

**EDUCATIONAL SERVICES DELIVERY  
AT A CROSSROADS:**

**a Paradigm Shift in State-CSO Relationships  
in Central and Eastern Europe**

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## **About The Rise of Service Delivery Third Sector in Europe fellowship program**

The aim of "The Rise of Service Delivery Third Sector in Europe" fellowship program sponsored by the Education Support Program, Open Society Foundations, is to contribute to a better understanding of the transformation that civil society organisations undergo when engaged to undertake education service delivery with public funding. Special emphasis in the program is given to case-studies of educational civil society organisations, as education is an area where the growing trend of public outsourcing in service delivery is most striking, and is also a sphere where the quality and delivery of services has a direct and consistent impact on service recipients.

This new context arguably provides a positive outlook for civil society sustainability, following the withdrawal of many international donors from the Central and Eastern Europe region. However, the increasing trend towards outsourcing public service delivery to civil society organisations raises important issues, including the new principal-agent relationship, the process of selecting beneficiary civil society organisations, civil society independence vis-a-vis agenda formation and prioritization, the strength of the critical voice of civil society, and the capacity of civil society organisations to engage with the public sector in this new relationship. Four initial areas for consideration are being addressed under the 2010 round of call, including:

- The structural implications of engagement among public sector institutions and third sector organizations from the view of public service delivery. For instance, in the current (2008-2013) programming period, the governments through their funding mechanisms often end-up setting the priorities for third sector organisations, suggesting that the agenda for civil society organisations might be government-driven as well.
- The extent to which access to public funding for direct public service provision strengthens the institutional and programming capacity of third sector organizations. The extent to which third sector organizations service government priorities, or they themselves are able to institutionally develop and get closer to their immediate beneficiary groups.
- The steps taken to ensure the transparency and accountability of the existing public funding mechanisms. For instance, the public sector often finds itself in multiple and possibly incompatible positions, such as that of agenda setter, regulator, and financier, as well as sole controller of the initiatives implemented by third sector organizations.
- The capacities that public sector institutions need to develop in order to provide leadership and management under various market-type mechanisms in order to produce and deliver educational public services more effectively.

For further information on the fellowship program, please visit <http://www.soros.org/initiatives/esp> or send your inquiries to Daniel Pop, at [dpop@osieurope.org](mailto:dpop@osieurope.org).

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## Introduction

Since 1980s, the importance of the third sector<sup>i</sup> has grown steadily. Complementing the changes in state governance, the new functions acquired by the civil society organizations (CSOs) in the field of service delivery have redefined the public-private relationships in an unprecedented way. Belatedly affected by this transformation after the breakdown of communism, the voluntary sector in the countries of Central and Eastern Europe (CEE) has faced a particularly interesting challenge: grown out of the dissident tradition and redefining its stance towards government during the transition period, it is now tackling the influence of EU multi-annual planning schemes, resulting in a paradigm shift in budgeting matters.

CSOs in post-communist Europe have historically displayed donor-driven behavior; however, with the retreat of international funders at the end of the 1990s, CSOs increasingly focus on a government-driven agenda. This may provide an explanatory model for the civic motivations behind the different levels of engagement with service delivery. Having informed civil society organizations, which are able to question bureaucratic procedures and competitively participate in the equitable delivery of welfare services, represents a step forward in promoting transparency, diminishing corruption, and strengthening democratic accountability; as such, the stakes remain high for both the government and the third sector. In addition, changes at the transnational level can have resonating effects for an entire region. Recently, the Directive 15915/05 of the Council of the European Union established 1.045% of EU 27 gross national income (GNI) as a maximum expenditure figure for public service delivery for the period comprised between 2007 and 2013 for all member states, cumulating around 862 billion EUR. Out of these, up to 10% represents public service delivery expenditure by public-private partnerships and outsourcing. For the new member states, this enabled CSOs to have direct access to EU funding for the first time, while placing them on a different power sharing axis in their relationship with the government and public sources of funding. As a result, direct access to EU funding has remodeled the environment in which CSOs operate in an unparalleled way.

This study investigates the structural implications of engagement among public sector institutions and civil society organizations in the delivery of public education in five CEE countries. Previous research on post-communist Europe emphasized the weaknesses of CSOs by analyzing the causes of limited civic participation and widespread civic disillusionment<sup>1</sup>. The present endeavor is aimed at exploring a new type of dependency between public sector and non-governmental organizations and thus adopts a macro-perspective by analyzing the civil society sector's engagement in education service delivery in the following states: Czech Republic, Hungary, Poland, Romania and Slovakia. Additionally, there will be a reflection on the social transformation stages and the emergence of a new role for the state, as the beneficiary, the financier, the evaluator, and the decision-maker in the provision of outsourced educational services.

This chapter is structured as follows. The first part looks into different conceptual frameworks for the state-CSO relationship, drawing on the existent literature and pointing to the implications of funding streams. The second part explores the tradition of civil society in post-communist Europe, with particular reference to educational

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<sup>1</sup> Howard, Marc M. *The Weakness of Civil Society in Post-Communist Europe* (Cambridge: Cambridge University Press, 2003).

service provision. The third section identifies the current challenges in the context of the structural funds provision and analyzes the current paradigm shift for the third sector in CEE. Finally, conclusions are drawn and challenges outlined.

## The origins – how the third sector definition evolved

Ever since Amitai Etzioni assessed that there is a “third alternative, indeed sector... between the state and the market”<sup>2</sup>, the civil society organizations have received countless definitions. The first use of the phrase “civil society”, as a concept in its current form, distinguished from the sphere of the state and that of the family, dates back to Hegel’s *Elements of the philosophy of right*, published in 1821. Notably, referring to the “third sector” does not imply an internal heterogeneity; a “unified or fully concerted collective actor”<sup>3</sup> does not exist. However, following a comprehensive definition offered by Salamon and Anheier<sup>4</sup> in 1992, CSOs share these five crucial characteristics:

1. *Organized, i.e., institutionalized to some extent, typically through a legal charter of incorporation.*
2. *Private, i.e., institutionally separate from government.*
3. *Non-profit-distributing, i.e., not returning profits generated to their owners or directors.*
4. *Self-governing, i.e., equipped to control their own activities.*
5. *Voluntary, i.e., involving some meaningful degree of voluntary participation.*

By their functions, CSOs are also defined as “private actors for the public good”<sup>5</sup>. Within the broader “civil society organizations” concept, several functional distinctions can be made: non-governmental organizations (NGOs), professional associations, foundations, independent research institutes, community-based organizations, faith-based organizations, people’s organizations, social movements, and labor unions<sup>6</sup>. The absence of clear definitions may lead to a series of interpretation problems, as in the case of Czech Republic, where the meaning of non-profit organization was still not legally prescribed by the end of 2009<sup>7</sup>.

At the EU level, there is a distinction between “operational CSOs”, focused on service delivery and “advocacy CSOs”, which strive to impact governmental policies. However, the distinction of different types of non-profit organizations provides only an analytical differentiation, not an empirical description of the non-profit sector, as most

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<sup>2</sup> Etzioni, Amitai. “The third sector and domestic missions,” *Public Administration Review* 33 (1973): 314.

<sup>3</sup> Fric, Pavol. “The uneasy partnership of the state and the third sector in the Czech Republic,” in *Third Sector in Europe: prospects and challenges*, ed. Stephen S. Osbourne (London: Routledge, 2007), 230.

<sup>4</sup> Salamon, Lester M. and Helmut K. Anheier. “In Search of the Nonprofit Sector I: The Question of Definitions”, *Voluntas* 3.2 (1992): 125-151.

<sup>5</sup> Salamon, Lester M., Wojciech Sokolowski and Regina List. *Global Civil Society – An Overview*. (Baltimore: Center for Civil Society Studies – Institute for Policy Studies, The Johns Hopkins University, 2003), 1.

<sup>6</sup> Asian Development Bank. *Civil society organization sourcebook. A staff guide to cooperation with civil society organizations* (Mandaluyong City, Philippines: Asian Development Bank, 2009), 1.

<sup>7</sup> USAID. *The 2009 NGO sustainability index for Central and Eastern Europe and Eurasia* (United States Agency for International Development, 2010), accessed October 24, 2010, [www.usaid.gov/locations/europe\\_eurasia/dem\\_gov/ngoindex/2009/complete\\_document.pdf](http://www.usaid.gov/locations/europe_eurasia/dem_gov/ngoindex/2009/complete_document.pdf), 93.

of them perform, in reality, more than just one function. Throughout this study, special reference will be made to service delivery CSOs which develop, monitor, and implement projects, programs, or services. In Europe, there are different models of social services delivery: “économie sociale” in France, associationalism in Italy, subsidiarity in Germany, democratic membership organizations in Sweden, system of charities in the UK<sup>8</sup>.

Apart from the support of donors, the general financial resources available to CSOs include direct contributions – such as public subsidies, public grants, public procurement of goods or services delivered and donations from private companies or benefactors – and indirect support, through organizational tax deductions, exemptions from individual income tax liability, reduced rates for use of public property. CSO resources include entrance and membership fees, revenues from sales of products/ services and time contributed by members and volunteers<sup>9</sup>. In most Western European countries, tax deduction mechanisms are applied. They reduce the taxable income of an employed individual by the amount of the CSO contribution made. With an extensive reliance on public budgets and the recent trend of governmental cutbacks generated by the financial crisis, a shift towards a market-oriented behavior can be observed. In the words of Anheier<sup>10</sup>, “nonprofits are becoming more like for-profits”<sup>11</sup>.

According to Priller, the term *civil society organization* fits the Central and Eastern European context best, as it refers to fundamental features of non-profits: “first, to express and mirror societal and political deficiencies, and second, to lobby for a better world by promoting new ideas and initiatives of tolerance, democracy and mutual understanding”<sup>12</sup>. Three main characteristics stand out: the non-distribution constraint (whereby profits cannot be redistributed among the members), the legal status as private entities operating in the public sphere, and the basic principle of voluntary affiliation.

Studying the civic empowerment in CEE, Jenei and Kuti<sup>13</sup> asserted that a dual conception of CSOs is characteristic for the region: first, the third sector as an expression of civil society; second, the third sector as “an extension of central and local government”, given the role it plays in the delivery of social services. In accordance with the first view, CSOs are at the core of the “civil society” concept, as revitalized in the 1980s in CEE, in the context of the anti-communist movements in Central Europe and especially in connection to the Solidarnosc (Solidarity) mobilization in Poland<sup>14</sup>. Although there was a tradition of voluntary association prior to World War II in all of these, when the Communists came to power in mid-1940s, voluntary organizations along with any other spontaneous citizen activities were banned. Instead

<sup>8</sup> Anheier, Helmut K. “The third sector in Europe: five these”. Civil Society Working Paper 2 (2002), accessed November 1, 2010, [http://www.a77web.it/index.php?option=com\\_docman&task=doc\\_view&gid=43](http://www.a77web.it/index.php?option=com_docman&task=doc_view&gid=43), 7.

<sup>9</sup> Guess, George and Scott Abrams. “Helping civil society survive in Central and Eastern Europe,” in *NGO sustainability in Central Europe: helping civil society survive*, ed. Katalin E. Koncz (Budapest: Open Society Institute, 2005), 3.

<sup>10</sup> Anheier, “The third sector in Europe: five theses.”

<sup>11</sup> Anheier, “The third sector in Europe: five these,” 4.

<sup>12</sup> Priller, Eckhard. “Introduction,” in *Future of Civil Society. Making Central European nonprofit organizations work*, eds. Annette Zimmer and Eckhard Priller (Wiesbaden: VS Verlag für Sozialwissenschaften, 2004), 19.

<sup>13</sup> Jenei, Gyorgy and Eva Kuti. “Duality in the third sector: the Hungarian case,” *The Asian Journal of Public Administration* 25.1 (2003): 133-157.

<sup>14</sup> Bernhard, Michael H. *The origins of democratization in Poland: workers, intellectuals, and oppositional politics, 1976 – 1980*. (New York: Columbia University Press, 1993).

of these, the state-funded and party-controlled youth organizations or adult associations became the standard<sup>15</sup>. The term “civil society”, as it re-emerged with the dissident movements in the late 1970s, was originally understood as a self-organizing alternative society or a “parallel polis” (as Vaclav Benda put it in 1978) in opposition to totalitarian rule<sup>16</sup>. In the Central and Eastern part of Europe, it took the form of an “underground society” nurturing a plurality of interests and prospects, which generated different political cultures<sup>17</sup> nationwide (polarized into nationalist and reformist). Encouraged by international support (e.g. Helsinki Accords<sup>ii</sup>), the diaspora of exiled dissidents, or the experience of Soviet perestroika, underground activities ranging from the release of secret journals to the organization of workers’ movements had a tremendous impact on the formation and political orientation of post-communist elites. In countries where members of these movements became part of the leadership (Poland, Czechoslovakia), the homogeneity of communist virtues was challenged faster than in countries which still struggled with distrust in political mobilization, due to regime-coerced, non-voluntary political activity or to the violent repression of attempted regime contestation rallies.

The second understanding of the CSOs stresses their shaping by the relationship to the state. A number of member-serving voluntary organizations existed during communism in the field of sports, recreation and culture<sup>18</sup> (such as football clubs, hunting associations etc.). However, it was only after the regime change that CSOs specialized in advocacy and service delivery emerged. The later category arose as a response to two types of underlying conditions: first, to address the unmet needs, primarily in education, health, and social assistance; and second, to adapt to the newly emerging needs, with a focus on environmental and pacifist concerns<sup>19</sup>. In the Franco-phone academic tradition, the “*économie sociale*” (social economy) concept was coined for pointing to a rather distinct type of interaction with the state, through social justice lenses<sup>20</sup>.

## **A new role for CSOs: from government to governance in education**

In the early 1980s, the need for “reinventing government”<sup>21</sup> was triggered by the transformation of industrial societies to post-industrial ones. As a trend that rapidly expanded all throughout Western Europe with the advent of new public management, it brought about an increase in the demand for social services, including the delivery of educational services. In combination with numerous challenges posed to the state,

<sup>15</sup> Siegel, Daniel and Jenny Yancey. *The rebirth of civil society. The development of the nonprofit sector in East Central Europe and the role of Western assistance* (New York: Rockefeller Brothers Fund, 1993), 19.

<sup>16</sup> Rupnik, Jacques. “The Post-Communist Divide,” in *Democracy after Communism*, eds. Larry Diamond and Marc F. Plattner, *Democracy after Communism* (Baltimore: Johns Hopkins University Press, 2002), 103-108.

<sup>17</sup> Bianchini, Stefano. “Political Culture and Democratization in the Balkans,” in *Experimenting with Democracy. Regime Change in the Balkans*, eds. Geoffrey Pridham and Tom Gallagher (London: Routledge, 2000), 65-83.

<sup>18</sup> Jenei and Kuti, “The third sector and civil society,” 10.

<sup>19</sup> Jenei and Kuti, “The third sector and civil society.”

<sup>20</sup> Moolaert, Frank and Oana Ailenei. “Social economy, third sector and solidarity relations: a conceptual synthesis from history to present,” *Urban Studies*, 42, 11 (2005): 2037 – 2053.

<sup>21</sup> Osbourne, David and Ted Gaebler. *Reinventing government: how the entrepreneurial spirit is transforming the public sector* (New York: Penguin Books, 1993).



making it impossible for the public sector to handle everything efficiently, a shift occurred towards governance and public-private–civil sector mix<sup>22</sup>. At the same time, the baby boomer generation warranted policies and welfare services, which responded to its demographic pressures.

Two contrary theses explain the emergence and the utility of CSOs: that of market failure and that of state failure. The first one postulates that the market is neither able to secure the provision of public goods to all the citizens, nor capable of sustaining anything that operates outside the logic of profit making<sup>23</sup>. The second one warrants against the impossibility of the state to efficiently deliver public goods for the needs and demands of society's diverse groups. The state failure occurred because the public goods supplied by the state were dependent on the unilateral support of a majority of voters for one specific good, rather than for many<sup>24</sup>. In both cases, the function of the third sector is to correct against such failures and to guarantee that the needs are fulfilled at the optimal standards. Outside this "paradigm of conflict"<sup>25</sup>, the stance taken by the interdependence theory<sup>26</sup> is that of the civil society sector compensating for the limitations of both market mechanisms and state service provisions.

In Central and Eastern Europe, the voluntary sector operates, in reality, with limited civic engagement and low level of membership, resulting in a constant orientation towards attracting funds. This leads to concentrating an important part of the resources on meeting the priorities set by either the donors or the government. In the latter case, the transformation implies adapting to the public agenda for competitive tenders. The financing of the third sector determines, thus, the functions of the sector itself<sup>27</sup>. The shift from government to governance<sup>28</sup> is meant to reconcile this predicament<sup>iii</sup>. Enjolras<sup>29</sup> distinguishes between four forms of governance: public, corporative, competitive and partnership, resulting in distinct transformative paths for the delivery of social services.

Beyond the third party government model in the US<sup>30</sup>, the public–CSOs partnership schemes for the delivery of services became increasingly more common in Europe, under different forms: the principle of subsidiarity in Germany, the “ver-

<sup>22</sup> Finlay, Jane and Marek Debicki, eds. *Delivering public services in CEE countries: trends and developments* (Bratislava: NISPAcee, 2002).

<sup>23</sup> Hansman, Henry. “Economic theories of non-profit organizations,” in *The nonprofit sector: a research handbook*, ed. Walter W. Powell (New Haven: Yale University Press, 1987).

<sup>24</sup> Weisbrod, Burton A. *The voluntary nonprofit sector* (Lexington: Lexington Books, 1977).

<sup>25</sup> Salamon, Lester M. *Partners in Public Service: Government-Nonprofit Relations in the Modern Welfare State* (Baltimore: The Johns Hopkins University Press, 1995).

<sup>26</sup> See Salamon, Lester M. and Helmut K. Anheier. “Social Origins of Civil Society: Explaining the Nonprofit Sector Cross-Nationally”, *Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project*, no. 22, eds. Lester M. Salamon and Helmut K. Anheier (Baltimore: The Johns Hopkins Institute for Policy Studies, 1996); Prewitt, Kenneth. “The importance of foundations in an open society,” in *The future of foundations in an open society*, ed. Bertelsmann Foundation (Guetersloh: Bertelsmann Foundation Publishers, 1999).

<sup>27</sup> Jenei and Kuti, “The third sector and civil society,” 16.

<sup>28</sup> Van Kersbergen, Kees and Frans Van Waarden. “Governance as a bridge between disciplines: cross-disciplinary inspiration regarding shifts and problems of governability, accountability, and legitimacy,” *European Journal of Political Research* 43.1 (2004): 143–171.

<sup>29</sup> Enjolras, Bernard. “Between market and civic governance regimes: civiness in the governance of social services in Europe,” *Voluntas* 20 (2009): 274 – 290.

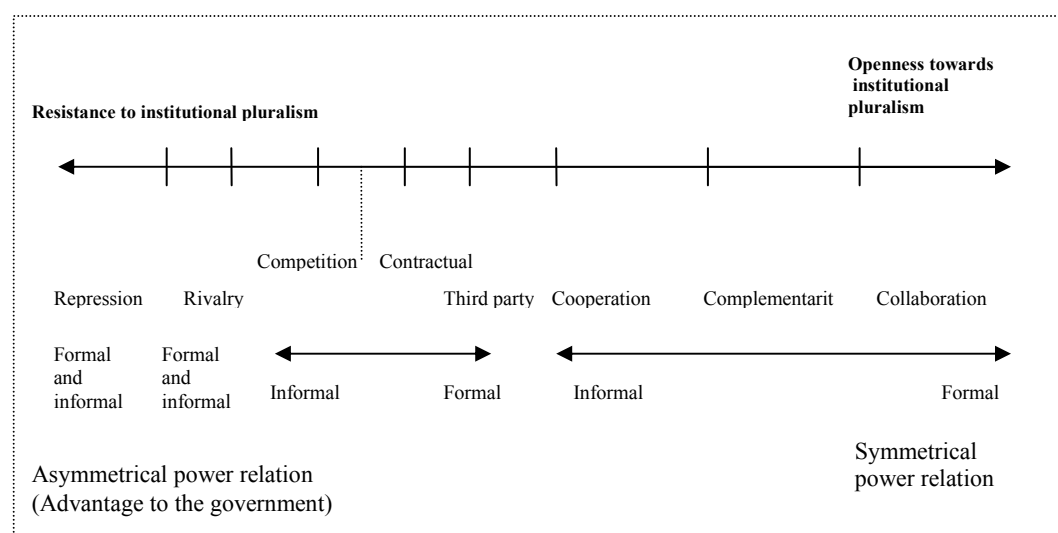
<sup>30</sup> Salamon, *Partners in Public Service: Government-Nonprofit Relations in the Modern Welfare State*.

zuilling” system in the Netherlands<sup>31</sup>. By empirically analyzing the impact of governmental contact provision to voluntary organizations in the UK, Bennett<sup>32</sup> concluded that around 40% of the non-profit sector relied on governmental grants in 2008. In 2001, Myers and Sachs concluded that the voluntary sector had already become a “permanent feature of government life”<sup>33</sup> and was seen by government officials as a means of expanding state welfare services.

In the UK, in spite of the fact that the 1998 Compact between government and civil society organizations ensured that CSOs, even if state-funded, would be allowed to maintain their independence, criticize, and challenge government policies without risking their chances of receiving government funding, a 2005 survey revealed only 15% of the organizations believed that the Compact brought about a significant change in their relationship with the government, as it had no impact on resource allocation<sup>34</sup>.

In her influential article “A model and typology of government – NGO relationship”, Coston identifies eight types of relationships that can be established between the government and the third sector with a view to the distance from government and formal and informal means of interference in the policy processes. She proposes a typology of government-CSOs relations against particular degrees of institutional pluralism and their dynamics (see Figure 1 below).

**Figure 1. Coston’s typology of government – CSOs relationship**



Source: Coston, Jennifer. “A model and typology of government – NGO relationship,” *Nonprofit and Voluntary Sector Quarterly*. 27.3 (1998): 358-382.

<sup>31</sup> Dekker, Paul. “What crisis, what challenges? When nonprofitness makes no difference”. In *The third sector policy at the crossroads: an international nonprofit analysis*, eds. Helmut K. Anheier and Jeremy Kendall (London: Routledge, 2001).

<sup>32</sup> Bennett, Roger. “Marketing of voluntary organizations as contract providers of national and local government welfare services in the UK,” *Voluntas* 19 (2008): 268- 295.

<sup>33</sup> Myers, Jan and Ruth Sachs. “Harnessing the talents of a <loose and baggy monster>,” *Journal of European Industrial Training* 25.9 (2001), 456.

<sup>34</sup> Das-Gupta, Indira. “Working with the government: second among equals,” *Third Sector Online*, January 26, 2005, accessed October 29, 2010, [www.thirdsector.co.uk/news/archive/613512/Working-government-Second-among-equals/?DCMP=ILC-SEARCH](http://www.thirdsector.co.uk/news/archive/613512/Working-government-Second-among-equals/?DCMP=ILC-SEARCH).

The influence of the state is, in practice, exercised primarily through regulation. Scrutinizing the state-education relation, Dale ascertained that there are two different sets of principles for state regulation, with wide-ranging effects for the sector: (a) rule-governed, based on the ex ante definition of the legal framework in which the actors operate, especially the inputs and demands; and (b) goal-governed regulation, done ex post by controlling the extent to which the activities have abided by the established norms and by checking the outputs<sup>35</sup>. Undoubtedly, the legal environment plays a significant role in the extent to which CSOs are able to engage in symmetrical power relations. As Salamon and Toepler put it

*While nonprofit organizations are, to a significant extent, informal organizations, they nevertheless interact with the formal mechanisms of the law in a variety of ways, from the establishment of legal personality and its resultant protection of members and officers from personal legal liability for the organization's actions, to provisions in the tax law which encourage or discourage philanthropic contributions to such organizations.*<sup>36</sup>

## **The governance of educational services**

Educational services traditionally relied on state provision in the Western world. In the past four decades, however, substantial changes have occurred in the mode of provision of educational services - reduction of the role of the state as the sole provider of these services. As such, education played a special role not only in preparing a qualified work force, but also in fostering unity and a common identity. Scrutinizing the state-education relationship, Codd et al. concluded that "the virtual absence of theories of the state in educational policy research is largely a reflection of the liberal ideology within which such analysis is generally undertaken"<sup>37</sup>. Neo-liberalism and the new public management ideology, together with the growing expansion of new means of communication, brought about a series of structural reforms at all levels. In Figure 2, the main trends are represented. This study chooses to explore the effects at the macro-level with reference to the Central and Eastern Europe. According to Cheng<sup>38</sup>, the societal changes responding to the current challenges, placed at the macro-level, push for a series of restructurings at all other levels. Complementing the identification of the market and privatization drives in education provision, the establishment of the new visions and educational aims suffered a major transformation from being entirely under state competence to its recent key

<sup>35</sup> Dale, Roger. "The state and governance of education: an analysis of the restructuring of the state-education relationship," in *Education, Culture, Economy, Society*, eds. A. H. Halsey et al. (Oxford: Oxford University Press, 1998).

<sup>36</sup> Salamon, Lester M and Stefan Toepler. "The influence of the legal environment on the development of the nonprofit sector," Center for Civil Society Studies Working paper series no. 17 (2000), accessed November 12, 2010, [www.ccss.jhu.edu/pdfs/CCSSWorkingPapers/CCSSWP17\\_LegalEnvironment\\_2000.pdf](http://www.ccss.jhu.edu/pdfs/CCSSWorkingPapers/CCSSWP17_LegalEnvironment_2000.pdf).

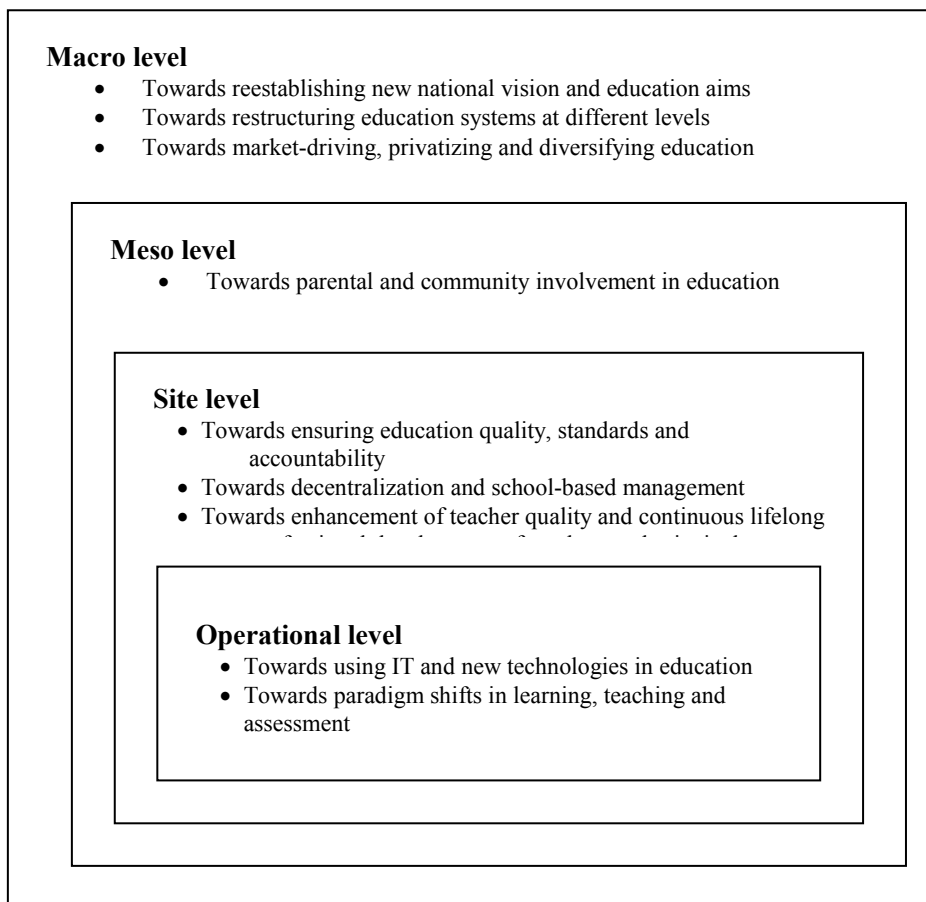
<sup>37</sup> Codd, John, Liz Gordon and Richard Harker. 1990. "Education and the role of the state: devolution and control post-Picot", in *Towards Successful Schooling*, eds. Hugh Lauder and Cathy Wylie (London: Falmer Press, 1990): 15-32, 16.

<sup>38</sup> Cheng, Yin Cheong. *New paradigm for re-engineering education: globalization, localization and individualization* (Dordrecht, Netherlands: Springer, 2005).

position within the setting up of supra-national priority areas in multi-level governance systems, such as the EU. Back in 1993, Jessop talked about the “hollowing out of the state”<sup>39</sup>, a phenomenon through which some of the activities are lost to the supra-national bodies and others to the sub-national level or to the non-state bodies.

Decentralized solutions became more effective and were more in line with the needs of the local communities. EU-level regulation has introduced the market-based regulatory mechanisms, which brought about a change in the budgeting mechanism – more freedom of choice, pressures for increased responsiveness and quality serviced adapted to the local needs<sup>40</sup>. In Enjolras’s view, two features characterize the provision of social services: a) caring externalities – people who are not directly affected caring about the treatment of others -, and b) informational asymmetries, a situation of discrepancy in the amount of information that the provider of the service has over the beneficiary concerning the nature and quality of the service.

**Figure 2. Overview of trends in education reforms**



Source: Cheng, Yin Cheong. *New paradigm for re-engineering education: globalization, localization and individualization* (Dordrecht, Netherlands: Springer, 2005).

<sup>39</sup> Jessop, Bob. “Towards a Schumpeterian Workfare State? Preliminary Remarks on Post-Fordist Political Economy,” *Studies in Political Economy* 40 (1993): 7-39. .

<sup>40</sup> Enjolras, “Between market and civic governance regimes: civicness in the governance of social services in Europe,” 283.

Notably, there is an important drift away from supplementary or complementary services towards statutory service provision under formal contracts with the government<sup>41</sup>. This tendency is motivated by several transformations within the public sector: firstly, it came as a consequence of the waves of privatization in the 1980s and 1990s<sup>42</sup>; secondly, the national government procurement procedures across Europe became more uniform, facilitating the process<sup>43</sup>; and particular political cultures were more favorable to empowering voluntary sector than others<sup>44</sup>. Wallis and Dollery<sup>45</sup> asserted that CSOs valued service quality over profit-making and their work is value- and commitment- led because they bring more expertise, innovation, and trustworthiness than governmental bodies<sup>46</sup>. Moreover, due to the voluntary or low paid workforce, their services are also cheaper than what the governmental agencies can provide<sup>47</sup>. It is said that beyond the provision of social services, the CSOs contribute to developing solidarity, social capital, voluntarism, democracy, and participation and cultural specificity<sup>48</sup>.

Control over financial resources, decision premises control and institutional relationships have constituted the focal points of public service delivery regulation in the region, ensuring a more inclusive role for civil society organizations. For a number of NGOs, out of the approximately 400 educational civil society organizations that exist in the 10 Eastern members of EU (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia), the decentralization process has brought about a new mission: that of sharing with the schools the responsibility for creating active citizens and perceiving education as a partnership process. In the past twenty years, educational reforms in the countries of CEE happened simultaneously with all the major restructurings in the fields of economy, public administration, and labor market.

### **CSOs in CEE – Bringing the civil society back in**

The transformation from the traditional unidirectional type of school communication to the partnership-centered approach implies a change of roles and a need for shared decision-making with third parties. The breakdown of communism also brought about the openness to different systems of governance, in political as well as in educational

<sup>41</sup> Essex, Tamara. "Conflict and convergence: managing pluralism in planning and provision," *International Journal of Public Sector Management*, Vol. 11.7 (1998), 622 – 649.

<sup>42</sup> See Morris, Susannah. "Defining the nonprofit sector: some lessons from history," *Voluntas* 11.1 (2000): 25-43; Anheier, Helmut K. *Nonprofit organizations: theory, management, policy* (London: Routledge, 2005).

<sup>43</sup> Chau, Nancy and Marieke Huysentruyt. "Nonprofits and public good provision: a contest based on compromises," *European Economic Review* 50.8 (2006), 1909 – 1935.

<sup>44</sup> Coston, Jennifer. "A model and typology of government – NGO relationship," *Nonprofit and Voluntary Sector Quarterly* 27.3 (1998): 358-382.

<sup>45</sup> Wallis, Joe and Brian Dollery. "Revitalizing the contribution non-profit organizations can make to the provision of human services", *International Journal of Social Economics* 33.7 (2006): 491–511.

<sup>46</sup> Bottery, Simon. "Working with government: an alternative way," *Third Sector Online*, January 26, 2005, accessed November 23, 2010, [www.thirdsector.co.uk/news/archive/616597/Working-government-alternative/?DCMP=ILC-SEARCH](http://www.thirdsector.co.uk/news/archive/616597/Working-government-alternative/?DCMP=ILC-SEARCH).

<sup>47</sup> Feiock, Richard and Hee-Soun Jang. *The role of nonprofit contractors in the delivery of local services* (Washington, DC: The Aspen Institute, 2007).

<sup>48</sup> Enjolras, "Between market and civic governance regimes: civiness in the governance of social services in Europe," 289.

domains. Among the models adopted by this region, two prevalent features help explain the intense study which has been devoted to this subject. The first one is related to the “multiple transformation, [which] broadly distinguishes regime change in Central and Eastern Europe from earlier waves of democratization in Europe since 1945”<sup>49</sup>. The process of democratization after 1989 has been multidimensional, multi-leveled, time-variable, and dependent on a series of internal and external factors that are responsive to incongruent bottom-up and top-down pressures. The second one is the interest in seeing the region as a stable one as soon as possible, which explains the primary concern of international donors in providing quality educational services.

To guard against market failures, usually, the approach of the government is to engage with public-programming regulation – drawing clear instructions on budgetary, planning, certifying aspects, as well as control procedures for the needs to be met, including quality and process standards. Over the past 20 years, CSOs have attained an increasingly prominent role in the delivery of education in the region, due to the a number of reasons: (1) a limited capacity of the state to provide good quality educational services in underserved areas and for vulnerable groups; (2) the development of civil society has coincided partially with administrative reform, in particular the decentralization of schools. To date, public support for CSOs in the region chiefly comes in the form of government funding. This means that continuity emerges as a key factor, as it structures the long-term relationship between public regulator and the service provider, in particular in small countries.

These broader transformations of the third sector need to be understood in connection with the different types of changes occurring in CEE and affecting various dimensions of the educational processes. Defining “change” has proved to be a difficult endeavor, with many competing statements from different perspectives being made in the literature. For the purpose of the current study, this is understood as “a process of transformation, a flow from one state to another, either initiated by internal factors or external forces, involving individuals, groups or institutions, leading to a realignment of existing values, practices and outcomes”<sup>50</sup>.

CSOs in five countries from Central and Eastern Europe will constitute the focus of this research: Czech Republic, Hungary, Poland, Romania and Slovakia. These states have in common, apart from their similar histories during communism and post-communism, their membership in the EU and their being exposed to a similar conditionality pattern in what concerns civil society developments<sup>iv</sup>. As such, they had a similar starting point all throughout the region in what has been termed “the rebirth of civil society”. Moreover, they share a similar political culture with regards to public perception of the role of the state, which is a legacy of socialism. Several studies have emphasized the prevalent view that it is the responsibility of the state and not of the CSOs to address the needs of the disadvantaged groups<sup>51</sup>. Legal regulations on third

<sup>49</sup> Pridham, Geoffrey. “Comparative Reflections on Democratisation in East-Central Europe: a Model of Post-Communist Transformation?,” in *Prospects for Democratic Consolidation in East-Central Europe*, eds. Geoffrey Pridham and Attila Agh (Manchester: Manchester University Press, 2001), 2.

<sup>50</sup> Morrison, Keith. *Management theories for educational change* (London: Paul Clapman Publishing Ltd., 1998), 13.

<sup>51</sup> Fioramonti, Lorenzo and Volkart Finn Heinrich. “How civil society influences policy: a comparative analysis of the CIVICUS Civil Society Index in post-communist Europe”, Research Report (2007), accessed November 5, 2010, [www.civicus.org/csi/csi-publications](http://www.civicus.org/csi/csi-publications); Juros, Andrzej et al. “From Solidarity to Subsidiarity: the Nonprofit Sector in Poland,” in *Future of Civil Society. Making Central European nonprofit organizations work*, eds. Annette Zimmer and Eckhard Priller (Wiesbaden: VS Verlag für Sozialwissenschaften, 2004), 557-599.

sector functioning and definition in the region have been influenced by European models, most of the time not fully adapted to the local context.

As anywhere else in the world, the CSOs in CEE emerged from specific socio-political realities and remained embedded in the system they came out. In line with the interdependence thesis, rather than studying CSOs in an isolated fashion, Howard points to the importance of the symbiotic relationship established with the state<sup>52</sup>. This has particularly strong roots in the region. The state-society heritage and the legacy of the non-democratic predecessor regime have been among the main factors influencing the development of CEE countries in the aftermath of 1989.

From that point on, the path embarked on by the former communist countries came to be frequently labeled as “the democratization process”, thus implying that the system of government they were heading towards was, in fact, liberal democracy<sup>53</sup>. Immediately after the revolutions of 1989, the actions taken to transform transitional governments into democratizing agents were a response to both internal and international pressures. Regardless of how tardy the transition countries managed to complete the reforms they committed to and in spite of the extent to which they were able to abide by the previously-acknowledged democratic rules in the first post-communist decade, the endeavor in the 1990s generated a degree of liberal choices and economic challenges that shaped the development of the third sector in these countries. Nevertheless, the heritage of state-society relations, comprised of weak organizational capacity of societal actors and the low level of interest articulation in civil society<sup>54</sup>, is considered one of the remnant factors affecting the transition outcomes.

In Jowitt’s perception<sup>54</sup>, this heritage, being identifiable all throughout communist countries in this part of Europe, has fostered a series of similarities that go beyond the differences in the region; thus, the atomization of society, the dominance of fear and mutual envy, the neo-patriarchal appeal of the party, and the concern for ends no matter the means to pursue them, have all resulted in the absence of a strong civil engagement practice. The rebirth of civil society, however, after a 40-year hiatus, emerged in a space that lacked the social foundation for its embrace, as well as the human and financial resources for development<sup>55</sup>. As such, the models to be followed and the standards aimed at were the Western European ones.

## Democratization and the Western Model

The socialization process at the continental and global level has been reinforced by the ideal of reaching stability and liberal democracy. The risk of any deviation from the embarked path was considerably reduced by the international supervising institutions. Nevertheless, almost all important international donors have pulled out of the region in

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<sup>52</sup> Howard, *The weakness of civil society in post-communist Europe*, 46-47.

<sup>53</sup> Diamandouros, Nikiforos and Stephen Larabee. 2000. “Theoretical considerations and evolving trends,” in *Experimenting with Democracy. Regime Change in the Balkans*, eds. Geoffrey Pridham and Tom Gallagher (London and New York: Routledge, 2000), 10.

<sup>54</sup> Jowitt, Ken. “The Leninist Legacy,” in *Eastern Europe in Revolution*, ed. Ivo Banac (Ithaca-London: Cornell University Press, 1992), 207-224.

<sup>55</sup> Perkowski, Tomasz. “From dimes to millions – the one percent system: financing for Central European CSOs,” in *NGO sustainability in Central Europe: helping civil society survive*, ed. Katalin E. Koncz, K. (Budapest: Open Society Institute, 2005), 134.

the first ten years after the demise of communism, thus creating a space for grass-roots initiatives to be funded through the public system of financing.

From a market-oriented perspective, the newly democratizing countries of CEE faced the double challenge of stabilizing and changing their economy simultaneously, in addition to coping with the stimuli of fast-paced, global economic developments. Along these lines, fundamental institutional restructuring had to be coordinated with micro-economic liberalization because “the collectivist notions were strong in Eastern Europe: from its powerful national traditions; from a sense that communism had atomized society, which needed to be put back together; and last but not least because communism has created a fairly undifferentiated society lacking much basis for individualism”<sup>56</sup>. The mechanisms for socialization used by the international structures in Central and Eastern Europe initially disregarded the differences between transitional countries and concentrated on convergence. Treating the states of the former communist bloc in a similar way indicated how ill-prepared the regional actors were to confront the outcomes of the totalitarian legacy other than in a collective manner. Notwithstanding the inherent difficulties of the international organizations to unanimously decide on a long-term policy to follow, their first goal was of convergence, defined as the “gradual movement in system conformity based on an institutionalized grouping of established democratic states that has the power and mechanisms to attract regimes undergoing change and to help secure their democratic outcomes”<sup>57</sup>.

This context gave birth to bizarre entities: In Hungary, there is a distinction between civil non-profit organizations and nonprofit organizations established by law or by state institutions (public law associations and public foundations<sup>58</sup>). Back in the 1990s, the Hungarian Foundation for the Development of Local Social Networks defined itself as “an independent organization of national scope founded by the Ministry of Public Welfare”, and its funds from the central government budget were supplemented by the PHARE program of the European Community<sup>59</sup>.

An important critique of this phenomenon came from Hann, who identified a significant constraint arising from the influence of the Western models. According to him, “civil society debates have been too narrowly circumscribed by modern Western models of liberal-individualism”<sup>60</sup>, which resulted in a particular understanding of CSOs in light of an ideal of social organization that evolved in a historical moment whose context cannot be replicated in the current landscape anywhere in the world.

In what concerns the Europeanization and Eastwards enlargement writings, they have assumed that the model of integration proposed by the EU has been the most consistent attempt to pacify the continent by creating a supra-national multileveled institution under whose framework member-states enjoy the equal rights and to a large extent, similar benefits, while being engaged in analogous procedures and in respecting obligations alike. Europeanization has been delineated as “a process of construction, diffusion, and institutionalization of rules, procedure, paradigms, styles, ways of doing

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<sup>56</sup> Okey, Robin. *The Demise of Communist East Europe. 1989 In Context* (London: Arnold, 2004), 78.

<sup>57</sup> Pridham, Geoffrey. “Between Rhetoric and Action: Reflections on Romania’s European Union Accession and Political Conditionality – the Views from Brussels and Bucharest,” *Romanian Journal of European Affairs* 6.3 (2006), 8.

<sup>58</sup> Bullain, Nilda, Peter Holchacker and Veronika Mora. *Civil vision. Comprehensive nonprofit legislative reform concept: questions and alternatives* (Budapest: Typoezis Kft., 2004).

<sup>59</sup> Siegel and Yancey. *The rebirth of civil society. The development of the nonprofit sector in East Central Europe and the role of Western assistance*, 36.

<sup>60</sup> Hann, Chris. “Introduction: political society and civil anthropology”, in *Civil society: challenging Western models*, eds. Elisabeth Dunn and Chris Hunn (London and New York: Routledge, 1996), 3.



and shared beliefs and norms, formal and informal, defined and consolidated first in the decision-making process of the EU and then incorporated in the logic discourses, identities, political structure and policies at the domestic level”<sup>61</sup>

Once the Copenhagen Summit pre-accession conditions were settled in 1993, the criteria for re-joining the democratic world became clear: firstly, endorsement of the market economy; secondly, the creation of stable, enduring democratic institutions and protection of human and minority rights; thirdly, the acceptance of the *acquis communautaire* (the total body of EU law) and the subsequent harmonization of national legislations. Eight of the countries from CEE became member states of the European Union in 2004 and two other (Romania and Bulgaria) joined the EU in 2007.

EU’s interest in the third sector increased over the years, as the following documents point out: 1997 Communication, 2000 Discussion paper of the European Commission, opinions expressed by the Economic and Social Council (1997, 1998, 1999). Anheier<sup>62</sup> attributes this growing importance to fundamental shifts in the structure of society, especially the demographic factors, the growing middle class and the changing role of the state. The Maastricht and Amsterdam treaties emphasized the principle of subsidiarity in the provision of social services, leaving the policymaking to the discretion of the national states. Restructuring this, Article 165 of the Lisbon Treaty states that “the Union contributes to the development of quality education by encouraging cooperation between Member States and, if necessary, by supporting and supplementing their action, while fully respecting the responsibility of the Member States for the content of teaching and the organization of education systems and their cultural and linguistic diversity”.

## Regional challenges

A series of interrelated processes have restructured the perception and functioning of the third sector in the CEE region. Firstly, there was an unprecedented increase in the number and types of non-profit organizations, with diversified areas of action. Their high number gradually led to an unhealthy dependency on governmental revenue. Secondly, the privatization process, coupled with the advent of consumerism has led to a commercialization of the social services and education to an extent. Thirdly, boundaries between private and public sector started to blur and new paths of collaborations became visible.

Education remains in the public domain, but its coordination is not solely the state’s prerogative. Nowadays, it is coordinated through a multitude of actors and various forms of governance, defined as “the control of an activity by some means such that a range of desired outcomes is attained – is, however, not just the province of the state”<sup>63</sup>. Post-communist transformation was marked by the depolarization of education, which represented a move away from the communist ideology; decentralization of the education system, and the elimination of the state monopoly on education by allowing the operation of non-state funded schools, which provided an

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<sup>61</sup> Radaelli, Claudio M. “Whither Europeanization? Concept stretching and substantive change”, *European Integration online Papers* (EIoP) 4.8 (2000), accessed November 18, 2010, [eiop.or.at/eiop/texte/2000-008a.htm](http://eiop.or.at/eiop/texte/2000-008a.htm).

<sup>62</sup> Anheier, “The third sector in Europe: five theses”.

<sup>63</sup> Hirst, Paul and Grahame Thompson. “Globalization and the future of the nation-state,” *Economy and Society* 24. 3 (1995): 408-442, 422.

array of options to choose from. An important legacy from the communist times is the existence of the distinction between “old NGOs”, remnants from the previous regime, as opposed to the “new CSOs”, established after 1989. Common throughout the region, sports and recreational activities were the priority areas of state-controlled organizations during communism (mutually beneficial), while welfare issues were the prerogative of the new organizations (public beneficial).

The most common type of grant that states can offer are project-based government grants as well as per capita state support grants, in the form of subsidies and contracting out services<sup>64</sup>. With the increasing pressure for transparency in government, competitive bidding has become the standard mechanism for distributing state funds. This resulted in a privileged status of larger CSOs involved in different partnerships with state agencies in CEE. As Jenei and Kuti note, the distribution of public support for CSOs “is highly concentrated”<sup>65</sup>. On the side of the state, the motivation for encouraging this phenomenon by the structural constraints can be twofold: ensuring that those CSOs that are funded are strong enough to provide the services at adequate standards; and making the accountability process easier. Consequently, the interest in receiving state funding can diminish the extent to which civil society organizations engage in criticizing the government. Among the many examples through the region, the government-CSOs relation in the Czech Republic during the Vaclav Klaus’s mandate is noteworthy<sup>66</sup>.

Even the limits that are set in place by applying particular methods of funding to guard against dependency on governmental will and judgment, such as the introduction of the percentage legislation, may result in creating sharp imbalances between large and small CSOs. With the subsidies coming from personal contributions (1% and 2% laws), the funds are redirected towards the CSOs that are financially able to invest in promotion and advertising. The idea of the percentage legislation appeared in Hungary in 1991 as an initiative of a political party, the Alliance of Free Democrats<sup>67</sup>. The idea behind was that of bridging the financial gap left by the retreat of international donors, while ensuring a certain financial distancing from governmental grants. The 1% scheme was introduced in 1997 in Hungary and it allows for redirecting 1% of the personal income tax payment to a CSO of taxpayer’s choice. By 2004, the same system was established in the Czech Republic, Poland, Romania, and Slovakia. The CSOs operating in the education field are eligible for this financing scheme as long as they comply with a set of conditions prescribed in the law<sup>68</sup>.

The 1% system represents a form of private-public partnership<sup>68</sup>: the choice of redirecting up to 1% of the past year taxes, as well as that of selecting a CSO to support remains with the citizen, whereas the administrative tasks to put that into practice are handled by the tax authorities. In Hungary, this has been complemented by the National Civil Fund (NCF), a unique mechanism that matches the 1% taxpayer funds from the state budget, with the main goal of supporting the operating costs of CSOs (60% of the sum), various public benefit activities (30% of it) and its own administrative costs (10%). The NCF distributes non-refundable and refundable grants

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<sup>64</sup> Jenei and Kuti, “The third sector and civil society.”

<sup>65</sup> Jenei and Kuti, “The third sector and civil society,” 18.

<sup>66</sup> Fioramonti and Heinrich, “How civil society influences policy: a comparative analysis of the CIVICUS Civil Society Index in post-communist Europe”, 22.

<sup>67</sup> Perkowski, “From dimes to millions – the one percent system: financing for Central European CSOs,” 138.

<sup>68</sup> Guess and Abrams, “Helping civil society survive in Central and Eastern Europe,” 3.

based on the applications accepted by its Colleges, one of the decision-making bodies. It is entirely dedicated to CSOs (associations, societies and foundations), by specifically declaring political parties, trade unions, public law foundations etc. as ineligible. The other decision-making assembly within NFC is the Council, which is in charge of defining the strategy and rules of operation, establishing the priority areas and overseeing the division of resources. The composition of the NFC is decided through an open electoral system from among civil society representatives, who play a decisive role in the distribution of the funds.

According to some scholars, among post-communist countries, Poland has had a more active civil society<sup>69</sup>, due to their particular historical evolution under socialism, which included a great deal of involvement from the Catholic Church, the non-collectivization of agriculture, and the Solidarity movement. Contesting this, however, Samuel Barnes found that the “Polish exceptionalism” consists of low levels of membership in voluntary organizations<sup>70</sup>. Most attention in the first years of transition was given to free market privatization, business education, political training and development and environmental issues<sup>71</sup>. Like in Romania, the term “non-governmental organization” was introduced in the legislation in 1997. Since 2003, the activities qualifying for the public benefit statute have been prescribed by law. The 2000 NGO Sustainability Index<sup>72</sup> showed that most Polish CSOs remained dependent on foreign grants. The forms of external assistance consisted of direct support (grants) and indirect support: information networks and clearinghouses; needs assessment; conferences and seminars; visits and fellowships; internships and exchanges; and training and technical assistance. Since 2001, associations and foundations are required to register with the National Court Register. This, however, is still not implemented in the Czech Republic, resulting in a lack of accurate statistics for the CSO sector.

In Poland, both foundations and registered associations are allowed to engage in economic activities, but the latter need to allocate their profit for statutory aims. The 1% system was introduced in 2004<sup>73</sup>. Due to the strong influence of the activities run by the Catholic Church and other faith-based organizations, the Polish civil structures “appear to be more responsive towards social interests than organisations in any other post-communist country”<sup>74</sup>. According to Glinski, however, the CSOs in Poland are still considered to be “enclave-like, and are not coequal partners to the spheres of business and politics”<sup>75</sup>, operating on a model of “self-government without participation” at the district level. This implies a degree of centralization and a pattern of perpetuated favoritism by the central administration. Some legislative obstacles for service provision were overcome at the end of 2008, when the on value added tax

<sup>69</sup> Ekiert, Grzegorz and Jan Kubik. *Rebellious civil society: popular protest and democratic consolidation in Poland, 1989 – 1993* (Ann Arbor: University of Michigan Press, 1999).

<sup>70</sup> Barnes, Samuel. “The mobilization of political identity in new democracies,” in *The postcommunist citizen*, ed. Samuel Barnes and Janos Simon (Budapest: Erasmus Foundation, 1998).

<sup>71</sup> Siegel and Yancey, *The rebirth of civil society. The development of the nonprofit sector in East Central Europe and the role of Western assistance*, 61.

<sup>72</sup> USAID. *The 2009 NGO sustainability index*.

<sup>73</sup> Chimiak, Galia. *How individualists make solidarity work* (Warsaw: Ministerstwo Pracy i Polityki Społecznej, 2006), 89.

<sup>74</sup> Fioramonti and Heinrich, “How civil society influences policy: a comparative analysis of the CIVICUS Civil Society Index in post-communist Europe”, 22.

<sup>75</sup> Glinski, Piotr. “Civil society in Poland – Twenty years of change: the third sector”. *Academia. Focus on Sociology* 1.25(2010), accessed October 30, 2010, [www.english.pan.pl/images/stories/pliki/publikacje/academia/2010/25/str\\_04-07\\_glinski.pdf](http://www.english.pan.pl/images/stories/pliki/publikacje/academia/2010/25/str_04-07_glinski.pdf), 4.

applied to good donations was amended to a 0% VAT for items donated to public benefit organizations. In 2010, 10.3% of the CSOs are involved in education and upbringing<sup>76</sup>.

By the National Council Act 369/1990 of Czechoslovakia, education fell under the responsibility of municipal self-governments, thus starting to cooperate with CSOs very early by means of contracting and outsourcing services, though not in a systematic way<sup>77</sup>. In the Czech Republic, the relationship of the CSOs with the government has been characterized by sustained opposition. This has recently changed last year, when the interim government installed following the vote of no confidence in March 2009 approved an equal budget to that of the previous year for the social services provision<sup>78</sup>, in spite of their financial crisis and massive governmental cutbacks.

Despite the public administration reform in 1996<sup>vii</sup> in Slovakia, the relationship with the third sector remained uninfluenced<sup>79</sup>. An array of legislative reforms at both the national and the regional level was implemented in 2001, including the law on local self-administration, resulting in municipalities acquiring more competences in many areas. Service providing CSOs (including education delivery) are registered with the regional office of the national administration and education has constituted a priority area, taking up 39.9% of the activities of the nonprofit sector in Slovakia as of 2002<sup>80</sup>.

In 2003, the 1% percent law was introduced and it was increased to 2% one year later. 2004 was the year in which a new fiscal decentralization policy came into effect. The marked influence of the EU conditionality permeated the public space and the type of relations established in the pre-accession period. From 2004 onwards, CSOs embarked on the networking phase<sup>81</sup>, which requires cooperation and coordination to solve the problems of Slovak society. Notably, education, particularly at the elementary school level, was transferred from direct ministerial responsibility to the regional municipality level, and the third sector received equal rights to public funding for any school delivering the “state curricula”, with the law no. 597/2003 on financing primary and secondary schools as well as other educational establishments give equal rights. This, however, results in unfair competition between public schools and private non-profit schools, as the latter would be endowed to the same state contribution as the former, in spite of the fact that they could engage in fee collection and fundraising<sup>82</sup>. During the Fico government, taking office in 2006, state schooling was encouraged over third sector delivery, as some of the previous policies were repealed.

Out of the 2,329 accredited social services providers in 2009 in Romania, almost half were CSOs and more than 200 civil society structures benefited from the European Structural Funds<sup>83</sup>. By 2005, Romanian NGOs still suffered from a “lack of long-term vision, strategies, and policies, as well as a marked dependency on donors”<sup>84</sup>

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<sup>76</sup> Glinski, “Civil society in Poland – Twenty years of change: the third sector”.

<sup>77</sup> Nemec, Juraj. “The third sector and the provision of public services in Slovakia,” in *Third Sector in Europe: prospects and challenges*, ed. Stephen Osbourne (London: Routledge, 2007), 122.

<sup>78</sup> USAID, *The 2009 NGO sustainability index*.

<sup>79</sup> Nemec, “The third sector and the provision of public services in Slovakia,” 123.

<sup>80</sup> Filadelfiova, J et al. *Recognition of the third sector in Slovakia* (Bratislava: SPACE, 2004).

<sup>81</sup> Bútorová, Zora and Martin Bútor. *Non-governmental organizations and volunteers in Slovakia through the prism of public opinion* (Bratislava: SPACE, 1996).

<sup>82</sup> Nemec, “The third sector and the provision of public services in Slovakia,” 126.

<sup>83</sup> USAID, *The 2009 NGO sustainability index*.

<sup>84</sup> Negulescu, Raluca. “Shoes for shoemakers: NGO resource centers in Romania,” in *NGO sustainability in Central Europe: helping civil society survive*, ed. Katalin E. Koncz (Budapest: Open Society Institute, 2005), 18.

and the donor-driven behavior continues to manifest. In 2009, 18.6% of the financing sources were constituted by non-reimbursable grants from EU, while the public authorities only contributed with 4.9%<sup>85</sup>. The 350/2005 law on CSO public funding at local level is yet to be effectively implemented<sup>86</sup>.

### **The Structural Funds: towards a paradigm shift**

The European Social Fund (ESF) is the first Structural Fund established back in 1957 with the Treaty of Rome. Its purpose is to promote employment and increase mobility of workers. The Fund has gone through a couple of transformations: through the end of 1987, member states were the sole decision makers in what concerned the policy priorities<sup>87</sup>; after 1988, though, four guiding principles for the administration of the funds were introduced: concentration (funds to be distributed to the neediest areas), programming (the introduction of seven-year long planning periods), additionality (a requirement of contributions from national budgets to complement the value of the structural funds), and partnership (defined as “consultation”<sup>viii</sup> between all entities involved, including the European Commission). This has led to a redesign of the policies that have eased the achievement of better services in regions with marked social and economic disparities.

The 2007–2013 planning framework has constituted one of the main financing sources for the CSOs in CEE, as all regions in these countries were eligible for European funds. This multi-annual budget relies on the principles of co-financing and shared management. Co-financing allows for either public or private financing along EU financial assistance, ranging between 50% and 85% of the total cost of the activity. For the period comprised between 2007 and 2013, 35.7% of the budget of the European Union has been dedicated to reaching three objectives: convergence, regional competitiveness and employment and European territorial co-operation.

Shared management of these funds includes several levels of action and implicitly, cooperation: at the EU level, guidelines for operation are designed; the national agencies established by the member states conceive the Operational Programmes, conduct the selection of the projects, manage the distribution of the grants, and monitor their use. The local authorities and the civil society organizations handle the on-ground implementation of the project. As such, it assigns expansive powers to the state, which may lead to a paradigm change in the government–CSO relationship for the newer members of the European Union. For educational areas, the contribution for the first three years of the multi-annual EU funds has varied from country to country, emphasizing the capacity of local organizations to mobilize their resources for priority areas. Table I below offers an overview of both EU contributions to priority areas covering educational services.

While relying on the local knowledge of civil society organizations operating in the field of education and intended to make the third sector an equal partner in the

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<sup>85</sup> FDSC. 2010. “Romania 2010. Sectorul non-guvernamental – profil, tendinte, provocari”. Annual report, Fundatia pentru Dezvoltarea Societatii Civile, accessed October 22, 2010, [www.fdsc.ro/library/conferinta%20vio%207%20oct/Romania%202010\\_Sectorul%20neguvernamental.pdf](http://www.fdsc.ro/library/conferinta%20vio%207%20oct/Romania%202010_Sectorul%20neguvernamental.pdf).

<sup>86</sup> USAID. *The 2009 NGO sustainability index*, 178.

<sup>87</sup> Bache, Ian. “The Extended Gatekeeper: Central Government and the Implementation of EC Regional Policy in the UK,” *Journal of European Public Policy* 1 (1999): 28-45; Hooge, Liesbet. *Cohesion policy and European integration: building multi-level governance* (New York: Oxford University Press, 1996).

dialogue with government, some of the unintended consequences of the allocation of Structural Funds indicate the emergence of a new paradigm shift in the operation of service delivery CSOs in CEE. On top of that, the effects of the financial crisis in the region often affect the educational reforms undergone to date. The direct implication of these is that, in performing their activities, the civil society structures that operate in underserved areas or benefit disadvantaged groups may need to align themselves to the agenda of the government, withstanding their own objectives.

**Table I. Overview of ESF funding for five selected countries from CEE**

Country	Operational Programmes	Objective	Reforming education and training systems	Promoting education and training throughout working life	Total EUR
Czech Republic	Operational Programme Education for Competitiveness	Multi objectives	1,098,352,050	54,861,443	1,153,213,493
	Operational Programme Human Resources and Employment	Multi objectives	0	37,142,838	37,142,838
	Operational Programme Prague Adaptability	Regional Competitiveness	18,530,000	8,720,056	27,250,056
Hungary	Operational Programme for Social Renewal	Multi objectives	982,908,394	570,815,013	1,553,723,407
Poland	Human Capital Operational Programme	Convergence	1,254,481,806	1,710,411,629	2,964,893,435
Romania	Sectoral Operational Programme Human Resources Development 2007 – 2013	Convergence	683,832,021	182,355,149	866,187,170
Slovakia	Operational Programme Education	Multi objectives	233,660,000	162,851,000	396,511,000
	Operational Programme Employment and Social Inclusion	Multi objectives	0	75,350,000	75,350,000
					7,074,271,399

Source: European Social Fund ([http://ec.europa.eu/employment\\_social/esf/index\\_en.htm](http://ec.europa.eu/employment_social/esf/index_en.htm))

Against the background of civil society development in the region, allocating funds for CSOs through the national agencies is quite challenging. This can lead to an over-empowerment of the state, where it is the sole financing source and the only evaluator, which leads to an unhealthy dependence on the government. While grant priority areas are established in consultation with the non-governmental organizations, the final decision rests with the national agency.

Functioning in an environment in which funding is crucial, many CSOs might undergo successive transformations in their mission to be in accordance with the

funding priorities. Entrusting the national agencies for structural funds with high competences increases the risk of abuses on behalf of the state by reducing the ability of the CSOs to criticize the government. As a consequence, the government-driven agenda would take precedence over addressing the concerns as they arise in a bottom-up manner. With the requirement of a national contribution to complement the Structural Funds, collaboration between CSOs may tend to favor two types of relationships: among CSOs themselves, creating coalitions of large organizations; towards the state, giving advantage to the organizations that have long worked with public authorities. As such, this may diminish the possibility for smaller CSOs to compete on an equal footing when applying for these grants.

## Conclusions

This study assessed the economic and social climate of public service delivery in Central and Eastern Europe prior to and after the introduction of the European Union multi-annual financial framework (2007-2013), which enabled CSOs to directly access public funding through national agencies. The focus here was on the implication this paradigm shifts has for the delivery of educational services, which fundamentally shape the life opportunities of the recipients and have a long-lasting impact on the development of active citizens. As the education systems in CEE increasingly become a fertile arena for public outsourcing of service delivery, the redefinition of the relationship between the government and the civil society sector faces long-standing challenges.

The new characteristics of the interaction between third sector and public authorities include: part-financing, strategic planning for medium-term, sustained partnership – the integrated approach for preparation, financing, and monitoring/assessment of projects done through collaboration at EU at the national and local level. The strong dependency on public resources may diminish the capacity that CSOs struggled to develop during the post-communist transition years by strengthening a government-driven agenda rather than the needs-driven impetus of their mission and established priority areas. This may lead to CSOs modifying their mission, reducing their critical stance towards public policies, and incentivizing the coalition of strong CSOs when applying for funds.

Beyond these potential unintended outcomes, the global financial crisis, begun in 2008, has compromised the availability of public financial support for the delivery of social services, including educational ones. As such, the discrepancies between different regions have grown even bigger. Provision of services at lower costs, an approach that has been favored all throughout the region, may result in decreasing the quality of what is delivered. For both underserved areas and groups, this may further accentuate the inequality gap, unless special measures are taken to address it in a speedy manner.

In terms of organizational change, Romanelli<sup>88</sup> contended that there are two directions that the third sector can move towards: recombination and refunctionality. Recombination refers to the introduction of new elements, mostly adapted from the for-profit organizations, such as corporate management, branding, benchmarking etc. Refunctionality describes the phenomenon of relocation in a different sector, either as a move towards another field of action or as a migration from non-profit to for-profit. In what regards the provision of social services, the latter appears as predominant. Either of these phenomena would significantly impact the definition of the third sector

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<sup>88</sup> Romanelli, Elaine. "The evolution of organizational forms," *Annual Review of Sociology* 17 (1991): 79 -103.

as we know it today. Due to the larger implications of the economic crisis, the World Bank has recommended that stimuli for the third sector needs improvement in order to “redesign services delivery to lower costs and reduce variations in efficiency across the local governments”<sup>89</sup>. Yet, the types of challenges ahead depend on the character of the traditional functions of the state in multi-level governance structures.

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<sup>89</sup> World Bank. “EU 10 Regular Economic Report”, Main Report Sustaining Recovery (November 2010), accessed November 20, 2010, [siteresources.worldbank.org/INTECA/Resources/257896-1290024812383/RER\\_18Nov2010\\_FINAL.pdf](http://siteresources.worldbank.org/INTECA/Resources/257896-1290024812383/RER_18Nov2010_FINAL.pdf).



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## Endnotes

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- i Throughout the paper, the terms "third sector", "voluntary sector", "non-profit sector" will be used interchangeably. For a clarification of how this terminology is embedded in the work of different social scientists and economists, see Reed, Paul and Valerie Howe. "Defining and classifying the nonprofit sector". Research paper for the Advisory Group on Nonprofit Sector Research and Statistics in Canada (1999), accessed October 5, 2010, [dsp-psd.pwgsc.gc.ca/ Collection/CS75-0048-7E.pdf](http://dsp-psd.pwgsc.gc.ca/Collection/CS75-0048-7E.pdf).
- ii The Helsinki Accords, or the Final Act of the Conference on Security and Cooperation in Europe, of August 1975, was a written commitment undertaken by 35 states around the world (including the Soviet Union) focusing on respect for human right, territorial integrity, sovereign equality and inviolability of borders.
- iii For the dimensions and positioning of actors and sectors in the governance structure, see Enjolras, Bernard. "Between market and civic governance regimes: civiness in the governance of social services in Europe," *Voluntas* 20 (2009): 274 – 290.
- iv Though entering the European Union in 2007, Bulgaria has not been included in the present analysis due to its belated transition and different starting point.
- v For clarification purposes, I shall refer to *democracy* in Robert Dahl's terms, as a political system which ensures *effective participation* (guaranteeing equal opportunities to participate in and decide upon the policies to be implemented, allowing for public contestation and political competition), *voting equality* (guaranteeing equal opportunity to vote and the same weight granted to every vote), *enlightened understanding* (guaranteeing equal opportunities to learn about policies, alternatives and their consequences), *control of the agenda* (providing for the possibility of the societal groups and associations to take part in the decision-making process by settling the agenda) and *adult inclusion* (the right of every adult to exercise his right to vote in accordance with the rule of law and without any further limitation).
- vi The conditions prescribed in the law refer to a specific number of years of existence, political independence, the acquired sum to be used in good faith and for appropriate purposes etc.
- vii Especially Law No. 221/1996 on the territorial-administrative division and Law no. 222/1996 on local state administration.
- viii According to EEC Regulation No. 2052/88.