

NONPROFIT ORGANIZATIONS

NETWORK OF ESTONIAN



About civil society in Estonia

and the nonprofit organizations

About third sector in Estonia

Estonia, a small country with a vibrant society, has heralded significant developments in all aspects of nonprofit and civil society sustainability in recent years. Estonian nonprofits are regularly gaining in public popularity and successfully nurturing support from both the public and business sectors.

Estonia boasts an enormous number of registered nonprofit organizations (22 498 associations and 680 foundations for a total of 23 178, Nov 1, 2005), the number including also about 12 000 housing associations. Of the remaining 11 000 organizations about 1 200 are actual public benefit organizations. It is estimated that about 28 000 people or 4-5% of the Estonian workforce is employed in the nonprofit sector.

Organization of the sector

Estonian nonprofits are active in all possible fields: most in sport and culture, many in social services, health and environment, equal number in civic rights, education and local development, fewer in philanthropy, policy analysis, etc. Quite many are functioning as business and professional associations.

Similarly to other countries, Estonian associations and foundations perform as service providers, advocacy groups, grant makers, societies, think tanks, institutes, clubs, networks and umbrella organizations. Although most organizations are registered in Tallinn, the capital of Estonia, the percentage of registered organizations in the 15 counties in Estonia matches the percentage of people living in the counties.

Civil society agenda

The mission and goals of the civil society are written down in a strategy document called the Estonian Civil Society Development Concept, known as EKAK. EKAK is a document that defines the mutually complementing roles of public authorities and civic initiative, principles of their cooperation, and mechanisms and priorities for cooperation in shaping and implementing public policies and building up civil society in Estonia. (EKAK adopted by Riigikogu December 12, 2002).

Sustainability of the sector

The current legislative environment for nonprofit organizations in Estonia is favourable, organizational capacity and financial viability are on the rise, advocacy and lobbying skills are noteworthy. We have already seen a number of occasions in which nonprofit organizations have had a profound impact on the politics and general development of Estonia.

At this stage, however, many organizations are still struggling to plant their feet firmly on the ground. Organizations currently offer a wide range of services in such popular fields as health care, education, accommodation, schooling, counselling and environmental protection, as well as in less common fields such as economic development, administrative and supporting services, etc.

When compared to other countries in Central and Eastern Europe, studies have shown Estonia's nonprofit sector to possess a rather well-developed infrastructure. In 2003, NENO began working with the state owned foundation *Enterprise Estonia* to train and coordinate the NGO module in regional development centres. Part of this process involved combining and reconstituting the former business advisory and NGO resource centre. The development centres together with umbrella organizations and networks form a functioning and supportive infrastructure for Estonian nonprofits and civic activists.

Media coverage of nonprofits is generally favourable and their activities are typically presented in a positive light. Related to a number of important on-going issues, it can be noted that in the first half of this year there were virtually no newspaper articles, TV programs or radio broadcasts which ignored the role of nonprofits or the civil society related to these issues.

EKAK

For the implementation of EKAK, a joint committee of 22 representatives from public and nonprofit sectors was assembled, chaired by the minister of Regional Affairs. The committee started in October, 2003, organizing its work in three groups: (1) working group on involvement, consultation, policy appraisal, and legislation, (2) working group on funding and statistics, and (3) working group on awareness, civic education, media and infrastructure.

The working groups turned EKAK's objectives, principles and priorities into a specific implementation plan of 2005-2007 complete with 11 goals. Every two years, Estonian Parliament, *Riigikogu*, organizes a public hearing on its implementation (first was January 2005), thus providing governance for the whole process. With EKAK, nonprofits not only set the sector's agenda, they set societal agenda.

Goals deal with the following issues:

1. Establishing of structures **to increase cooperation** between the government and CSOs (civil society organizations, a.k.a. nonprofits) in developing civic initiative
2. Clear **mechanisms for the involvement of CSOs** in the development and implementation of policies and legislative acts
3. Overview of **different forms of civic engagement** and appropriate legal environment for the support of civic initiative
4. Effective **usage of ICT means** for the involvement of citizens into decision-making processes
5. Transparent and clear **funding schemes** targeted to support the development of CS and CSOs from state budget
6. Improved and targeted **system of tax benefits** and charitable giving
7. Overview of **umbrella organizations**, their current and possible future role in cooperation with the public sector
8. Adequate and informational **register of nonprofit organizations**, and improved data collection methods describing civic engagement
9. **Educational institutions** to foster the development of caring and responsible citizens who value participation and volunteering
10. **Infrastructure and networks** supportive of civic engagement and civic initiative
11. Various opportunities for **life-long learning** accessible to everyone.

Nonprofits have mastered different skills in order to survive. The skill to adapt to new conditions, which could mean turning to project-based funding or providing services, has proven to be a critical survival skill. Organizations rely on a diverse range of income sources: direct support from the state and local governments, grants from foundations, programs of the EU, membership fees, fees for services, volunteer work all are currently being utilized by Estonian organizations.

Participation in policy-making

Participation in the political process is most common among larger organizations. Most draft laws are forwarded to nonprofits for comments, but frequently with a very short notice to respond. In some cases, nonprofits have impacted the law-making process in public. They have organized public seminars and forums, analyzed the impact of drafts on popular opinion, challenged political parties, provided reports and expert opinions, etc. "Participation" was a common theme in 2004, with the State Chancellery developing the concept of the Good Practice of Participation together with and among civil servants and nonprofits.

This was preceded by two initiatives based on EKAK: the Estonian-Danish joint project "Strengthening Cooperation Between the Estonian Public Sector and Business Associations" was

commissioned by the Ministry of Economic Affairs and Communications; and Open Estonia Foundation (OEF) has commissioned a project entitled "Participation and Consultation in the Decision-Making process: Research, Analysis and Recommendations". Good Practice of Participation deals with informing, consulting with and involving of citizens via nonprofits.

To enhance social dialogue and participation in the political decision-making processes of the society, the network and forum of country-wide nonprofits, trade unions, organizations of entrepreneurs, rural organizations, universities and political parties was established, in order to find out common priorities for the Estonian society and common solutions to social problems.

There are representatives of 58 organizations involved in the network of social dialogue. The first Social Agreement was signed on October 20, 2003.

Funding

Estonian organizations are funded from a variety of sources: membership dues, public sector appropriations, grants, project grants (financed by local and international foundations), payments for products and services, and donations from private persons and businesses. Indirect assistance comes in the form of tax allowances and in-kind contributions. Another important resource for the associations is the contribution of time and energy by members and volunteers.

In 2004-2005, the fundraising situation has improved. Many organizations benefit from loyal donors, ongoing partnerships and increased member support. The Baltic-American Partnership Program (BAPP) has also solicited applications from NGOs (infrastructure support, member development, local development, promotion of EKAK). This year, earned income for NGOs has also increased, especially in the social, cultural, sport and liberal education fields. The private sector has also been actively involved in supporting NGOs, notably through the work of the Charities Foundation, an initiative mediating professional entrepreneurial support to nonprofits.

One of the goals of the EKAK activity plan was to establish transparent funding mechanisms to support civil society organizations with state funds. Currently a consultant is working with nonprofits, ministries and political parties to design these guidelines. Local support for NGOs is relatively good (though varies by region) as local governments increasingly recognize the work of NGOs, and issue contracts for services. In addition, local community foundations have been established in three regions in Estonia.

Statistics

In the course of the development of EKAK it became obvious that current statistical data was not sufficient and reliable enough. Currently the precise statistical information needed for decision-making is not available; data-collection is not being organized systematically and data-collectors are not usually familiar with the specific characteristics of the nonprofit sector; the system of national accounts does not allow full overview of the sector and there is neither systematic effort to improve the situation, nor the financial resources for that. As a result, the improvement of nonprofit sector statistics became one of EKAK's short-term priorities. In 2002-2003 with the support of the Baltic-American Partnership Program in Estonia, policy center PRAXIS conducted a pilot project to map the current state of statistics in the Estonian nonprofit sector and offer policy recommendations. The activity plan for the EKAK for 2004-2006 sets a goal to develop an adequate register of associations and foundations and give descriptive statistics of civic initiative. It is important to add additional data to the existing register, systematically control and update the existing data and detail the classification of nonprofits by their activities.

Volunteerism

Volunteers are utilized by a lot of organizations. However, the status of volunteers and the actual content of the term still need to be clarified. To successfully involve volunteers, organizations need respective legal framework. Some nonprofits are working to increase the capacity of organizations to involve and manage volunteers as well as reward them, but broader national vision,

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action plan and resources are needed to really enhance volunteering. Tartu Volunteer Center is working on this topic and an EKAK joint committee will submit proposals to the government.

Philanthropy

As the civil society matures, there are many promising signs in local philanthropy developments. Community foundations have survived the early years. Corporations have become more 'strategic' in planning their community investments, both financial and non-financial. High net individuals are becoming more active, and there is considerable interest in some of the newer trends in philanthropy, e.g. venture philanthropy.

Governance

Legitimacy and accountability of the nonprofit sector is vital to Estonian organizations. In addition to conferences, discussions and workshops dedicated to the topic, Estonian organizations have adopted a Code of Ethics. It deals with issues like democratic governance and management, civic courage and care, sustainable and responsible utilization of assets and resources, accountability and reporting, openness and transparency, independence and avoiding conflict of interest, keeping to one's word, respecting the ownership of ideas, and tolerance.

Networks and umbrella organizations

Associations and foundations are well organized and most belong to various umbrella organizations and networks. There are about 120 umbrella organizations in Estonia.

NENO, the Network of Estonian Nonprofit Organizations is the single and largest Estonian organization uniting public benefit nonprofit organizations. Established in 1991 as the Estonian Foundation Center, NENO opened membership to associations in 1994 and has since transformed from a mere service provider into one of Estonia's largest civic initiative organizations. NENO currently unites 85 large and medium-sized active and operational public benefit organizations from all fields.

NENO is a membership organization created for the implementation and protection of the common interest of Estonian public benefit nonprofits. NENO's mission is to present development trends and provide support services to Estonian nonprofits, increase public awareness, advocate the interests of its members and deepen working relationships with the public and business sectors.

Village Movement *Kodukant* is an association of organizations on three levels: national and county unions and grass-root initiatives. It has a nationwide network to provide services, counsel its members on rural development issues and support them in the processes of shaping local, regional, national and EU policy. *Kodukant* is a member of NENO.

Challenges for the future

- There are still several topics we need to work on:
- Direct lines of communication between the public sector and nonprofit sector and the implementation of the code of participation
- A more equal partnership, both formally and informally, between NGOs and the local businesses, government, and the media in fulfilling common objectives
- Level of power and level of commitment
- Development of local EKAKs in counties and local municipalities
- Keeping the deadlines and promises
- Keeping both sides accountable
- Level and depth of involvement
- Unstable government, mostly concerned with power
- Unstable organizations, mostly concerned with sustainability
- What steps to take and what steps to fund?



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