

Endowments: Protecting the Meme of Civil Society in Central Europe?

Citizen Participation and Civic Organizations – Conference organized by the World Bank,
Bratislava, Slovakia

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This presentation will look at the endowments not from the HOW perspective, but from the perspective WHY they make sense as instruments for sustaining specific elements of the civil society, especially the independent civic voice over public affairs.

In last 15 years we have learned that the antinomy and tension between the citizen and the state is not the only perspective that we can have on the civil society. The rights based approach that dominated in early nineties, coining advocacy and watchdog activities and promoting human and civil rights protection, have been soon complemented with the emergence NGOs as non-state actors in delivery of services and their role in social development. Thus the perception of civil society has increased in depth and scope.

The economic growth that we are experiencing in the Central Europe provides for more resources for NGOs delivering services than before, but still significantly less than in the developed countries. Furthermore, and this is based on my experience from Slovakia, there are many problems in persuading state and local government bureaucracies, legislators and politicians that it does not matter WHO is the service provider, but that WHAT quality it provides. Also, there is a lot of work to be done to have an environment in service delivery where clients freely choose who is best for them in an fair competition of public, for profit and not-for-profit entities. But despite many uncertainties in this field of service delivery by NGOs, one thing is sure: the funding for it can be

realistically expected to be a domestic one based on public money combined with fees for service and to a some extent by charitable donations.

On the other hand, the advocacy, watchdog and independent policy activities have proven to be an important part of the transformation process in the Central and Eastern Europe. The independent civic groups provided these countries in transformation the needed flexibility to respond to the unexpected, innovative ideas, human capital and ability to speed up the countries' compatibility with the more developed world. For example, in Slovakia, the health care reform, social sector reforms or foreign affairs policy analyses have been significantly shaped by the individuals and organizations of the civil society. In some cases, the civil society environment helped shape the fundamental path of development in countries such as Serbia, Slovakia, most recently in Ukraine by adding a momentum for political change from illiberal democracy to liberal democracy.

But, it would be a mistake to reduce the civil society to its instrumentality and utility for transformation. The meaning of civil society is more than that – in living and cherishing values, in principal idealism, unwillingness to compromise values, in courage to say what the mainstream society does not like to hear and openly disagree with or criticize those who are very powerful – governments, politicians, media and business leaders or persisting stereotypes in the public. A prerequisite for this quality is independence of those who possess power. How can such independence be strengthened and supported? Here, unlike in the area of service delivery, the perspective is very blurred and unclear.

The domestic funding of these activities in future is indeed very uncertain. The departure of independent, civil society funding represented mostly by US private foundations but also by the broad focus support for civil society from the EU, bilateral and US public funds, has left the independent civic sector in the CEE

without an adequate replacement. The society's taste and priorities change only slowly and despite, sometimes successful efforts of advocacy or watchdog groups to raise even a small support from individuals or public, it is not enough for playing an active and effective role.

And that is a challenge in which endowments are a meaningful policy option for those, who are concerned with this particular quality of the civil society in this part of the world.

But before we can jump into solutions we should ask a question if at all there is a need for further funding of independent advocacy, watchdog activities and independent policy development ability in our region. Have not this component of civil society fulfilled its "historical" role and isn't it fair enough to let it evolve as it can without external help and compete on the market – survive or perish i.e. to shrink, minimize, voluntarize or bleed to the end, have it replaced by government structures, wait for new wave of philanthropists, or any other, unknown solution? And, ultimately, aren't the domestic societies responsible for supporting these activities, rather than foreigners?

Let reiterate some of the concerns that may lead us to acknowledge that the process of democratization of this region is an ongoing process in which this segment of civil society has a role.

- *The corruption and clientelism* in public sectors persist and it is known that the presence of those who watch on decision-makers makes decision-makers behave more responsibly. There is a need for public sector to have an independent oversight. Watchdog NGOs are one of them.

- *Limited impact of the independent media.* Despite their rapid development media do not play to the full extent the vital role of advocates of public interest. And even when they are, the plain publicizing of misconduct does not provoke any change of behavior of those who are displayed to public scrutiny. Public has acquired thick skin in the harsh period of transformation and in the midst of the various scandals the sensitivity of the public to trespassing the informal norms is rather low.
- *Trends towards partitocracy.* The trend of strengthening political parties and concentrating power in public affairs decision-making is particularly disturbing and does not breed hope for prosperity which is based on shared ownership, honesty and civic engagement. Despite external pressure put on the governments from this region by international conventions such as Aarhus, through the accession process itself, the good practice of governance at all levels is emerging very slowly.

So, I feel that there is a value and real need of civic engagement in public policy and decision-making process and its meaning for the socio-economic and political development.

As it was mentioned already, our experience shows that not many of local stakeholders understand it. As recently Vaclav Klaus, the President of Czech Republic mentioned that the democracy is under danger due to human rights activities, ecological activists and other NGOs. The polls in general public on the importance of different causes rank the human rights, advocacy or watchdog activities on the lowest ranks amidst variety of causes. And, the growing complexities of EU funding combined with bureaucratic requirements and almost exclusiveness of working with national governments which are often reluctant to work with domestic NGOs are barriers of fledgling NGOs to access

the crucial, longer term funding available for them through variety of EU funds. All these examples suggest that the quality of democracy and good governance in the new EU member countries is something that we need to be concerned for and work for its strengthening.

So, where does here fit the endowments? What is an Endowment? And how can it be build in CEE?

A **financial endowment** consists of [funds](#) or property donated to an institution or individual, with the stipulation that it be [invested](#), and the [principal](#) remain intact. This allows for the donation to have a much greater impact than if it was spent all at once. The major difference of endowment compared to other instruments is that its stable for perpetuity so that it can be immune to short term – i.e. political influence.

In the context of what was said above, the concept of endowment has played a vital role. It has been endowment funds which have been used to support much of the public policy, advocacy and watchdog activities in CEE since the fall of communism. Mott Foundation, Ford Foundation, National Endowment for Democracy, German Marshall Fund of the US, Carnegie Endowment for Peace, Pew Charitable Trust and many more have used in their support to the nascent civil sector their revenues from their endowments. But are there indigenous endowments in the CEE?

Further back in the history but also more recently, we can see that endowments have been established by a large gift, typically by a sovereign (for example Queen Maria Theresia of Austria or Count Palfi of (Pezinok, Slovakia). Later the aristocratic rich replaced successful businessmen (Bill Gates, John D.Rockefeller). Also governments decided to make endowments (for example German Marshall Fund of US).

We should think of endowments in this context in indigenous grantmaking foundations, rather than in other type of organizations, although endowed can be also other types of institutions such as hospitals, universities or galleries.

When in this region foundations started to emerge, most of them emerged as operating foundations and without any assets. Their assets were people and willingness to do something publicly beneficial.

Today, in the Central Europe we can see that there are several endowed foundations, or rather, foundations that have endowments that are considered as large given the domestic funding context.

For example, in Czech Republic the combined value of endowments of 340 foundations is around 80 million EURO. This is a result to a large extent by the well known Czech way - the Czech government has decided in early nineties that 1% of shares of government property selected for privatization shall be reserved for the so called Foundation Investment Fund, which, at some point would sell these shares the cash revenues would be distributed to variety of foundations.

In Poland, the Polish Science Foundation has been endowed by approximately 85 million US dollars from the liquidated governmental Fund for Science and Technology. The Polish American Freedom Foundation endowment of \$240 million has been provided from the balance of the liquidated Polish-American Enterprise Fund established by the U.S.Congress.

In Slovakia, the Foundation for Youth has been endowed by the government from the revenues of the liquidated Children and Youth Fund and its assets are 20 million USD. These examples show how important public funds have been in bringing the old-new philanthropic model to life.

But not only public funds can build endowment in the CEE. In Russia, which is in a different context than the Central Europe, new oligarchs have been founding endowments. Michail Khodorkovskii has endowed the Open Russia Foundation with 10 million pounds in 2001. However, from the CEE region no similar example is known and it can be expected that the CEE waits for its “new rich” to consider also this, philanthropic, use of their fortunes. Some estimate this time for next decade or so.

On a smaller endowment scale operate indigenous grant-making foundations in this region which build endowment over time, but its value does not match the class above. For example, Stephan Batory Foundation in Poland has an endowment of 20 million USD.

In Slovakia, the Ekopolis Foundation long-term assets represent approximately 900 thousand USD, Children of Slovakia Foundation long term assets are over 1,3 million USD. By and large, the endowments which the independent foundations have from this region have been nurtured mostly by grants from foreign, in this case US private foundations. These organizations are in efforts to raise their endowment to levels which will allow them to provide independent funding for worthy civic initiatives and causes.

On even smaller scale there are community foundations. For example in Poland and in Slovakia their endowments are still quite small (\$600,000 CF Healthy City in Banska Bystrica, \$250,000 CF Revia in Pezinok). But compared to their annual expenditures, for some of them they provide over 20% of their operational costs which some experts consider as one of the factors that make the endowment reasonable and appropriate to the type of the operation of the endowed institution.

But are these institutions with larger or smaller endowments really independent and do they provide support to the independent watchdog, advocacy and policy

activities? I think that it depends on the type of endowed foundation, on its profile, its mission and vision. Certainly those that I mentioned are independent. But whether all of these foundations have in their mission to serve as funders of innovative, risky, civic based initiatives or watchdog activities, I do not know. This would require a closer look at the endowed grantmaking foundations in this region.

The value of endowments in this context is not only in their capital, but in the ability to provide for independence and long term view. However, the experience also provides critical arguments why endowments may not be the best option.

One is based on the assumption that the funds can be more useful if they are spent now, than pushed into future when the society gets richer and able to solve problems more effectively? In other words, does it make sense that present poor donate to the future rich?

There is certainly something in it. But for the purpose that I claim here, there is a danger that the quality of democracy will not increase but will deteriorate.

Second argument questioning endowments is that the awareness of endowment reduces competitiveness and willingness to adapt to external environment and provides for stagnation and conservation of traditional practices.

This is a more difficult objection. If civil advocacy and watchdog groups will not compete for interest of citizens with their causes, they may not be able to educate the general public and get legitimacy. On the other hand, some of the issues which these groups raise are in such a strong contradiction to the general public taste, and it is hard to imagine raising a lot of support from society at large. Maybe not endowments but temporary funding mechanism stretching for decade or so may be more appropriate than endowments, to allow the funds to

be used to educate the public and to win the necessary time for civic society to gain its public legitimacy. However, increased endowments of indigenous grant-making foundations would certainly add to the quality of the process of strengthening the civil society in this region.

Nevertheless, the role of advocacy, watchdog and policy NGOs in future needs of this region seems to me to be indispensable. Endowments require a highly structured institutions, as well as clear mission and vision for the future and able management and fiscal prudence. The fifteen year of experience of the nascent foundation sector in this region provides several good practice examples.

Therefore I believe that there is both, an appropriate time and urgent need for action which would use this philanthropic instrument as a tool for achieving goals of strengthening independent, civil society in this region and to ensure that the meme of civil society's active role in key societal, economic and political issues from the nineties will remain present in a collective experience of CEE in 21st century.

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Bratislava, June 7, 2005