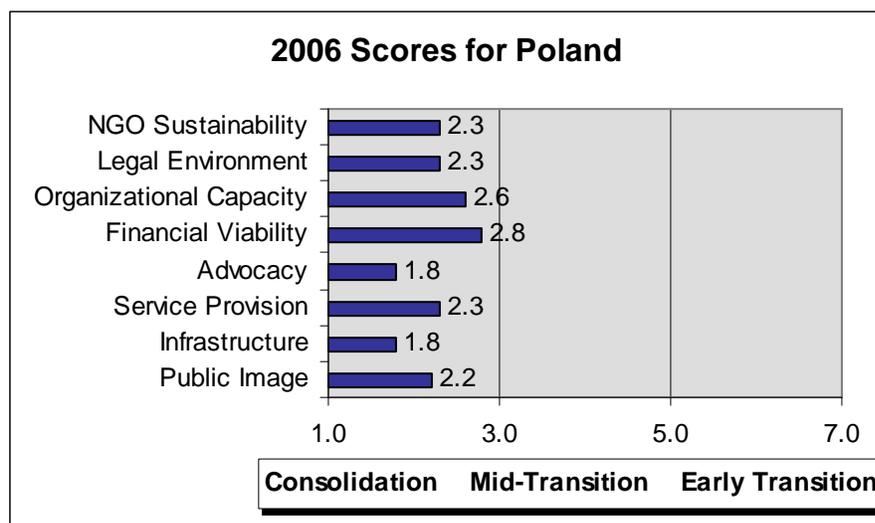


## Poland



**Capital:** Warsaw

**Polity:** Republic

**Population:**  
38,536,869

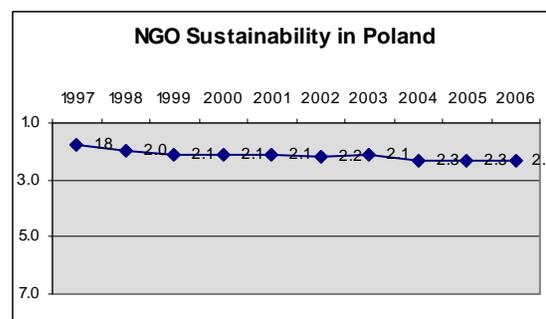
**GDP per capita  
(PPP):** \$14,100

### NGO SUSTAINABILITY: 2.3

The overall condition of Polish NGOs did not change in 2006. The slight negative and positive changes that did occur tended to cancel each other out.

There are currently about 63,000 registered organizations, of which 55,000 are associations and 8,200 are foundations. There is then a significant growth in the number of organizations in comparison with 2004, when there were 52,000 registered organizations, with 45,000 associations and 7,000 foundations. These data are not very precise, however, since the national registry does not track organizations that have ceased to exist. Research also suggests that a large percentage of organizations in the Polish NGO sector are young. The average age of NGOs is 11 years, and half of organizations are not more than six-seven years old. This shows the significance of difficulties faced by newly-established social initiatives.

There is a large concentration of NGOs in urban areas with 70% of NGOs located in towns, and only 20% in rural areas. Furthermore, 40% of organizations are located in the 16 main cities in Poland.



The Polish NGO sector is dominated by organizations acting in the fields of sport, tourism, recreation and hobbies (39% of organizations point to these as their purpose). Other fields cited as the main focus of activities include culture and art (13% of organizations), education (10%), social services and social assistance (10%) and health care (8%). This distribution of areas of involvement has remained unchanged for years.

The year 2006 was the third year since the entry into force of the Act on Public Benefit Activity and Volunteer Work. Since the law made cooperation between local governments and NGOs mandatory, cooperation has continued to grow and some of the previous prejudices held by government workers

towards NGOs seem to be decreasing. At the same time, however, the political climate that has been developing in Poland since the presidential and parliamentary elections a year ago appears detrimental to the development of the NGO sector in Poland. Making the state and government stronger are priorities for the current Polish administration. Any decentralization, particularly delegation of power to NGOs, appears to be an obstacle to the realization of those priorities. This attitude has been demonstrated not only through everyday relations between NGOs and government agencies, but also in attempts by the central government to introduce legislation that would make the work of many Polish NGOs more difficult. For example, one bill sought to increase government control of the work of foundations while another focused on retracting the right of businesses to deduct up to 10% of taxes on their profit if that amount was given to nonprofits in the form of donations.

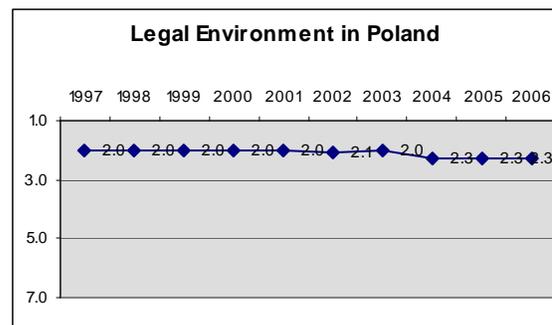
The availability of the EU funding increased significantly the number of support centers and

training available (often for free), which could lead to the professionalization of many Polish NGOs. At the same time, however, EU funding and benefits were directly accessible only for the most professionalized NGOs, and this contributed to increased stratification in the sector. The sector is now dividing into two extremes. On one end of the spectrum are those comparatively few professional organizations carrying out large and profitable projects funded by the EU and which are increasingly engaged in for-profit service activities, while on the other end lies the vast majority of organizations, scarcely able to sustain their existence. The level of solidarity within the NGO sector is relatively low, and the gap between large, professional, often Warsaw-based organizations and small, community-based organizations in small towns is growing. Since the representatives of the NGO sector come only from the former group, advocacy efforts benefit mostly to organizations of their kind. Small organizations continue to be marginalized and the stratification of the sector exacerbates this.

### LEGAL ENVIRONMENT: 2.3

The legal environment governing the NGO sector has not changed significantly. There are still too many laws and decrees affecting NGOs that are unclear, complicated, and even seemingly contradictory. Unclear laws are often interpreted differently by NGOs and government institutions, and various government institutions seem unable to agree among themselves on the interpretation of many of these regulations. With the passage of time, however, there is a growing consensus among various government institutions as well as between government institutions and NGOs on the interpretation of certain regulations. NGOs and government institutions are also becoming more familiar with the laws regulating the nonprofit sector, in particular with the Act on Public Benefit and Volunteer Work. There are also a growing number of lawyers that specialize in nonprofit law and even advertise their often inexpensive services. The remaining

problem is that most nonprofits either have no funds to pay for such services or are convinced that such services should be provided for free by the support organizations.



The Act on Public Benefit Activity and Volunteer Work enables some organizations to be designated public benefit organizations, a status which allows such organizations to campaign to receive up to 1% of an individual's

tax liabilities. Over the last two years many organizations received such status, and others intensified their campaigns to encourage individual taxpayers to make contributions from their tax liabilities. As a result, the number of citizens that paid 1% of their tax liabilities to chosen nonprofits increased from less than 3% in 2004 to nearly 5% in 2005. In 2005 therefore, one in twenty individuals used the 1% law. The procedures required to donate 1% still discourage many individuals from doing so, as they have to pay the money first, and then wait for months for the reimbursement. There is a good chance, however, that the procedures might change in the near future. There is also some concern, although there are no data available that would confirm it, that the nonprofit sector might be actually worse off due to this 1% regulation. It is feared that people might treat the part of their taxes, which they would have to pay anyway, as their donation, and thus stop giving proper donations to nonprofits, i.e., money out of their own pockets.

NGOs are allowed legally to compete for government contracts and procurements at the local level, as well as earn income from the provision of goods and services. Within the last year, however, it certainly hurt some parts of the nonprofit sector. One bill sought to increase government control of the work of foundations and the other focused on retracting the right of businesses to deduct up to 10% of taxes on their profits if that amount was given to nonprofits in the form of donations. Moreover, the authors of the legislation did not officially consult with the main advocacy NGOs,

## **ORGANIZATIONAL CAPACITY: 2.6**

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The overall organizational capacity of the NGO sector has stayed the same. The few professional organizations able to win EU funding did see some improvement, but it was to some extent at the expense of the organizational capacity of small, community-based organizations. This effect is especially visible in the staffing patterns of NGOs. Taken together, the number of people working for

which had become a common practice during the previous administration. The proposed bills were withdrawn in the face of widespread protests from the NGO sector expressed through petitions.

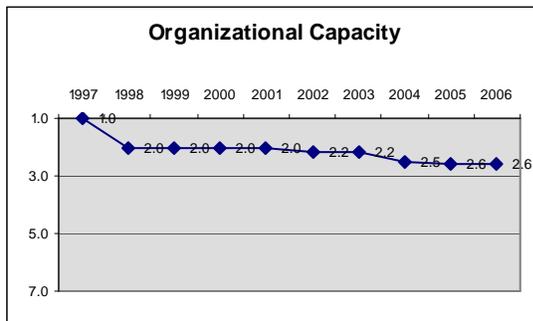
A recent, very famous story of a baker revealed and popularized the existing problem of VAT on in-kind donations; i.e., that all corporations have to pay VAT on donated products. The baker had to close his bakery when he was asked by government tax agencies to return 150,000 Zł. (\$50,000) of overdue VAT for the years he was distributing bread for free to the poor and hungry. The story demonstrates that the existing law impedes the work of many Polish NGOs (particularly food banks) and discourages many companies and individuals from acts of charity. It creates a situation in which it is less expensive to discard items than to donate them. There is some hope that this case will show Polish lawmakers the ineffectiveness of such regulations and encourage them to modify them. On the other hand, however, it is believed that this wide coverage of the baker's story may have discouraged many citizens who cannot distinguish between individual and corporate tax laws from in-kind donations.

NGOs are furthermore subject to excessive reporting requirements. This is particularly a problem of organizations that carry out projects financed by the EU. While the government is quite rightly trying to prevent the misuse of funding, the extensive reporting requirements force many nonprofit workers to spend up to one fourth of their time on reporting.

wages in the nonprofit sector has not changed, but large organizations implementing complicated and multidimensional EU projects have doubled or even tripled their paid staff. Given the fact that leaders of those large organizations typically did not hire people from outside the NGO sector, but preferred people with a high level familiarity with NGO functions, one can infer that the best staff of local,

grassroots organizations moved to larger organizations that could pay much higher wages. As a consequence, many of these small organizations were deprived of their best workers.

Internal management structures also did not change a great deal. Many individuals remained at the same time both staff members and members of the Board of Directors of the same organizations. This fact, however, is largely irrelevant in the case of 74% of NGOs that do not have any paid staff. In those instances, one cannot talk about conflicts between objective and private financial interests.



It might seem that the aforementioned campaigns for 1% of individuals' tax liabilities could be a part of efforts to build local constituencies for NGOs. This might be true in some regions, but some developments suggest that this is not necessarily the case. First, there is a difference between long-term, consistent local constituency building and support for an organization's initiatives overall and the once a year effort to get the 1% contribution from individuals in the local area. It seems that, given the low culture of philanthropy in Poland and the general poverty of many people, organizations prefer to seek grants and business support rather than to rely on membership fees and small individual donations. Furthermore, many citizens give the 1% contribution to a different organization every year or to a national, rather than local organization. The field of work of an organization seems to be more important for many individuals than the area of operation when they are selecting organizations they want to support.

A great number of organizations do not engage in organized and effective activities to encourage new individuals to become members of their organization. For most associations, membership is more of a formality, or a necessary condition of registering an association, than an important basis and reference point of their functioning. At the same time, an organizational lack of support for people who would be eager to volunteer for organizations is identified as the second, most important problem for NGOs after funding.

Most organizations do not engage in strategic planning. Since most organizations do not have their own endowments, they rely on grants and other funding they receive. Such funding is, however, very short term, often yearly. If NGOs develop strategies in which they select some actions over others, it is typically only to show such documents to potential donors, or to select sources where they want to apply for grants and funding. They might analyze various sources but only to decide which funds are most likely to be awarded, which give most discretion in the use of funds, and which have least reporting requirements. But it does not change the situation that most organizations operate 'from one project to another' and hardly ever look beyond the next grant. If some larger organizations seem to be more strategic than smaller ones, it is only a result of the fact that they have obtained longer-term grants, which are becoming available, fortunately more often, both from central government and the EU. If we look at the work of those larger organizations over last ten years or so, however, we will still see that their priorities also changed according to the priorities of the principal funders.

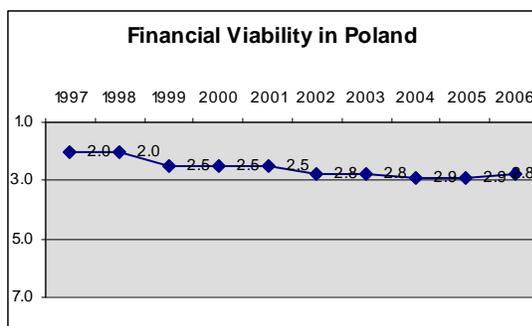
A slight improvement in organizational capacity can be noticed in the area of technical advancement. Organizations that received EU funding were able to use funds to purchase equipment and software. Only 4% of Polish NGOs, however, receive EU funding. The staff of small organizations also claimed more often than in the previous year that they had access to the Internet. It is common that the staff and

volunteers of small NGO's often use their private computers and the Internet they have available at home or through another job. Therefore, the fact that more NGO workers have access to the Internet might have more to

do with the general growth of accessibility of computers and Internet in society due to the decreasing cost of such equipment and service than the improved position of NGOs in this dimension.

## FINANCIAL VIABILITY: 2.8

The financial viability of the sector has improved slightly in the area of earned income. More organizations charge various types of fees for their services. Thanks to the growing interest social enterprise, triggered to a great extent by the EU's EQUAL funds, a number of NGOs are engaged in the formation of social enterprises and other social ventures. One can also observe growth in organizations that receive funding from local governments through mandatory cooperation programs and awarded contracts. But the growth in funding from local governments also made organizations more and more dependent on them to support their programs. This occurs even more since few organizations have sufficient financial reserves to remain viable even for short-term or diversified sources of funding that could give them more autonomy. Fifty percent of organizations have no more than two sources of funding.



At the same time, most organizations do not have a membership base or consistent local support upon which they can rely. There are organizations that seek funding from many

sources. This unfortunately carries the risk that seeking funding and reporting on funds received will almost become the main mission of organizations as fund raising demands a great deal of time, strategic thinking and other resources.

Organizations that profit from EU funding and organizations with public benefit status have had to improve their financial management practices. Public benefit organizations have to publish annual audits and organizations receiving EU funding are obliged to report even more frequently and undergo external audits. There is some hope that the practices of the most professional organizations can encourage a general culture of greater accountability among all nonprofit organizations. At the same time, however, the aforementioned stratification in the NGO sector might discourage smaller organizations from emulating the practices of those larger organizations due to a conviction that their needs and possibilities are very different. Most of the smaller organizations struggle to survive and to find resources for even the most basic expenses, so they do not even think about hiring professional accountants. Seventy-four percent of organizations do not have any paid staff (an increase from 66% in the previous year), making it, in fact, impossible to hire professional accountants. Almost 20% of organizations do not do any accounting at all, and in the next 24% of organizations, accounting is done by people who do not have appropriate accounting training or skills.

## ADVOCACY: 1.8

Advocacy remains the strongest dimension of the NGO sector in Poland. Many professional

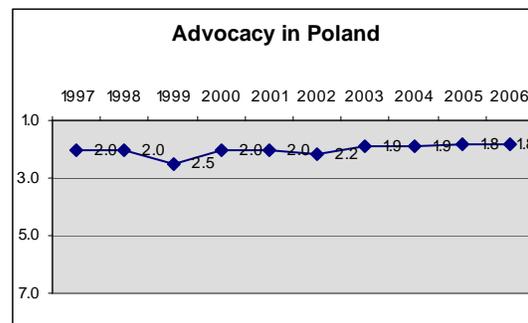
organizations actively participated in consultations on the so-called "operational

programs” that are to structure and channel EU funding from 2007 to 2013. There is a group of organizations that are becoming quite professional in dissecting the assumptions and strategies of such programs, in spite of the level of complexity. Also, more organizations are coming to understand that they can influence various government-developed programs, strategies, and pieces of legislation even if a large portion do not yet understand how to do so.

Polish NGOs demonstrated last year, through their common protest against the above-mentioned government legislative proposals, that they can unite and act in concert. Many organizations have also formed partnerships, which is a requirement to apply for EU funding. But whether such project-focused partnerships can be considered as a manifestation of strategic thinking and attempts to build advocacy coalitions is debatable. Such partnerships could, with time, transform into longer-term cooperation, but whether or not this will occur is as yet unknown. It is easy to form partnerships when it is a condition to apply for grants and when all related costs (meetings, etc.) are covered by the grant. It is also relatively easy to form short-term coalitions to defend privileges or rights that are threatened. In situations where organizations do not see direct advantages in cooperation, they are not so eager to cooperate with one another. The concept and practice of multi-NGO cooperation to affect long-term change in government strategies and thinking are not yet well developed in Poland.

As NGOs become more professional in their advocacy efforts, they naturally seek to become more equal partners to government at both the central and local level. NGOs desire for real cooperation is, however, frustrated because, apart from situations encouraged by profitable EU contracts or forced by government regulations, government institutions are largely uninterested in cooperating with them. Very rarely do local governments go beyond what is required in their cooperation with NGOs. In fact, there are many cases of local governments

developing yearly cooperation programs with local NGOs, which were made mandatory by the Act on Public Benefit and Volunteer Work, without even consulting the NGOs in question. Such programs are sometimes even copied through friends working in local government in other towns. In general, as emphasized previously, the current administration has created a political climate that is not conducive to the development of NGOs. Some contacts that do exist between NGOs and local governments are based on individual connections rather than institutionalized mutual appreciation and willingness to cooperate.



The situation in which local governments are the main source of revenues for many NGOs discourages advocacy or watchdog efforts of NGOs against these local governments.

It may be worth mentioning that on March 7, 2006 the Act of Law on Lobbying Activity in the legislative process entered into force. The Law triggered a lot of controversy in the NGO environment because it is unclear. Although it does not explicitly refer to NGOs, certain interpretations of the law could make advocacy efforts by NGOs very difficult or even impossible. Briefly, the law makes it compulsory for all entities engaged professionally in lobbying activities to register their activities biannually and pay fees. For the time being, however, since no decrees have been passed that would make the provisions of the law more specific, NGOs act as though the Act does not apply to them, and, as a precaution, try to avoid the word “lobbying.” Therefore while talking about their activities, they mention only “advocacy.” NGOs also focus on the term advocacy due to the fact

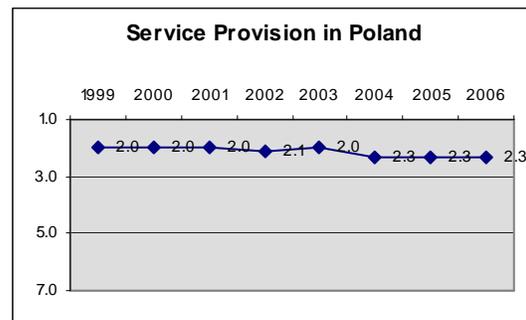
that lobbying carries a negative connotation in Poland since it is often associated with the informal or even illegal pressuring of politicians.

Despite its strength vis-à-vis other sustainability index elements, the advocacy dimension of the NGO sector in Poland has not changed much in comparison with the year 2005.

### SERVICE PROVISION: 2.3

Over the last year, there was a slight improvement in the dimension of service provision, i.e., growth of the range of goods and services provided by NGOs. Although most service providing NGOs still focus on basic social services, the range of goods and services available from them is growing. Organizations are trying to broaden the array of services and products they can deliver in order to increase their chance of being recognized both by governments as partners for the realization of public tasks, and by the market. They are increasingly aware that finding market niches for themselves is the only way they can compete with more effective and experienced businesses for clients. The growing popularity of the social economy in which nonprofits try to combine their charity mission with commercial activities reinforces the idea of looking for social ventures.

rather than the needs of their constituents. Over time, therefore, it seems that NGOs are becoming more and more detached from groups that might otherwise be their constituents. If they take into consideration the needs of people living in the area of their activity, it is mostly with respect to looking for customers for the products and services they wish to sell for profit.



The range of recipients of various products of NGOs also showed slight improvement. NGOs are gaining recognition as experts in a number of fields. This is a result of Polish legal requirements for greater government collaboration with NGOs, the requirements of some EU projects, such as EQUAL, that stress and provide significant funding for the publication of the results of NGO work, and attempts to include these results into mainstream public policies.

Cost recovery has improved slightly. More organizations charge fees for their services to recover incurred costs. This is a result of some provisions of the Act on Public Benefit and Volunteer Work that introduced the means to recover costs for delivered services without designating it commercial activity. As a result, NGOs are allowed to charge certain levels of fees for their services without having to register as business entities. In order to discourage NGOs from charging unreasonably high fees, the law introduced caps on the level of salaries of their workers. The Act certainly encouraged some organizations to start charging fees for services, even those that did not want to register the commercial part of their activities in order to not be accused of commercializing their mission.

On a less positive note, responsiveness to the community continues to be a rather weak aspect of the functioning of NGOs. As previously stated, Polish NGOs do not rely much on the support of local constituencies, but rather more on the support of grant-makers from business and government sectors (including the EU level). As a result, the goods and services that NGOs provide tend to reflect the priorities of their funders and grant-makers

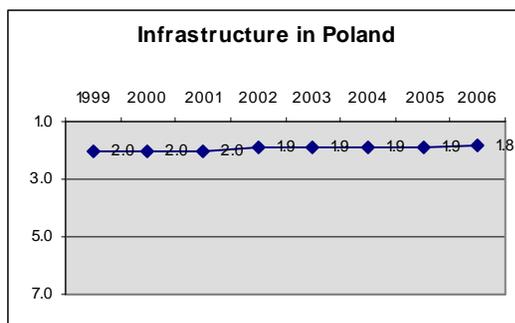
As stated before, government recognition and support for NGOs has deteriorated over the last year. The value that NGOs can add in the

provision of basic social services is less appreciated than before and the strength of the NGO sector is considered as a barrier to, rather than support for, a strong state. Although it is too late and politically impossible to reverse the rights and level of support granted to NGOs through the Act on Public Benefit and Volunteer Work, the current

political climate hinders the development of the NGO sector. Many local governments are more reluctant to mandate cooperation with NGOs that was the case a year ago. As was mentioned, the central government tried to enact legislation that would weaken a number of Polish NGOs – in particular private foundations and organizations that rely on business support.

## INFRASTRUCTURE: 1.8

In fact, the only dimension that unequivocally improved on most of its sub-dimensions over last year is the infrastructure of NGOs. The most noticeable improvement is in the growth of support centers. They function and provide significant training, thanks to the availability of EU funding for such purposes. Most NGOs cannot afford or are unwilling to pay for such services, and they are convinced that the support should be offered to them for free. But the issue of training is a perfect example of how activities are often developed more in accordance with available funds than with real needs, which NGOs hardly ever assess. The number of training workshops offered often exceeds the demand, and their quality is not always high.



The portal ngo.pl run by the KLON JAWOR Association collects information of interest to NGOs on a daily basis, including analysis of legal

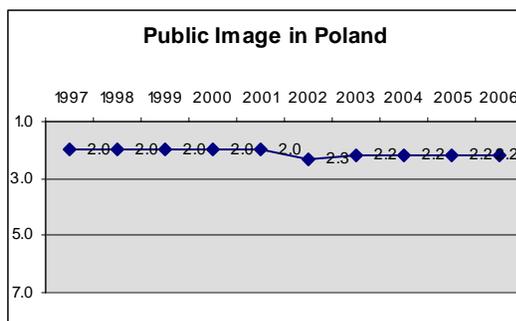
changes, or advertisement of upcoming conferences, trainings, and job offers. Half of all Polish NGOs recognize this service and have visited the portal. The portal serves as an interactive tool as a large portion of the available information is posted by its readers. The number of local grant-making foundations is increasing slightly, yet their impact is still marginal.

There are certainly more partnerships and collaboration among NGOs, yet they are often only the result of funding requirements and may not develop into long-term coalitions after the funding is exhausted. Such coalitions or partnerships are grant-based rather than mission - oriented. Among the more stable ones are national partnerships of organizations that look holistically at the NGO sector and the Public Benefit Activity Council (which came into being through the Act on Public Benefit and Volunteer Work and which advises the cabinet of ministers). As a result, their advocacy efforts represent primarily the interests of organizations similar to themselves. Such partnerships are very rare at local levels, between less professional organizations and outside Warsaw.

The support of businesses for NGOs is growing slightly.

## PUBLIC IMAGE: 2.2

The public image of NGOs has not improved in 2006. Although there were a number of interesting social campaigns and a growing number of, mostly large and professional, organizations are engaged in PR activities, the overall message about the NGO sector coming from the media is still quite negative. The media still concentrate on scandals occurring in the nonprofit sector. They are not interested in understanding the role that NGOs can play in society or in examples of good NGO work. The exceptions are the local media which are more willing to provide some coverage of local NGO initiatives. Overall, however, media coverage has a negative impact on the NGO sector's public image, which has, in fact, deteriorated over last year. Scandals in large foundations periodically sensationalized by the media influence the perception of the whole NGO sector. The 1% campaigns have not yet proven to be an important tool in raising public awareness. The strong impact of media coverage can be linked to the fact that society still has a low level of knowledge on the NGO sector as a whole, on the roles it plays or is able to play.



It is also worth noting that NGOs tend to focus on complaining about the negative attitude of the media rather than concentrating their efforts on changing such attitudes and actively building the image of the NGO sector. They also use language, now increasingly borrowed from the terminology of EU projects, that few journalists are able to understand, to say nothing of potential readers and audiences.

As mentioned throughout this report, the current administration created a political climate that is not very supportive for NGO work, even though concrete cases of mandatory cross-sector cooperation between NGOs and local governments have given NGOs the opportunity to demonstrate their skills and expertise. The current administration's political priorities of fighting corruption and looking actively for manifestations of corruption make every public activity open to suspicion. This has also affected the image of NGOs acting in public arenas.

There has been an increase in corporate donations to NGOs. In 2005 almost 50% of NGOs received some financial support from businesses. However, it is hard to determine whether this is a result of the growth of the sense of social responsibility among businesses, appreciation of NGO work, or simply the conviction that partnering with and supporting NGOs might be a good tool of internal and external public relations.

Even if the image of the whole NGO sector does not improve among businesses, government or the general public, the skills of nonprofit workers are much appreciated and over time more and more private firms and government agencies have begun to seek staff with an NGO background. Since the work in most NGOs is typically not divided into separate departments, which in this context appears rather as a strength than a weakness of NGOs, many NGO workers have skills useful for the functioning of any institution, and, which might be even more important, they have the ability to work across functions. Furthermore, the skills they have acquired working on projects and under various grants are also becoming important in an era when project thinking is becoming essential in all institutions, regardless of their nature or sectoral affiliation.

The self-regulation of NGOs remains underdeveloped. A growing number of organizations now publish annual reports,

although this is a function only of the growing number of organizations with a status of public benefit organization (currently 7000), for which it is a requirement. Other NGOs have not improved their transparency. The internal procedures of NGOs functioning are yet to be developed to make them more transparent.

There is asymmetry between declared values and practice. Also of particular ethical concern is the practice of grant money distribution towards salaries, as the amount that some workers receive does not always reflect their level of engagement.