*. By *roles* we mean functions exercised by foundations *vis-à-vis* other major societal actors, such as the state, the business sector and the general public. Drawing on Young (2000), Prewitt (1999) and Anheier and Daly (forthcoming), we distinguish

¹ A good example of a non-profit entity with a different legal denomination but so similar to foundations that they had to be considered to qualify as foundations in the sense of structural-operational definition are the so-called foundation funds in the Czech Republic. Since their status as an asset is not undisputed, they were left out of our analyses altogether.

seven possible roles of the foundation sector at large or individual foundations in society: *complementarity, substitution, redistribution, innovation, social and policy change, preservation of traditions and cultures, and promotion of pluralism*. The *visions*, in their turn, are more general, albeit not necessarily comprehensive, normatively laden views of the desirable organization of society and of the place of foundations in it. Since visions express the normative expectations directed towards some aspects of the social order, we might also call them *models*. In line with Esping-Andersen (1990) and Anheier and Daly (*forthcoming*), we use six different definitions of possible visions: *the social democratic, the liberal, the corporatist, the state controlled, the peripheral, and the business model*. Tables I and II give an overview of how the roles and visions were operationalised in the comparative research.

Table I
Roles of Foundations, Definitions

Role	Definitions: The role of foundations is to...
Complementarity	<i>...complement the role of the state</i> , by serving the needs of groups or individuals that cannot be met by the state.
Substitution	<i>...act as a substitute for the state</i> . They take on functions that were otherwise or previously supplied by the state.
Redistribution	<i>...engage in and promote the redistribution of wealth and economic resources</i> , which are passed from higher to lower income groups.
Innovation	<i>...promote innovation</i> . They can push for new social perceptions, values, relationships and ways of doing things.
Social and policy change	<i>...promote social and policy change</i> . Foundations can promote structural changes in society that lead to a more just society where the needs of the socially excluded are recognized and addressed.
Preservation of traditions and cultures	<i>...preserve traditions and cultures</i> . They contribute to the maintenance of stability in society by seeking to preserve past lessons and achievements.
Pluralism	<i>...promote pluralism</i> . They can encourage the realization of a pluralist, democratic society via the promotion of experimentation and diversity in general.

Source: Anheier and Daly, *forthcoming*.

Whereas the roles are general descriptions of “what the foundations are doing in society” *vis-à-vis* other entities, the visions provide a background composed of deeper normative views against which different roles can be better understood in terms of their political implications. In some cases there exists an evident link between a certain vision and a certain role, both positive—e.g., the redistribution role belongs intrinsically to the social democratic model—or negative, as becomes clear when the liberal vision and the substitution of the state by foundations are confronted. In other cases, however, the links between roles and visions of foundations are only empirical. As will be seen, it also occurs that the perceptions of the roles of foundations held by foundation stakeholders are inconsistent with their larger visions. As a matter of fact, the divisions between roles and visions discussed by our interviewees were not always clear-cut. Different roles and visions are very much intertwined in practice, and the

Table II
Visions for Foundations, Definitions

Vision	Definitions
Social Democratic	Foundations are part of a highly developed welfare state and cooperate with the state to either complement or supplement the state's activities.
State controlled	Foundations are essentially subservient to the state and operate within the framework of restrictive laws and complex administrative procedures that have been designed by the state to maintain control over foundations' activities.
Corporatist	Foundations tend to work in close cooperation with the state. In particular, operating foundations constitute a key element in the social welfare or educational systems.
Liberal	Foundations see themselves as alternatives to the mainstream and seek to represent non-majoritarian interests.
Peripheral	Foundations play a minor role. They are seen as valuable as long as they do not challenge the status quo.
Business	Foundations are instruments of corporate citizenship. They help corporate interests to reach out to citizens—and customers—by serving the public's interest but ultimately the goal is to maximize their own self-interests.

Source: Anheier and Daly, forthcoming.

role descriptions given by the representatives of foundations do not always coincide with their actual performance.

Foundation Sectors in Four CEE Countries

1. General characteristics of foundation sectors in the region

As in the Western part of the subcontinent, the foundations in Central and Eastern Europe had their earliest beginnings in mediaeval pious donations and urban guilds. During the 19th century, foundations along with other non-governmental associations came to play an important part in the nationally minded cultural and political movements that emerged within the multinational Hapsburg, Romanov and Ottoman empires. When new parliamentary democracies were created after the First World War, non-governmental foundations and associations actively participated in efforts of state building and modernization. By 1939, however, the democratic systems in the four countries studied here were replaced by authoritarian regimes, following a more general continental European tendency (Hungary in 1919, Poland 1926, Estonia 1934, Czechoslovakia 1939). The restrictions on non-governmental activities already introduced by the previous authoritarian rulers were followed by a complete suppression of the freedom of association by the Stalinist regimes of the 1940s and 1950s. The existing foundations were liquidated and their assets nationalized.

In 1970's and 1980's, different forms of social self-organization started to emerge anew. The forms they took ranged from cultural and hobby circles to the "second economy," from dissident groupings to (at times, corrupt) networks of mutual favors

(Blažek 2005; Hankiss 1988; Lagerspetz 2001; Ledeneva 1998; Siellawa-Kolbowska 2002). A process leading to eventual democratization was initiated in the early 1980s by the Polish Solidarity movement (for a discussion of its legacy for Polish civil society see Kurczewska and Kurczewski 2001). It was followed by political turmoil in other countries of the Soviet bloc, which displayed varying patterns of co-operation and confrontation between governments and popular movements. This development culminated in the regime changes of 1989–1991 (see, e.g., Berglund et al. 2004). Along with this process, legislation was created that made it possible for private individuals to create associations and foundations, and for foreign foundations to operate. For example, George Soros established a network of foundations operating in all countries of the region in an early stage of the consolidation of the new democratic regimes, and it has proven to be highly influential.

The newly reestablished democratic regimes strove to strengthen their democracy and the rule of law, but also to effectuate a transition to market economy and to modernize their welfare states. In all these respects the original naïve expectation of some transition architects that societies can be shaped and formed according to one's wish as if standing on a green field gave way to a more realistic assessment of the situation. Increasing attention has been paid to path-dependencies and cultural factors influencing social transition (see e.g. Elster, Offe, Preuss et al. 1998; Morawski 2005; Stark 1992; Sztompka 1999). An interesting analysis of the development of the relationship between NGOs and the state in the CEE countries has been presented by Rymysa and Zimmer (2004). Drawing on Esping-Andersen's (1990) classification of capitalist welfare regimes, they argue that immediately after the regime change, the CEE countries have prevalently opted for the liberal model of NGO-state relationship, but that this model has been since 1990's increasingly challenged by the conservative-corporatist model dominant in the region in the pre-war period (*ibid.*: 187–190). This view is in line with the path-dependency argument. Among other things, our analysis of foundations in four CEE countries can be seen as testing Rymysa and Zimmer's hypothesis in this specific subfield of the non-profit sector.

During the initial years of political democracy, foundations and voluntary associations mushroomed. The sheer number of registered organizations does, however, tell more about registering regulations and practices than about the real strength of civil organising. Due to the scarcity of domestic capital and to the novelty of the sector, no CEE country can boast more than a few private foundations with large endowments. Foreign-financed foundations and branches of foundations based in other countries continue to be important, both as grant makers and as role models (Forbrig and Demeš 2004). Most foundations are active in the fields of culture, education, health and social services, often carrying out tasks assigned to them by the government. Foundations in all four countries are either frequent recipients of government grants or benefit from generous governmental support schemes. There is a clear tendency of foundations being concentrated in the capitals and in a few larger cities.

The legislation relevant to the foundation sectors in the CEE region has since 1980's undergone many important changes, and seems still to be developing. The regulating laws have ascended towards greater differentiation between various types of

organization. At present, comprehensive documents on government policies towards the non-profit sector have been recently adopted in all the four countries studied here. The new possibilities opening up for non-profit organizations with the accession of these countries into the European Union in 2004 are one probable reason for the current political topicality of the sector.

In the remaining part of this chapter, the foundation sectors in Poland, Hungary, the Czech Republic and Estonia will be discussed shortly in terms of their volume, activities, legal basis, and other country-specific features. When not indicated otherwise, the discussion is based on reports produced in the course of the comparative research project (Krzyszowski 2003; Lagerspetz and Rikmann 2003; Skovajsa 2003; Wizner and Aszalós 2003). Table III is an outline of a comparison of the four countries.

2. Poland

Poland was the first country in the Soviet bloc, where establishing and operating private foundations was legalized (1984). A legal basis for foundations affiliated to the Catholic Church was created by the Concordat of 1989 between the state and the Vatican. The legislation of 1995 introduced foundations established by the state as a third type of foundation. These bodies became part of the government's program of reforming public sector through privatization of some of its functions. However, in 1999 an amendment to the law put an end to the creation of new foundations by the state, although it did not abolish the already existing ones. In April 2003, a new act was adopted with the aim of creating more unambiguous partnership relationships between public administration and non-profit organizations (*Law on Public Benefit...*, 2003). The act gives a definition of public benefit organizations, which after their registration are entitled to new tax benefits, but are subjected to more administrative control than hitherto. Importantly, it introduces a scheme, according to which taxpayers are able to earmark one per cent of their taxes to public benefit purposes of their choice; i.e., an option similar to that previously adopted in Hungary (see below) and in several other CEE countries. The new legislation has been criticized for focusing too much on service provision and in effect worsening the conditions of the organizations not able or willing to gain the public benefit status (Szczepański 2003; Wygnański 2003).

The number of foundations grew most rapidly during the period of regime change, from 288 registered foundations in 1989 to 2,039 in 1991. In early 2000's, the number slightly exceeded 6,000, and the years of intensive growth seem to be over. There is also reason to believe, that many of the registered organizations are not active in practice—perhaps one fourth of them (Leś and Nałęcz s.d.; quoted by Krzyszowski 2003: 14). There is no minimum requirement of endowment for establishing a foundation; as a result, wealthy grant-making foundations are a minority, while a majority of private foundations are small entities operating their own programs, closely reminiscent of voluntary associations.

According to statistical reports from 1998 (Leś and Nałęcz s.d.; quoted by Krzyszowski 2003: 17–18), only 6% of the foundations' revenues consisted of gov-

Table III

**Background Indicators of Foundation Sectors in the Czech Republic, Estonia, Hungary and Poland
(as of 2004)**

Country	No. of registered foundations (year)	Minimum requirement of endowment	History before 1989	Major legislative acts	Benefits and government schemes
Poland	6,065 (2000)	None	Church. Education, social reform. National movement, state & private foundations. Banned in 1952, slow recovery of NGOs after 1956, foundations legalized again in 1984	1984, 1991, 1995, 1999, 2001, 2003	Inheritance & deeds-of-gift tax freedom. 1% scheme introduced from 2004
Czech Republic	363 (2003)	500,000 CZK (15,900 €)	Pious donations. National movement, educational activities. Banned in 1948. Émigré activities (e.g., Charter 77, Jan Hus Educational Foundation)	1990, 1991, 1995, 1997, 2002	Tax benefits. Allowance of 1% of revenues from the privatization of state-owned companies to Foundation Investment Fund (FIF) (1999)
Hungary	19,700 (2003)	“Large enough to reach the foundation’s goal.” PB foundations: Annual revenue of 5 million HUF (20,100 €)	Church, guilds. National movement. Restricted during Horthy regime, banned in 1940–50s. Slow recovery in 1960–70s. Civil society co-operation with government during Kadar regime; foundations legalized in 1987	1987, 1989, 1990, 1994, 1995, 1996, 1997, 2003	Tax exemption. 1% Scheme for public benefit (PB), outstanding public benefit (OPB) foundations (1996). Government plan for non-profit sector development and the establishment of a National Civil Fund (2003)
Estonia	540 (2003)	None	Guilds, voluntary associations. National movement, cooperative movement, culture, education, nation building. Banned in 1940. Revolutionary movements 1987–1991	1989, 1994, 1996, 2002	Tax exemption, benefits (public benefit organizations). Civil Society Development Concept (2002)

Note: Based on information from Krzyszkowski 2003; Lagerspetz and Rikmann 2003; Skovajsa 2003; Wizner and Aszalós 2003; and the Internet site www.onepercent.hu (accessed 22 May 2006).

ernment grants; this assessment might be too low,² but it seems in any case, that the share of public financing is lower in Poland than in the other three countries discussed in this article. Foreign donations were continuously important as sources of finances (19%).

² The statistics show an unexplained drop in the share of government grants from 21% in 1997 to 6% in 1998. At the same time, the share of unspecified “other sources” became as high as 48% (7% in 1997).

3. The Czech Republic

In the Czech Republic (then Czechoslovakia), foundations were legalized as late as 1990, after the “Velvet Revolution.” Initially, there was little difference between the functions performed by a foundation and those of a voluntary association; during a few years the number of both grew rapidly. A new Foundations Act of 1997 introduced new regulations, demanding of foundations to have a minimum inalienable endowment of 500,000 CZK (15,900 €). Foundations not fulfilling the new registering requirements had either to be transformed into other legal forms, be liquidated, or merge with other foundations. As a consequence, the number of foundations fell from 5,238 (December 1997) to 144 (March 1999) to rise again to less than 400 in 2005. The new categories of Foundation funds and Public benefit corporations were introduced as well with the new legislation adopted in 1990’s. The former can be established without any minimum requirement of endowment; the latter are allowed to provide services and to collect fees, while foundations proper are not. Distributing grants became the main purpose of a foundation.

The Foundation Investment Fund (FIF) was established in 1991 by the government with the goal to distribute among foundations one per cent of the revenues to be gained from the second stage of the privatization of state-owned enterprises. The foundations that benefited from this program were required to add the bulk of the FIF-grants to their registered endowment and to donate no less than 80% of the proceeds from them to other non-governmental organizations. By having distributed about 2.3 billion Czech crowns (72 million €) in two rounds (1999 and 2001–04) among 73 foundations, the FIF program has more than doubled the total volume of endowments in hands of Czech foundations.

The foundation assets are not equally divided: out of 363 foundations registered in 2003 the four wealthiest foundations held almost 40% of their combined endowments, and the 27 wealthiest held 76%. In terms of grants distributed, culture and education are the most important fields of activity, making almost half of all grants. On the other hand, grants given to environment and minority protection have great relative weight in comparison to the rather reluctant and limited government financing of these issues (Skovajsa 2003).

4. Hungary

The Hungarian foundation sector has been profoundly influenced by the “1% Scheme” introduced in 1996, giving taxpayers a possibility of directing one percent of their personal income tax to an eligible NGO of their choice (see www.onepercent.hu). This source of income is available for the foundations and other non-profit organizations registered as Public Benefit or Outstanding Public Benefit Organizations (PBO, OPBO). Foundations can be established by government bodies also; they will not receive the PBO or OPBO status automatically, but after a complicated registration procedure. In 2003, the government created a grant-giving public body (National Civil Fund) for distributing unspecified donations from the 1% Scheme. This body

is operated with the participation of representatives from non-profit organizations (Török 2004: 4).

The 19,700 foundations made no less than 39% of all non-profit organizations registered as of 2003. The growth in their number was especially fast during the early 1990s; the 1990 tax law gave foundations better conditions than those granted to voluntary associations. It may, however, also reflect a tradition of petty entrepreneurship that started to develop already in the 1970s and 1980s as a result of economic reform policies. Notably, the first non-profit law (1987) preceded the political regime change. As Wizner and Aszalós (2003) put it, many foundation leaders see their organizations as “enterprises without profit” and as individual career possibilities. In the late 1990s, the rapid growth in the total number of foundations stopped; however, the internal structure of the sector is still changing. The government-created foundations have recently become more numerous, while about one quarter of all foundations registered in 1989–2000 have been officially liquidated.

The average revenue of a foundation in 2000 was a mere 4,735 HUF (18 €), while 28% of all revenues consisted of government grants and subsidies. The share of foreign financing was no more than 8%, but according to Wizner and Aszalós (2003) it was targeted in ways that clearly diverged from the priorities of governmental funding.

5. Estonia

The first relevant legislation from 1989—adopted in what still was the Estonian Soviet Socialist Republic—made no distinction between foundations, voluntary associations and political parties, unlike the present legislation from 1996. Both foundations and non-profit membership organizations are freed from income tax; in addition, some organizations have been granted public benefit status by the Government. An individual or enterprise making donations for these organizations may (up to a limit) deduce the donation from his or her taxable income. However, representatives of foundations tend to regard the practice of granting this status haphazard and insufficiently formalized. Even a governmental body can establish a foundation, and this legal form has been frequently used as a means of decentralizing service provision.

According to a survey conducted in 2003, the average annual income of a foundation was 4.1 million Estonian crowns (280,000 €); however, it was only 2.64 million (180,000 €) if governmental foundations are excluded. The income was very unequally distributed, meaning that a majority of foundations are very small. Most of the private foundations are rather grant seeking than grant giving, and operate their own programs. In this sense they are often more reminiscent of voluntary associations. They often rely on project financing from the state or the local governments.

Since the beginning of the new Millennium, the non-profit sector has gained more visibility in Estonia. With more than 23,000 registered non-profit organizations (among them, 689 foundations (January 2006)) altogether in a country of less than 1.4 million inhabitants, their per capita density is now probably the highest in Central and Eastern Europe. Inspired by the British Compacts between the government and the voluntary sector, non-profit umbrella organizations initiated the preparation of

a document entitled *Estonian Development Concept of Civil Society* (EKAK). Adopted by the Parliament in 2002, it seeks to clarify the practices through which the state and the local governments should finance and inform non-governmental organizations, and enable their participation in decision-making. However, the renewed practices still need to be implemented; the impact of the document has hitherto been on the emergence of more cooperation within the sector, and on the enhancement of its public image.

Roles and Visions of Foundations in Four CEE Countries

1. The Methodology

The aim of the comparative research project was to find out about the attitudes of foundation stakeholders towards different types of roles that foundations can and/or do perform in society and towards different models of society in which foundations operate. The national research teams of the four countries interviewed a sample of representatives from 16 foundations each (in Hungary, 10). The samples were targeted in such a way as to include representatives of different kinds of foundations.³ In addition, 2–4 foundation experts and policy makers were interviewed in each country. The interviews were semi-structured, following a fixed list of questions used in order to secure cross-country comparability of the results; in Estonia, most of them were group interviews combined with a written individual questionnaire.

The respondents were asked to discuss and evaluate seven possible roles that foundations can play in society; likewise, they took stand on six different visions of society (as described above in the introduction and in Tables I and II). In the following, the treatment of these roles and visions by the representatives of foundations will be analysed as indicating their relationship with the government; with the corporate donors; with other actors within the non-profit sector; and, finally, with European organizations and institutions. The comparison of the ways in which different roles and models were discussed and evaluated against each other will finally produce an overall picture of the role profiles and visions of foundations in the four CEE countries. The interviews and group discussions gave us access to attitudinal data in relation to roles and visions, i.e. enabled us to see how foundation stakeholders perceive these; from the analysis of existing literature and available documents (foundation annual reports, policy documents produced by governments etc.) we could learn about the actual performance of different roles and the state of implementation of various visions. We were, thus, interested both in *perception* and *performance*; it does not have to be emphasised that it is extremely important to distinguish between the two.

³ The following criteria were utilized in the purposive sampling:

- Type: grant-making, operating, corporate, community foundations;
- Size: large and small, operationalised differently in each country;
- Age: old and new, referring to whether the foundation was created before or after the change of political regime (1989–1991) in the country;
- Regional distribution within the country.

2. Poland

Like in all other CEE countries investigated here, relationship with the state is the main aspect differentiating between various possible roles that Polish foundations can perform. *Complementarity* and *substitution* are, respectively, the most and the least popular roles of all. The Polish respondents widely accept that foundations should meet the needs neglected by the government with an efficiency that creates savings for the state budget. Interestingly enough, both operating and grant-making foundations are seen as performing a complementary role. Substitution appears as acceptable only to those operating foundations, which are active in a field from which the state retreated when redefining its roles in the 1990's. The Foundation for Polish Science is one such case (Krzyszowski 2003: 25). The roles of *promotion of pluralism*, *innovation* and *social and policy change* form a cluster that likewise is accepted quite widely. Foundations are seen as sources of social innovation that neither the state nor the market can provide. The role of social and policy change is considered important above all by the community foundations, which, having a closer contact with their target groups than most other foundations, are better able to identify and serve the needs of the socially excluded. Pluralism is also widely emphasised, above all by liberal-minded foundation stakeholders with links to the former anti-communist movement. *Redistribution*, on the other hand, is accorded lower importance, except for the case of corporate foundations, which were seen by respondents as vehicles for the transfer of wealth across social classes. Foreign-funded foundations are considered to be examples of foundations performing a significant redistributive role on the international level (ibid. 28–9).

The assessment of different visions of the place of foundations in society is largely dependent on the type of foundations the interviewees represent. Private and corporate foundation stakeholders tend to adopt an anti-state position, while public foundation representatives lay stress on a close working relationship with the state. The most popular of all is the *liberal vision*, supported by representatives of private and corporate foundations. The public foundations, on the other hand, along with operating foundations acting in close cooperation with governmental agencies, give their support in the first place to the *social democratic vision*. Operating and public foundations are also the strongest supporters of the *corporatist vision* that ranks in degree of acceptance behind the social democratic one. The *business model* has received moderate and rather mixed support. There is a wide gap between its supporters and its opponents; the latter, especially policy-makers from left-wing political parties, object to close partnerships between foundations and corporate interests, claiming that they can easily lead to abuse. The *state-controlled* and the *peripheral vision* were the two least accepted visions of all.

3. The Czech Republic

One central idea seems to lie behind the role expectations of foundation stakeholders in the Czech Republic: the idea that the power of the state should be limited

and society's tendency to self-organization should be given free space to develop. As expressed by one foundation representative, "foundations in the Czech Republic promote the empowerment of the citizen as an individual and the weakening of etatist and centralist positions of the state in Central and Eastern Europe" (Skovajsa 2003: 38). This way of looking at the relationship between foundations and the state leads to a prominence of the *complementarity role*. The role of foundations is defined negatively in relation to the state: they are expected to operate in areas where the state fails—by its nature, not by neglect—to provide adequate service. These tend to be, e.g., areas where interests and needs of small groups and newly identified problems are at stake. This might create a subsidiary relationship between foundations and the state. The rejection of *substitution*, on the other hand, shows that foundations envisage a clear division of labor between themselves and the state.

Representatives of large foreign-funded grant-making foundations insist on the importance of *innovation*, which they understand primarily as the introduction and adaptation of successful models developed in Western countries. Commitment to the *promotion of pluralism* is declared by the liberally oriented foundation stakeholders who have not yet entirely abandoned the ideal of a self-organizing society largely autonomous of the state so typical of the first years of post-communist history (cf. Elster, Offe, Preuss et al. 1998: 132; Lagerspetz 2001). Overall, complementarity, innovation and promotion of pluralism form a cluster of roles, which are strongly present in the thinking of Czech foundation representatives.

Social and policy change is a less accepted role, arguably because the (quite many) liberals among foundation representatives tend to associate it with the communist-era style of policy making. The representatives of larger foreign-funded foundations, however, attribute great importance to this role, putting it again in the proximity of such roles as innovation. *Redistribution*, on the other hand, is attributed minor importance. As some foundations representatives put it, redistribution is implicit in many foundation activities, but is by no means their intended goal. Redistribution from wealthy individuals to less well-off target groups has been accepted more readily by corporate and community foundations.

The visions of Czech foundations closely correspond to the liberal worldview prevalent among their representatives. The *liberal model* is the most preferred one, whereas *peripheral* and *state-controlled models* have found only marginal support. The *social-democratic model* is also not very popular because of the etatist bias the foundation representatives see in the idea that foundations should be part of the social welfare system. Interestingly enough, the *corporatist model* is quite widely accepted, although some authors conclude that the corporatist pattern of relationships between NGOs and the state is strongly challenged especially by new NGOs (Frič, Goulli, and Vyskočilová 2004: 627). It is arguably the fact that foundations received a large portion of their endowments from the state; that makes their sympathy for what appears as a corporatist arrangement understandable. The lack of own resources also explains why the *business model* is attractive to those foundations that attempt to gain more independence from the state.

4. Hungary

The most widely accepted role for foundations in Hungary is that of *complementarity*. The acceptance of this role is supported by the view that foundations are better able than the state to serve specific target groups. However, marked differences exist between public and private foundations in the way they formulate their preferred role *vis-à-vis* the government. Due to their legal status, the public foundations do not have the option of defining their identity in opposition to the state. Contrary to this, the private foundations strongly emphasize that their role is to complement, not to *substitute*, the state (Wizner and Aszalós 2003: 27). From the viewpoint of a representative of a large foreign-funded foundation, the foundations that substitute the state lack a proper mission, as their role becomes reduced to fund raising in order to finance activities that should, in fact, be paid for by the government (*ibid.* 28).

Hungarian interviewees frequently hold the view that foundations are an expression of society's potential for self-organization, and as such a means by which citizens can both protect themselves against an overbearing state and have an impact on the way the state operates. This view leads them to emphasize *innovation* and *social and policy change*; these were the two most strongly accepted roles after complementarity. The scenario for acting out the innovation role is similar to those presented in the other countries: it includes local adaptation of foreign patterns and the expectation that the new practices will sooner or later be taken over by the government (*ibid.* 34). The role of social and policy change is related to innovation in that it involves implementation of new ways of addressing social problems, although the respondents were sometimes in doubt about whether foundations were able to have a real impact on policy making. *Promotion of pluralism* is accepted as an important role, but as argued by some stakeholders, the sector's considerable dependence on the government for the financing of its activities shows where its limits are. Hungarian foundation stakeholders were decisive in rejecting the *redistributive role*. This attitude is motivated by their awareness of the feasibility problem arising here, since the funds redistributed by foundations appear negligible in comparison to redistribution by the government through social transfer mechanisms.

Whereas in theory the Hungarian foundation sector professes, by and large, the liberal conception of society emphasizing its own autonomy and capacity to offer innovative and alternative solutions, in practice it is, not unlike foundation sectors in the other three CEE countries, to a great extent dependent on the state. This situation has been reflected in the different visions of the place of foundations in Hungarian society. The *social democratic model* is the most widely accepted one, but the acceptance is conditional on that foundations complement, but do not substitute the state as elements of its welfare system. The quite strong commitment to the *liberal model* confirms the continuing influence of a post-communist liberal worldview in Hungary's foundation sector. Yet, its second place after the social democratic model might indicate that independence from the state is not a paramount need for Hungarian foundations (Wizner and Aszalós 2003: 42). The *corporatist model*, in which foundations are service providers working in close relationship with the state,

is also strongly supported, but it is, like other widely accepted visions, associated with a negative attitude towards the substitutive role for foundations.

Low acceptance of the *business model* seems to be rooted in a fear of foundations becoming mere instruments for promotion of corporate interests. Similar to other countries, the *state-controlled* and the *peripheral models* receive the lowest support also among Hungarian foundation stakeholders. Some of them expressed fears that grant-making policies of the EU, along with recent changes in domestic policy environment, might strengthen the state-controlled model, thus limiting the freedom and scope of their operations.

5. Estonia

Estonia might appear as an exception to the rule that *complementarity* is the most widely accepted role of all; its ranking was not the highest but, indeed, the lowest. However, it can be argued that despite the expressed preferences of foundation representatives, they also acknowledge that in practice, complementing the functions of the state is often a central element in their daily work (Lagerspetz and Rikmann 2003). In fact, both complementarity and *substitution* appear to be the dominant roles actually performed by Estonian foundations, despite many of them being unhappy with the situation. The sector includes a number of government-related foundations, and also many other foundations are dependent on project financing from the state or the local governments. Overall, it is necessary to distinguish between government-related and private foundations. The former insist quite strongly on the complementary role which they perform *vis-à-vis* governmental agencies. For private foundations, complementarity is just one of their roles, the others being based on their presumed capacity to offer innovative solutions to social problems and to promote alternative approaches that might contribute to policy and social change.

The roles strongly valued by Estonian foundation representatives are those of *promotion of pluralism, innovation and social and policy change*. It is worth emphasizing that influencing government policies is seen as a central component of these roles. As pointed out by one foundation representative discussing the role of innovation, “foundations can initiate new models, and if they work out well, the government can take over” (Lagerspetz and Rikmann 2003). Even if the private foundations often vehemently oppose themselves to prevailing government policies, a lack of resources may force them to concentrate on lobbying activities rather than to operate independently from the state.

The most accepted vision was the one involving strong participation of the business sector in funding foundations. The popularity of the *business model* can be put in connection with the fact that, like in other post-communist countries, the tradition of corporate philanthropy and of a sufficiently close cooperation between the private sector and foundations in Estonia still remains underdeveloped and foundations look towards the business sector as a possible alternative source of resources that can reduce their dependence on the state. Against the same background one can understand why both the *state controlled* and *social democratic models* are not

attractive. However, the two main types of Estonian foundations prefer two different visions regarding their relationship to the state. Government-related foundations support the *corporatist model* into which their status of operating agencies dependent on regular public financing makes them fit quite well. On the other hand, private foundations strongly prefer the *liberal model*, seeing themselves as agents of innovation and promoters of pluralism, and insisting on the need for flexibility in redefining their objectives as new social needs emerge (Lagerspetz and Rikmann 2003).

6. European roles for CEE foundations?

Surprisingly enough, the perceptions of foundation stakeholders of both the expected and the actually performed roles of foundations were in the run-up period to the 2004 EU accession in all four countries almost exclusively limited to the national context. Although the EU is seen as a major actor shaping the environment in which foundations operate, foundations do not articulate roles they might perform in a European context. European Union is a potential source of funding, but also a potential threat, since it requires the foundations to adapt to new rules defined by European institutions. To the extent Europe is an opportunity at all, it is an opportunity to receive, not an opportunity to give or to act. This narrowness of European visions among CEE foundations has a number of reasons. One of those reasons is that, given their small assets, their ability to play a considerable role at all on the European level is even more constrained than it is on the domestic level.

The most widely accepted role in the EU context is *complementarity*, while *substitution* appears to be even less appealing for foundation stakeholders than it is within the national framework. Interesting changes can be observed in the relative weight of other roles. With some hesitation, the Czech foundation stakeholders named as their major European role the *preservation of traditions*, a role much less prominent in the domestic context (Skovajsa 2003: 80), and revealed a concern about the transnational influences the membership in the EU entails. Some foundation representatives, e.g. in Hungary, complained that European NGOs do not take partners from the new member states seriously, and that CEE foundations are denied access to positions of influence in European institutions and NGO networks (Wizner and Aszalós 2003: 47). They see, therefore, little chance to achieve *social and policy change* or to *promote innovation* and *pluralism* on the EU level. *Redistribution*, on the other hand, becomes more important within the EU at least for those foundations that receive and re-grant European funds.

Conclusions

Turning back to the basic prerequisites of successful institutionalization—“rules, resources and recognition”—one can state, firstly, that Poland, the Czech Republic, Hungary and Estonia have all been successful in creating a legislation that has enabled a rapid development of the foundation sector, above all in terms of the number

of registered foundations. This does not mean, however, that the legislation will necessarily remain without significant changes in near future. Regarding the resources, there is less reason for optimism. The state sponsored schemes for the support of foundations contributed to increase the foundations' assets, but these remain largely insufficient for the impact many foundations strive for in their respective societies.

Both role and vision perceptions analyzed in this article can be understood as accounts given of the legitimate position of foundations within the newly emerged social, political and economic order. Thus, they are related to what Elster, Offe, Preuss et al. (1998) highlighted as the third crucial element of successful institutionalization: recognition. Of course, recognition has to come from outside of the foundation sector, i.e. from the government, the corporate sector, general public and the other segments of the non-profit sector. Yet, one of the conditions of a successful bid for recognition is that the foundations are able to offer their partners intelligible and plausible accounts of their legitimacy.

In our analysis of the interview material, we distinguished between the roles foundations seek to perform and the visions in which these roles are embedded. We also compared the interviewees' perceptions of their roles with what we could find out about the actual performance. The analysis points towards important similarities rather than differences between countries. *Complementarity* is most important both as an agreed to and as an actual role. On the other hand, *substitution* is the least acceptable role of all. Considering how the two roles were defined (see Table I above), the crucial difference between them lies in the degree of independence granted to foundations. From the point of view of foundations, the substitution role includes providing a public good for which there is an absolute necessity, which has for some reason become neglected by public authorities. In such cases, the foundation accepts a moral obligation of continuing this activity, while the government leaves itself free hands to decide whether to assume/resume the responsibility or not.

Despite their verbal declarations of the opposite, it is however obvious, that foundations sometimes are manoeuvred into the substitution role. This is illustrated by the private foundations found in all four countries, which purchase expensive medical instruments for state-owned hospitals; or by the existence of numerous public or government-related foundations in Estonia, Hungary and Poland. In order to give an explanation of the tendency towards what we might call "sneaking substitutivity" of foundations in CEE countries, it suffices to recall the general tenor of the political development in all four post-communist countries over the last one-and-a-half decade. The state was weakened by a crisis of legitimacy, and while undergoing a process of restructuring, it has been permanently beset with efficiency problems. As a solution, foundations were pushed to relieve the state and the local governments of some of their previous commitments. However, the feasibility problem appears crucial here, as the foundations' own resources are limited and the extent to which they can substitute the government is heavily dependent on the funding they receive—from the government.

Innovation, promotion of pluralism and social and policy change are very important role expectations for foundations in the four CEE countries studied in this article.

Innovation is frequently associated with complementarity: foundations are prone to see themselves as pioneers of new types of service provision, which the state is expected eventually to take over from them. In fact, not only innovation, but also pluralism and social and policy change fit well into a model of cooperation between foundations and the state where foundations are assigned a complementary role.

Redistribution appears as a minor role for all except corporate foundations. There are at least two reasons why redistribution is less important than the previously mentioned roles. First, seen against the background of all budgetary commitments, finances that the foundations control and redistribute are almost negligible. Second, redistribution provokes negative associations with the communist-era egalitarianism in many foundation stakeholders. Some foundation representatives also point out that the recipients of grants tend to belong to the middle-class, an observation that puts into question the positive impact that such redistribution may have on social equality. Where redistribution becomes more evident, as in the case of corporate and community foundations, it is usually linked to several of the other roles and is less visible than these.

The foundation stakeholders in the four CEE countries are most strongly attracted by the *liberal* and *social democratic visions*, with the *corporatist vision* following suit. The influence of the anti-etatist ways of thinking, which dominated during and immediately after the regime change, is unmistakable in the case of the liberal vision. The relatively liberal framework of non-profit activities in early 1990's was made possible by the state's initial retreat. But the state is, however, reconsolidating again, and foundation activities become more regulated and supervised; at the same time, other types of visions are gaining in importance. This is true of both the social democratic and corporatist models, both of which offer a possibility to redefine the positions and roles of foundations in CEE societies. These two visions demand of foundations a clear and positive (in opposition to the negative answer of the liberal vision) answer to the question about their role *vis-à-vis* the state.

With the exception of Estonia, where it receives the strongest support of all, the *business model* is usually advocated only by foundations of a specific type (corporate foundations), or acquires relevance in the context of efforts to raise philanthropic culture. It is certainly a matter of dispute if the process of accumulation of wealth in the CEE countries has advanced so far as to make substantial giving by individual donors likely, but the culture of philanthropy and giving is taking roots in the region at a rather slow pace (see e.g. Frič 2001).

In such a situation, the foundations' quest for more autonomy *vis-à-vis* governmental bodies is rendered difficult because of the scarcity of other resources available. We should not forget, however, that also the mechanisms through which the government money is distributed do make a difference. Such governmental programmes as the Czech FIF or the Hungarian 1% Scheme—the latter now having been introduced even in Poland and in several other countries of the region—seem to leave non-profit organizations more room for strategic planning than direct grants, which still are the main instrument of governmental financing in Estonia. On the other hand, if such programmes are accompanied by growingly strict requirements and definitions of public

benefit imposed by the government, the end result may turn out to be a golden cage (and even not a very lucrative one). Moreover, there is a danger that the additional financing received through such schemes by, e.g., health care and education NGOs may have the effect of actually diminishing the experienced need to finance them through the regular state budget.

It would seem that the empirically most typical and also normatively preferred roles of foundations in CEE countries still differ from the most widely spread roles of Western foundations (Anheier and Daly *forthcoming*; Anheier and Leat 2002; Prewitt 1999). The importance of foreign foundations operating in the CEE countries has to a great extent consisted of importing not only Western money, but also ideas and practices of conduct. The Soros foundations continue to be active in all four countries, and have been consequent supporters of the liberal vision. All in all, without the backing that Western donors have offered them, the domestic foundation sectors would probably not have reached the relatively supportive legislative frameworks they enjoy now. Developments during recent years have shown however, that even major changes of legislation can be introduced very rapidly; the impact that the four countries' EU membership will have on their non-profit sectors is yet not known. The situation is still not completely settled with respect to rules, resources or recognition. In conclusion, we can state that the process of foundation sectors becoming successfully institutionalized has still not come to an end in Central and Eastern Europe.

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