

The Roles and Visions of Foundations in Europe

Roles and Visions of Foundations in Estonia: Country Report

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1. Introduction

The present report intends to offer a general picture of the sector of foundations in Estonia. In principle, foundations and other associational activities have a rather long historical background in Estonia, but an abrupt end was put to their activities by the incorporation of the independent Estonia with the Soviet Union in 1940. After the restoration of the country's independence in 1991, and indeed, shortly before that, a rapid development of the non-profit sector was initiated (see section 2.1). The present number of foundations is over 500, and the total number of non-profit organisations exceeds 17,500.

The existing legislation on foundations came into force in 1996. The main differences between foundations and membership-based voluntary associations are, first, that foundations do not have a membership and, second, that the founders of a foundation can even be legal persons (including the state, enterprises, other foundations and non-profit associations, and local governments). Third, the basic aims of the foundation cannot be changed later. The requirements for the formalities of financial control are stricter for foundations than they are for other non-governmental organisations (NGOs). There is no minimum amount of property required for the establishment of a foundation.

From these regulations it follows that foundations are more restricted with regard to their functions than the other NGOs. On the other hand, the legal form of a foundation seems, in general to allow for a more flexible way of management than that of a non-profit association.

According to the Estonian Income Taxes Act, non-profit associations and foundations do not pay any taxes on their income. However, they are expected to present income declarations yearly to the Tax Office and pay tax for salaries and in-kind benefits they give for their members or workers. A corporate body can deduct from their taxable income the gifts and donations they give to public interest organisations listed by the Ministry of Finances. However, inclusion in this list is not automatic, and it contains a minority of NGOs only.

The registry information on foundations and other NGOs is not very helpful for research purposes. As the categories applied are rather general, they do not include information on the founders or financial resources of the organisations. The registries also include many organisations that in effect have ceased their activity. The Estonian research team was involved in a pilot survey of NGOs, and some of the findings of this research will be presented in section 2.3.2.

The project methodology has presented a definition of foundations, which can be viewed as an ideal type. However, most Estonian foundations are not fully compatible with this definition (see section 2.3.1). True, some of its characteristics are included in the legal regulations (non-membership organisation; private entity; self-governing entity; non-profit distributing entity). The distinction between foundations serving public purposes and those serving private or other narrow purposes has not been clearly defined by legislation. In principle, the inclusion of a foundation in the category of tax-exempt organisations by the Ministry of Finances is preceded by an assessment of its purposes by a government official.

Another difference between the bulk of Estonian foundations and the ideal-typical definition touches the very heart of it: it is doubtful, how many of the Estonian foundations can be described as *assets* in a proper sense of the word – especially if the definition would not allow for the asset to consist of anything else than financial resources. Most foundations seem to be rather of a grant-

seeking than a grant-giving type, their principal assets being their organisational resources and their commitment to a goal, which is considered legitimate by large and sufficiently influential parts of society.

This is due both to the scarcity of domestic private capital and to a relative lack of taxation incentives for making donations. For the same reasons, corporate foundations seem to be almost absent. Rather than for governing an endowment, most foundations have been established for the function of raising funds to be used for a specific purpose; in most cases, they could be classified as operating foundations, and their functional difference from non-profit associations is not very clear. The same applies to those foundations which explicitly work for the benefit of a distinct interest group, i.e., a geographically or otherwise defined community. On the other hand, there are several important foundations that have been established by the central or local governments and that can clearly be distinguished from other foundations, although their legal status as (theoretically) private entities is the same.

The visions and roles of Estonian foundations were inspected by means of questionnaires and open-ended individual and group interviews with representatives of 16 foundations. In addition, a number of previously conducted interviews with the different groups of stakeholders were analysed. These different types of material present the possibility of comparing the foundations' more abstract and theoretical preferences with their experiences from everyday practice. The expectations and roles are discussed in section 3 of the report, and section 4 takes a glance at visions, policies and emerging issues. Many of the views of the possible functions of NGOs in general, and foundations in particular can be conceptualised using a division between three different discourses – the discourse of *the third sector*, the discourse of *corporatist organisation*, and the discourse of *participant society*.

As will be seen, the sector of foundations in Estonia has emerged very recently and very rapidly, and has accompanied an overall social, political and economic transformation, which has not been less dynamic. It should not come as a surprise that its position in society cannot yet be defined in an unambiguous way.

2. A Profile of Foundations in Re-Independent Estonia

2.1 The historical background

2.1.1 The developments before 1991

The development of foundations in Estonia has neither been easy nor straightforward; the same can be said about all other aspects of the Estonian political, economic and social life in general. During most of its history, Estonia has been ruled by other states and has not had the benefit of having its own population in charge of directing political and social developments. In the early 13th century, Estonia was partly conquered by the Teutonic knights and partly by Denmark. Until 1558, it remained loosely tied to the German lands, but after the Livonian War the present area of Estonia was divided between Sweden, Poland and Denmark. From early 17th century to 1721, almost the whole of Estonia was part of the Kingdom of Sweden. After that the country became part of the Russian Empire, from which it freed itself in 1918, only to be conquered again by the Soviet Union in the course of the Second World War. The internal crisis of the Soviet Union, along with the peaceful albeit decisive action of the Estonian national social movements made it possible for

Estonia to restore its independence in August, 1991. All in all, the periods from 1918 to 1940, and again since 1991 have been the only times when Estonians enjoyed independent statehood.²

Nevertheless, associational life, foundations, and the co-operative movement have a rather long history in Estonia. The urban merchants and craftsmen had traditionally been organised in guilds, which also participated in city administration; with the administrative reform of 1877 they lost their official status. The first associations of a voluntary, modern type were created by the German-speaking middle strata (such as the Freemasons)³ and the land-owning nobility (such as Economic Societies) in the late 18th century. The 19th century saw a mushrooming of literary, cultural and educational societies, along with the beginnings of a co-operative movement.⁴ Initiated by the German-speaking population, such societies rapidly became one of the primary vehicles that the Estonian national movement had at its disposal when aiming at gaining popular appeal and official recognition for its objectives. Inspired by the writings of the German poet and philosopher Johann Gottfried Herder, the movement was first and foremost concerned with promoting the language and cultural life of the Estonians, whose nationality had hitherto been synonymous with the peasant strata. In 1870, a Head Committee for collecting money for the establishment of an Estonian-language secondary school was established. Although the Committee was never able to complete its original task, several important cultural institutions were later established following a similar model. Among them was the Estonian-language theatre in the capital, which had started as a voluntary association on 1871 and could in 1913 start working in a building that had been built with means derived from voluntary contributions.

2 For an overview of Estonian history, see, e.g., Toivo U. Raun (1987), *Estonia and the Estonians*, Stanford, CA: Hoover Institution Press; and Anatol Lieven (1993), *The Baltic Revolution: Estonia, Latvia, Lithuania, and the Path to Independence*, New Haven and London: Yale UP

3 Henning von Wistinghausen (1997), "Näitlejad ja muusikud Tallinna vabamüürlasloozide liikmeina" [Actors and musicians as members of Freemasonry in Tallinn], *Akadeemia*, Vol. 9 No. 11: 2303-2320

4 Cf. Ea Jansen (1993), "Voluntary associations in Estonia. The model of the 19th century", *Proc. Eston. Acad. Sci. Humanities and Social Sciences*, Vol. 42, No. 2: 115-125

In the 1920s and 1930s, much of the associational life was closely connected to the nation-building process. The newly independent country was successful in mobilising its citizenry for voluntary work within cultural community centres, education, and defence organisations. The Estonian Cultural Endowment, established in 1921, and the German and Jewish Cultural Boards, established after 1925, were examples of how the state delegated administrative functions to independent legal bodies. The establishment of an authoritarian regime by the State Elder Konstantin Päts in 1935 brought with it several restrictions for the activities of non-governmental organisations. In 1940, almost all of them were forced to cease their activities because of the incorporation of Estonia with the Stalinist Soviet Union.

After the most sombre period of Stalinism in the Soviet Union, several cultural, sports and health care organisations could be revived, and a new interest in cultural and hobby activities took place especially from the early 1980s onwards.⁵ During most of the Soviet period, the nearest equivalents to NGOs were the cultural and hobby organisations. Even if closely surveilled by the authorities, these associations offered a haven for the cultivation of national traditions, otherwise neglected or manipulated by the state-controlled public life. The importance of these embryonic forms of civil society in the revolutionary process of 1987-1991 cannot be overestimated: the Green Movement (*Roheline Liikumine*), the Popular Front (*Eestimaa Rahvarinne*), and the Movement of Estonian Citizens' Committees (*Eesti Kodanike Komiteede Liikumine*), which came to be the principal organisers of the popular independence movement, all had their roots in the already functioning voluntary associations, and were able to use the existing network of voluntary associations for the effective mobilisation of the Estonian-speaking population.⁶

5 Ene Saar (1993), "Rahvuskesksete seltside liikmeskonna territoriaalne jaotus ja dünaamika (1970-1989)" [The territorial distribution and dynamics of nationally minded organisations, 1970-1989], *Proc. Eston. Acad. Sci. Humanities and Social Sciences*, Vol. 42, No. 2: 184-194

6 Mikko Lagerspetz (1996), *Constructing Post-Communism: A Study in the Estonian Social Problems Discourse*, Turku: University of Turku: 54-57; Antti Sarasmo (2003), "Virolaiset Neuvostoliiton kaatajina" [Estonians undermining the Soviet Union], *Idäntutkimus*, Vol. 10, No. 1: 32-33

For understandable reasons, there were however no private foundations among the associations that functioned in Estonia during the Soviet rule: along with private companies, the Communist authorities had disbanded foundations, and their assets were nationalised. Accordingly, there were neither functioning foundations nor appropriate legislation for establishing them, when Estonia regained its independence in 1991.

2.1.2 The recent development

The Estonian non-governmental, non-profit sector has almost in its entirety emerged as a result of developments since the late 1980s, including the revolutionary period of 1987-1991 and the re-establishment of the country's independence in 1991. As mentioned above, associational activities had begun in the 19th century and were wide-spread before the WW II, but the country's incorporation with the Soviet Union as a Soviet Republic put an abrupt end to this tradition.

The late 1980s witnessed the first wave of a re-establishment of an associational life in Estonia that was free from the supervision of the state and the Communist Party, and that to a growing degree also came to understand itself as such. In 1989, the Supreme Council of the Estonian Soviet Socialist Republic enacted a law on Freedom of Association, which formed the legal basis for the establishment of both political parties and different kinds of NGOs. In 1992-1996, the first years of the new independence, a new period of rapid growth in the sector followed.⁷

The sector presently consists of three types of organisations: non-profit associations (*mittetulundusühingud*), foundations (*sihtasutused*) and non-profit partnerships (*seltsingud*).⁸

⁷ Data from a survey study from 1998; on other findings of the study, see Lagerspetz, Mikko; Erle Rikmann & Rein Ruitsoo (2002): "The structure and resources of NGOs in Estonia". *Voluntas*, 13, 1: 73-87

⁸ Non-profit partnerships are informal associations based on a mutual agreement of common action between individuals, they do not have to be registered, and they are not treated as legal entities.

Jointly, they are all referred to as non-profit organisations (*mittetulundusühendused*). A total of around 17,500 non-profit membership organisations and 533 foundations are registered in the Central Database of Registry Departments of Courts.⁹ As the total population of the country is under 1.4 million, this makes an average of more than 12 registered organisations per one thousand inhabitants.¹⁰ It is, however, important to add that real estate associations (apartment, garage and cottage associations) make about a half of the total amount of NGOs.¹¹ The official data does not allow estimating the exact number of active civil society NGOs in Estonia, since registers also list many organisations, which are not active in practice.¹²

2.2 Legislation and taxation

There are two main laws dealing with NGOs in Estonia: the Non-profit Associations Act and the Foundations Act. Both acts came into force on 1 October 1996; previously, organisational activities had been regulated by an Act on Non-Governmental Organisations from 1994, which made no distinction yet between foundations and other forms of NGOs. In addition, there are now separate laws for political parties, trade unions, churches and religious congregations, housing associations and for certain state-owned foundations. There is a law that defines the procedures, by which the government can participate in the establishment of foundations, and how the government representatives of the boards of such foundations are to be nominated.

9 results of a search from the Estonian Business Register in https://info.eer.ee/ari/ariweb_package.avaleht

10 Cf. also Siplane, Andres & Aare Kasemets (2000): "Mittetulundussektori statistiline pilt" (A statistical picture of the non-profit sector), Tallinn: Department of Social and Economic Information of the Chancellery of the Parliament. Available as <http://www.riigikogu.ee/osakonnad/msi/tood/tell104.html>

11 These forms of co-operative ownership have emerged due to legislation which obliges the apartment owners in a block of flats to form an association for the management of their commonly owned real estate.

12 Lagerspetz, Mikko; Erle Rikmann & Rein Ruutsoo (2002): "The Structure and Resources of NGOs in Estonia". *Voluntas*, Vol. 13, No. 1: 73-87

Non-profit associations can be founded by any group consisting of at least two people, foundations by one person. The main differences between the two types of organisations are, first, that foundations do not have a membership and, second, that the founders of a foundation can even be legal persons (including the state, enterprises, other foundations and non-profit associations, and local governments). Third, the basic aims of the foundation cannot be changed later. The requirements for the formalities of financial control are stricter for foundations than they are for other non-governmental organisations. There is no minimum amount of property required for the establishment of a foundation.

From these regulations it follows that foundations are more restricted with regard to their functions than other NGOs. On the other hand, all major actions of non-profit associations must be approved of by their General Assembly, which (even if somewhat depending on the case) can be difficult and time-consuming to gather. Foundations are managed by a Board of Directors (*juhatus*), which can even consist of one single person, and is responsible for a Council (*nõukogu*) that should gather at least four times a year. Accordingly, the legal form of a foundation seems in general to allow for a more flexible way of management than that of a non-profit association.

According to the Estonian Income Taxes Act,¹³ non-profit associations and foundations do not pay any taxes on their income. However, they are expected to present income declarations yearly to the Tax Office and pay tax for salaries and in-kind benefits they give for their members or workers. A corporate body can make tax-exempt gifts and donations to public interest NGOs listed by the Ministry of Finances in an amount not exceeding 3% of the total amount of the payments subject to social tax (except fringe benefits), or 10% of the profit of the latest year.¹⁴ The list of

13 The new Income Taxes Act came into force on 1 January 2000.

14 Income Taxes Act, § 49: 2-3. Previously, the maximum of tax-exempt donations was 2% of the total amount of payments subject to social tax, and there was no alternative option of relating it to the yearly profit of the enterprise. This regulation was changed in 2002 as a result of coordinated protest from a group of NGOs (*interview*, 21 March 2003).

public interest NGOs presented in February 2000 included 840 organisations, of which 92 were foundations. The list has recently been updated again. An individual has the right to deduct gifts and donations made to the listed NGOs during a period of taxation up to 5% of the taxpayer's income of the same period (after the allowed deductions). In January 2000, corporate income tax was abolished in Estonia. As a result, there are no special financial incentives for business corporations to donate money for NGOs or to establish their own foundations.¹⁵

The changes in the Income Tax Act from January 2002 added one more restriction to the deductions allowed from individual's income, which can inhibit individuals from donating to NGOs. The total sum of deductions from housing loan interests, training expenses, gifts, donations, entrance and membership fees cannot exceed 100,000 crowns.¹⁶

This overview of the legislation affecting foundations and other NGOs has concentrated on laws with direct effect on their activities. It would however be incomplete if it did not mention one more general document recently enacted by the *Riigikogu*, the Estonian Parliament. In Estonia, the present topicality of the issue of NGOs and civil society is very much due to the drafting and adoption of a parliamentary document called *The Concept for the Development of Civil Society in Estonia* (EKAK). The Estonian Parliament adopted this document on 12 December 2002 as an official statement of the foundations of cross-sectoral co-operation. Internationally, there are several recent examples of similar documents. Among the best-known are the British Compacts on Relations between Government and the Voluntary and Community Sector. Also, for example, France, Canada, Croatia, and New Zealand have adopted similar documents. In fact, they have been templated or already signed at least in 18 jurisdictions.¹⁷ A distinctive feature in Estonia has,

15 Ojakivi, Mirko (2001): "Ettevõtte tulumaksu kaotamine pärsib maksuvaba annetamist" [Abrogation of the enterprises' income tax inhibits tax-free donating], in: *Postimees (Foorum)*, April 27, 2001

16 Income Tax Act § 27, § 28²

17 Deena White (2002), "Social services or social politics? The significance of state-third sector agreements for welfare state development", *Paper presented at the Fifth International Conference of the International Society for Third-Sector Research, Cape Town, South Africa, July 7-10, 2002*

however, been the fact that the initiative for creating such a document came from the NGO field itself, not from the government.¹⁸ Without creating direct financial obligations for the state or changes in the previous legislation, the EKAK nevertheless serves as an explication of good practices, which ought to serve as the basis for future partnership and co-operation between the NGOs and the state and municipal authorities. To what extent the principles formulated in that document will effect everyday encounters between the government and the non-profit sector remains to be seen; no doubt, it will to a large extent remain dependent on the activities of the NGOs themselves, on their consciousness of the agreed-upon good practices and on their persistence in pushing through their own demands.¹⁹

The authors of the *Overview of the Status of Human Rights in Estonia in 1999* stated that the provisions and the implementation of the Non-Profit Associations Act prescribe bureaucratic and restrictive requirements on the registration and activities of NGOs, which many associations are incapable of fulfilling. Despite that critical evaluation, only a fifth of the NGOs questioned in 2001 found that the registration process is difficult for a non-profit organisation.²⁰ The *NGO Sustainability Index of Estonia 2001* also states that the Non-profit Associations Act and the Foundations Act have been improved enough – they set clear and easy frames for operation, and the NGO registration in Estonia is uncomplicated.²¹ Still, it has also been argued by third sector activists that registering an organisation can be a difficult task for organisations going through the

18 Daimar Liiv (2003), “Koostöökokkulepped avaliku võimu ja mittetulundussektori vahel – uued arengud, uued käsitlused” [Compacts between the Government and the voluntary sector – new developments, new treatises], in Mikko Lagerspetz, Aire Trummal, Rein Ruutsoo, Erle Rikmann & Daimar Liiv: *Tuntud ja tundmatu kodanikeühiskond*, Tallinn: Avatud Eesti Fond: 82-100

19 Cf. Erle Rikmann (2003), “Kansalaisosallistumisen kulttuuri Virossa” [The culture of civic participation in Estonia], *Finnish Review of Eastern European Studies*, Vol. 10, No. 1: 3-14

20 Aire Trummal & Mikko Lagerspetz (2001), *The Profile of Estonian Civil Society. A Preliminary Report on the Civicus Index on Civil Society Project in Estonia*, Washington, DC: CIVICUS

21 *NGO Sustainability Index in Estonia (2001): NGO Sustainability Index in Estonia 2001*. Unpublished research report. Tallinn: NENO

process for the first time, since there is not enough information available on the appropriate proceedings.²²

In the contexts of these contradictory evaluations it has to be mentioned that the Public Information Act, which came into force on 1 January, 2001, should in principle guarantee easy access to the information needed for the realisation of personal rights and freedoms, and increase transparency in fulfilling public assignments. The Act states that everybody has access to the information produced by public institutions and enterprises fulfilling public service functions, provided that the information do not include state secrets or infringe on the personal privacy of individuals. All such information requests must be answered within five days. Taking that into account, it is possible to offer two interpretations of the differing assessments of civil society organisations' representatives and other stakeholders: either the law has not yet been sufficiently enforced, or organisations have not acquainted themselves with the new opportunities it provides for.

The representatives of foundations that were interviewed in the course of the present study tended to regard the legislative framework as good. At the same time, they pointed out that both civil servants, managers of private enterprises and the foundations themselves were not sufficiently aware of the possibilities offered by the existing legislation and were thus unable to make proper use of them.²³

2.3 An empirical profile of foundations in Estonia

22 Aire Trummal & Mikko Lagerspetz (2001), *The Profile of Estonian Civil Society. A Preliminary Report on the Civicus Index on Civil Society Project in Estonia*, Washington, DC: CIVICUS

23 See section 4.3.2 of the present report.

2.3.1 General characteristics

The present comparative European study of foundations is based on the observations that not all foundations in Europe follow a clear-cut, “classical” model of a foundation. The working definition proposed by Helmut K. Anheier²⁴ should accordingly be seen as an ideal type in a Weberian sense.²⁵ The ideal-typical definition describes foundations as assets, financial or otherwise, characterised by their status as (1) non-membership organisations, resting on an original deed; (2) private entities (allowing for foundations being founded by the state, but nevertheless requiring that they remain outside the direct control of the government); (3) self-governing entities; (4) non-profit distributing entities; (5) serving a public purpose.

However, most Estonian foundations are not fully compatible with this ideal type. True, some of this definition’s characteristics are included in the legal definition (non-membership organisation; private entity; self-governing entity; non-profit distributing entity). The distinction between foundations serving public purposes and those serving private or other narrow purposes has not been clearly defined by legislation. In principle, the inclusion of a foundation in the category of tax-exempt organisations by the Ministry of Finances is preceded by an assessment of its purposes by a government official. However, our interviewees with first-hand experience of the procedure deemed it as rather haphazard and insufficiently formalised. Moreover, many foundations and NGOs were not aware of the possibility for applying for this status.

Another difference between the bulk of Estonian foundations and the ideal-typical definition

24 Helmut K. Anheier (2001), *Foundations in Europe: A Comparative Perspective*, London: The London School of Economics and Political Science, Centre for Civil Society, Working Paper No. 18: 3-4

25 “Sociology applies – as we have already discussed several times as a matter of fact – *typification* and is interested in the *general* rules of processes. [...] In *all* cases, [sociology] distances herself from the immediate reality and gains knowledge about it by estimating the *proximity* of a historical phenomenon to one or several of these concepts. [...] In order to use these words in an *unambiguous* way, sociology must create “pure” (“*ideal*”) types of such a kind, that they show the highest possible internal consistency and adequacy of *significance*, even if they might not exist in reality any more than, say, a physical reaction which is supposed to take place in an absolute vacuum.” Max Weber (1921/1984), *Soziologische Grundbegriffe*, Tübingen: J.C.B. Mohr (Paul Siebeck): 37-38. Translation by ML.

touches the very heart of it: it is doubtful, how many of the Estonian foundations can be described as *assets* in a proper sense of the word – especially if the definition would not allow for the asset to consist of something else than financial resources. Most foundations seem to be rather of a grant-seeking than a grant-giving type, their principal assets being their organisational resources and their commitment to a goal, which is considered legitimate by large and sufficiently influential parts of society.

This is due both to the scarcity of domestic private capital and to the lack of taxation technical incentives referred to above. For the same reasons, corporate foundations seem to be almost absent. Most foundations have been established for the function of raising funds to be used for a specific purpose, rather than for managing an endowment. In most cases, they could be classified as operating foundations,²⁶ and their functional difference from non-profit associations is not very clear. The same applies to those foundations, which explicitly work for the benefit of a distinct interest group, i.e., a geographically or otherwise defined community.

On the other hand, there are several important foundations that have been established by the central or local governments and that can clearly be distinguished from other foundations, although their legal status as (theoretically) private entities is the same. The government-initiated foundations are both grant-giving and operating. The rationale for establishing these entities includes a wish to decentralise governance, to guarantee the independence of specific policy areas, to enable partnership with private capital, and to allow the participation of non-political professional people in decision-making. There may, of course, be additional reasons such as a wish to channel public money for transactions not permitted for governmental institutions, a lack of willingness of the existing governmental bodies to shoulder responsibility of an emerging new

26 Helmut K. Anheier (2001), *Foundations in Europe: A Comparative Perspective*, London: The London School of Economics and Political Science, Centre for Civil Society, Working Paper No. 18: 5

policy area, or perhaps even the personal interests of politicians and senior officials (although we found no evidence of that). One could argue that the government-initiated foundations form a separate group that could be treated as a country-specific category. However, we have decided to include them among the other grant-giving and operating foundations, but their specific character will have to be taken into account in the final analysis.

2.3.2 Structure of the foundations sector

A total of approximately 17,500 non-profit membership organisations and 533 foundations are registered in the Central Database of the Registry Departments of Courts.²⁷ Among the latter, 215 were registered in Tallinn, the capital. Of all foundations, 75 have been included in the register of public benefit organisations, which is kept by the Ministry of Finance and which grants tax-exempt status to the donations they receive. Of these foundations, 38 are registered in Tallinn (51%), 21 in Tartu region, 8 in Pärnu region, and two in the Harju region surrounding the capital. In the Southern Võru region and in the regions of Jõgeva, Järva, Lääne-Viru and Saare there is one foundation in each that has been included in the Ministry's list of registered public benefit organisations.²⁸

This concentration of foundations to the capital reflects a more general tendency among the NGOs. According to mail surveys from 1998 and 2001, a rather large share of foundations are located in the bigger Estonian towns: in 1998, this was the case with 44% of the organisations questioned. The capital city, Tallinn has a leading position. According to the Central Business Register, which receives its information from the Registry departments of courts, the organisations located in Tallinn are no less than one third of all registered NGOs, and the city's share of foundations was even bigger, or 52%²⁹. Comparing the amount of NGOs with the amount of

27 see the information from the Estonian Business Register in https://info.eer.ee/ari/ariweb_package.avaleht

28 "Tulumaksusoodustusega mittetulundusühingute ja sihtasutuste nimekiri", Estonian Ministry of Finances

29 *Estonian Statistics* (2001), No. 8. Tallinn: Statistical Office of Estonia

inhabitants in different regions of Estonia, it is obvious that the relative number of NGOs is lowest in smaller towns.³⁰ >From approximately 300 CSOs questioned in 2001,³¹ a majority was primarily active on the local level, about a fifth on the national level and 5% on the international level. Slightly more than a half of the NGOs acting on the international level and 63% of organisations acting on national level located in Tallinn, which demonstrates the larger scope and greater resource capacity of the capital city's NGOs.³² Compared with bigger towns, NGOs in other regions are smaller and more introvert in their activity. The location of the organisation certainly influences its resources available.³³

This comparison between the geographic distribution of all NGOs and all foundations shows that foundations are even more frequently located in the capital than other NGOs. The previous research implies that the NGOs located there were generally more resourceful than those in the smaller towns or rural areas – the university town, Tartu, being an exception. The adoption of the juridical form of a foundation endows the organisation with more obligations with respect to accounting and auditing than does the form of a membership NGO. The financial and personal resources that these obligations require are probably greater than are possessed by a majority of Estonian NGOs. If we regard foundations as a group of organisations that is relatively resourceful in comparison with other NGOs, their concentration in the capital can be explained in terms of a more general tendency of regional inequality with regard to the economic, organisational, and human resources available for NGOs in different locations.

30 Lagerspetz, Mikko; Erle Rikmann & Rein Ruutsoo (2002): "The Structure and Resources of NGOs in Estonia". *Voluntas*, Vol. 13, No. 1: 73-87

31 within the framework of the international project CIVICUS Index on Civil Society; see Aire Trummal & Mikko Lagerspetz (2001), *The Profile of Estonian Civil Society. A Preliminary Report on the Civicus Index on Civil Society Project in Estonia*, Washington, DC: CIVICUS

32 *ibid.*

33 Rikmann, Erle (2001): *Kodanikuosalus Eestis: ressursid ja takistused* [Civic Participation in Estonia: Resources and Hindrances]. MA Thesis, Tallinn: Tallinn Pedagogical University

The Central Business Register, which keeps the register of the different types of non-governmental organisations, does not collect information about their functioning or about the size of their financial assets. Information on the economic activities of all registered legal entities, among the foundations and NGOs, has been collected annually by the Statistical Office of Estonia by means of mail surveys of a sample, the representativity of which may, however, not be very good. Moreover, many of the questions and categories applied do not seem to be as well suited for NGO activities as they are for the for-profit sector. A research project with the aim of developing and testing a new questionnaire more suitable for use with NGOs was launched in November 2002 by an institute for applied social research, the foundation PRAXIS. Two members of the Estonian research team of the present project – *Roles and Visions of Foundations in Europe* – were asked to assist in the development of the new questionnaire as consultants. This enabled us to organise a survey of Estonian foundations. The mail questionnaire was sent to 215 foundations, but the response was more disappointing than expected: no more than 32 respondents returned the questionnaire.

The low percentage of returned answers (15%) can also be regarded as the first result of the study in question. As has been the case in some previous efforts of survey research on Estonian NGOs, there is reason to suspect that many of the organisations registered are not really functioning in practice.³⁴ The failure to answer the questionnaire can be interpreted as a possible sign of a lack of organisational resources. On the other hand, the respondents also reported other problems in filling the questionnaire; that it was fairly time-consuming, and the questions concerning the economic activities of 2002 were sometimes impossible to answer, as the legally defined deadline for accounting for the previous year³⁵ was not yet to hand.

34 Cf. Lagerspetz, Mikko; Erle Rikmann & Rein Ruutsoo (2002): “The Structure and Resources of NGOs in Estonia”. *Voluntas*, Vol. 13, No. 1: 73-87

35 1 April

Most of the responding foundations were created after 1996. Obviously, this is partly due to the enactment of the new laws on non-profit organisations and foundations that took place in that year. Those NGOs that were in existence at that time were forced to make a choice between the two different organisational forms, which sometimes resulted in their re-registration with new names. On the other hand, the development of the legislative framework was in itself a factor that encouraged the establishment of new foundations. It should also be remembered that during the second half of the 1990s the Estonian economy started to recover from the steep decline that accompanied the economic transformation of the early 1990s.

The size of the foundations' economic activities in terms of income during 2002 ranged from zero, or 39 Estonian crowns (2 euros 50 cents) to 31.6 million (2,025,001 euros). The arithmetic mean was 4.09 million (around 280,000 euros), but becomes much smaller (2.64 million, or 180,000 euros) if the foundations with current participation either by the state, local government or public universities are excluded.

In the table 2.1 below, different types of organisations (grant-giving, operative and community foundations) with or without participation of government bodies have been divided between different groups of categories of the International Classification of Non-profit Organisations (ICNPO).³⁶ The comparison between different types of respondents shows, that the most numerous and most resourceful group of foundations are those whose functions can be classified in Group 6 of ICNPO (Development and housing). In this group the foundations with participation of either the state or other government-related bodies operate with the largest amounts of money.

³⁶ The main groups are: 1. Culture and recreation; 2. Education and research; 3. health; 4. Social services; 5. Environment; 6. Development and Housing; 7. Law, advocacy and politics; 8. Philanthropic intermediaries, voluntarism promotion; 9. International; 10. Religion; 11. Business and professional associations, unions; 12. Not elsewhere classified. None of the responding organizations did, however, fall into the groups 9, 11 and 12.

Table 2.1. Types of Foundations Divided between Different Groups of Categories of the International Classification of Non-profit Organisations (ICNPO)

Type of Foundation		ICNPO Group of Categories								
		1	2	3	4	5	6	7	8	10
Grant-giving, total		1	1	2	2	-	1	-	3	-
among which:	private	1	1	2	2	-	-	-	3	-
	gov.	-	-	-	-	-	1	-	-	-
Operational, total		3	3	1	3	2	6	2	-	1
among which:	private	2	1	-	1	1	1	2	-	1
	gov.	1	2	1	2	1	5	-	-	-
Community, total		-	2	-	1	-	3	-	1	-
among which:	Private	-	2	-	1	-	-	-	1	-
	gov.	-	-	-	-	-	3	-	-	-
Total No. of Foundations		4	5	3	4	2	7	2	4	1
Total reported budget, 1000 crowns		13,417	8,416	9,799	2,357	7,210	37,782	65	24,219	0
Total reported budget, 1000 euros		860	539	628	151	462	2,422	4	1,553	0

In general, a statistical treatment of foundations in Estonia is not very meaningful, unless distinctions are made between those foundations which fulfil functions defined by governmental bodies and receive regular financing from the state budget, and those which result from private initiative. This was repeatedly pointed out by our interviewees. Hopefully, the ongoing pilot project of mail survey will result in the introduction of more detailed and adequate categories in the official statistics on NGOs.

2.3.3 The sample of the present study

In choosing foundations for the sample, random sampling was not considered appropriate. As mentioned above, much of the non-profit sector consists of organisations which are not functioning in practice. Accordingly, a random sample would be likely to include several inactive or practically non-existent foundations. As agreed by participants of the comparative study, the foundations to be studied were chosen so that all the major types of foundation in the country would be represented. In our case, these types include grant-giving, operational, corporate, and community foundations. A further requirement was that the foundations would be established at different periods and would, thus, be in possession of different degrees of tradition and experience. However, the novelty of most of the NGO sector in Estonia, and of foundations in particular means that the foundations to be studied do not differ significantly with regard to their age. The division between “old” and “new” foundations has been operationalized as one between foundations established before and after 20 August 1991 – i.e., the date of the re-establishment of Estonian independence. Even if the date is a recent one, the number of “old” foundations is small.

The aim was to include foundations from all of the different types that are characteristic of the sector. The main problems in doing this were connected with the relative absence of “old” foundations, as mentioned above, and with the scarcity of corporate foundations. In the description of the framework of legislation and taxation in section 2.2 above, we argued that the abrogation of corporate income tax from 2000 has resulted in a situation where private companies lack powerful motives for making donations or establishing their own foundations. To some extent, the role of corporate foundations is being played by the “sub-foundations” (*allfondid*) established under the auspices of the Foundation for Estonian National Culture. These sub-foundations are not independent legal entities, but nevertheless administer the distribution of distinct grants donated by different private or corporate donors. They may have distinct boards who make the decisions. For

this reason, we have placed that foundation in the Corporate foundations' category also.

One part of the present sample was chosen on the basis of their recognised importance in different policy areas. This concerns, above all, the foundations with government participation but also the local Soros foundation (Open Estonia Foundation). In order to reach active and willingly co-operating foundations, we selected several foundations that are actively participating in the work of the Representative Board of the Estonian Non-Profit Organisations' Roundtable – an umbrella organisation founded in 2001, in the course of the process of preparing the *Concept for the Development of Civil Society in Estonia* (EKAK) (see section 2.2 of this report). It defines its task as acting as a forum for discussion on questions of general interest for the whole of the non-profit sector. These foundations are of different sizes and functions. Finally, some of the foundations in the sample are generally considered neither important nor active in presenting their visions, and were included for that very reason.³⁷

The foundations of the sample are listed in the Appendix 1 of the present report. As can be inferred from the original founders and the main sources of finances reported by the foundations, several of them have either been founded by governmental bodies, or are fulfilling functions assigned to them by these bodies. We also see, that some foundations (The Estonian Cultural Endowment, the Open Estonia Foundation) have been reported by other foundations as being among their major financiers. Accordingly, not many of the foundations can be regarded as independent in terms of being in possession of important financial assets. When comparing the sample with the survey respondents presented in Table 2.1 above, we can see that it does not differ

³⁷ However, some adjustments to the original sample had to be made. One foundation was impossible to get in contact with through its official telephone and e-mail address; one foundation declined because of the geographic distance; and two foundations had practically completed their work. We reached the initial agreement on participating in the study from one corporate foundation established by a pharmaceutical enterprise, but shortly afterwards, the person responsible for the co-operation became inaccessible and the effort at interviewing had to be given up. New foundations were added to the original sample; they were partly chosen among those who had responded to the mail questionnaire. The final sample consists of 16 foundations.

in this respect from the overall field of foundations in Estonia.

3. Foundation Roles

The foundations are – as is evident from what was presented above about the historical background – a very new phenomenon in Estonia. For that reason, they have not yet established themselves in society as performers of a well-defined role. When conducting research into their (possible) role in society, the matter we end up discussing will not so much be their present performance, but what kinds of roles they are been assigned by others and by themselves – i.e., the role expectations. In other words, their present activities are in many cases not synonymous with what they themselves think that their proper function in society should be, or with the priorities of the other stakeholders. The stakeholders' understanding of the possible roles of foundations is, in fact, related to a more general idea of what the non-profit sector could be in society. In the present section, we will discuss the broader third sector context with a view to then proceeding to examine foundation representatives' reactions to roles and visions.

3.1 Stakeholder discourses on the non-profit sector

Prior to the present project, we conducted individual and group interviews with 71 men and women who were classified either as academic experts, civil servants, politicians, local government officials, business people, or NGO activists (see Appendix 2). To some extent, this classification is arbitrary: several academic experts, politicians and civil servants were personally engaged in NGO activities, especially within national NGO umbrella organisations. In other words, these people could be regarded as the core group of interviewees, with most contacts with other sectors and with the highest readiness to make statements about cross-sectoral relations. It was the business people on one hand, and the persons active in local grassroots NGOs on the other who had less experience of contact with the other groups of interviewees. In Estonia, a parliamentary election was held in March 2003. For this reason, the visions and discourses of the more recent members of the Estonian political elite could not be included in our analysis. Moreover, a parliamentary discussion and adoption of the *Concept for the Development of Civil Society in Estonia (EKAK)* (see section 2.2) took place in December, 2002. What is presented here, is reflective of ideas prevailing before these political developments.

An analysis of the interviews allowed us to formulate three competing discourses on the role of the NGO sector in Estonian society. We termed them as *the discourse of the third sector*, *the discourse of corporatist organisation*, and *the discourse of participant society*. The first of the three discourses is based upon analogies from the economic sphere and economic theory; the discourse of corporatist organisation calls for consensus-based mobilisation in order to support the nation-building process; the discourse of participant society presents the NGOs as elements of pluralist democracy. Later on, when analysing the roles and visions expressed by the foundation

representatives themselves, we will see how the same discourses are in use.

According to what we decided to call the *discourse of the third sector*, the main difference between the non-profit and for-profit sectors consists of their different principles in the organisation of finances. The NGO sector acts within the market economy and its primary role is to offer social services at financial costs that are as low as possible – this coincides with what will be discussed later on as the roles of *redistribution* and *substitution*. Success in fulfilling these roles is made possible by the NGOs' thorough knowledge of their fields of activity and by their access to a voluntary (unpaid) labour force. According to this view, the main content of an agreement between the public and NGO sectors should consist of a set of rules for the contracting out of public services. Consequently, a central issue to be discussed is the reliability and professional standard of the NGOs who are to carry out the tasks delegated to them by public authorities. Especially the civil servants whose responsibility it is to make decisions on financing and tax exemptions were in doubt about the reliability of their prospective partners:

(Individual interview/civil service, 010900):

(Answer:) This might not be a proper example, but I would prefer to see more people with a mission. I do not mean to criticise the third sector, but many people are there because of a rather good salary. Those meant-to-be volunteers and so forth – for example, the sole activity of [a certain NGO during 1999] consisted of eight foreign visits by its director, with all costs paid.

Representatives of the business sector, but also many politicians stressed that, as a rule, the NGOs

should not require public financial support for activities not explicitly commissioned by the government.

The *discourse of corporatist organisation* sees the primary role of NGOs as informing the government on different problems, particularly in the fields of cultural and social policies. At the same time, organisations act towards the citizenry as mediators of initiatives from the government. This discourse can be understood as a part of the nation-building and state-building processes of the newly restored nation-state. Unity and support for governmental institutions, not the enhancement of pluralism in society, is viewed as the main principle underlying the relationship between the public and non-governmental sectors. The foundation roles of *complementarity* and *substitution* are consistent with this discourse.

For politicians and civil servants it becomes important to find criteria for defining those partner organisations, who represent a substantial part of the electorate and whose opinions thus have legitimate ground for being taken into account. For this reason, the decision-makers would prefer a clearly structured, hierarchical field of NGOs, which would be capable of formulating a consensual opinion: *“It is essential for the state also that there exist a few organisations, which are relatively representative of the whole of civil society”* (Individual interview/politicians, 200900).

This opinion in turn received criticism especially from representatives of grassroots organisations, who doubted the commitment and capacity of the umbrella organisations to represent the manifold, sometimes conflicting interests of their member organisations. From the point of view of the *discourse of participant society*, the role of the NGOs is to represent the plurality of interests and opinions that exist in society. They are promoters of *pluralism, policy and social change*, and

innovation. Accordingly, state policy towards the sector should aim at securing the viability of those organisations above all, which represent the social groups that are the poorest in resources.

(Group interview/academic experts, 080700):

(Respondent 1:) What I would like to see is that different organisations, be they big or small, have the possibility of standing up for their interests. Inevitably, when you create umbrella organisations from above, the umbrellas, which ought to represent everybody, are in practice unable to represent the total plurality of interests. [...] Having myself participated in negotiations between different interest groups I see it very clearly that an interest group is what it is, because it represents the interests of a given group. And it does not lie in the interests of an interest group to align its interests with the interests of another interest group.

It should be stressed that the discourses formulated here were not present in the interviews as consistent programmes, but rather as fragmentary sets of opinions and attitudes. At the time of making these interviews (late 2000), public discussion on civil society and the role of NGOs had merely begun and the issue was rather distant for most of our respondents. As will be seen, however, the situation has been changing rapidly.³⁸

Later group interviews that were made in July 2001 with members of the *Representative Board of the Estonian Non-Profit Organisations' Roundtable* show a totally different picture. The final draft of the *Concept for the Development of Civil Society in Estonia (EKAK)*, as it was delivered to the Parliament in April 2002, but especially the standpoints of the members of the

38 Mikko Lagerspetz (2003), "From NGOs to Civil Society: A Learning Process". In Miklos Kralik (ed.), *University and College Level Third Sector Studies in Central and Eastern Europe: Reports and Papers*, Budapest: Third Sector Studies in Central and Eastern Europe Academic Network: 81-91

Representative Board of the Roundtable, are clearly more reminiscent of the discourse of participant society. Rather than organisations, the Roundtable is viewed as representing different interests and activities. During the few months after the gathering of the Roundtable, the elected representatives seem to have come a long way in creating a coherent ideology out of such attitudes that still in late 2000 were rather scarcely represented in our interviews. They clearly see themselves as an avant-garde facing a conservative environment:

(Group interview/members of the Representative Board (1), 050701):

(Respondent 1:) I have experienced difficulties in explaining our open, democratic structure for people whose thinking is based on a model of rigid organisation. Because we lack clear organisation and membership, they question our right to represent the whole third sector. Successful communication would require the same kind of open-mindedness on behalf of the umbrella organisations and other institutions inside and outside the sector. They ought to understand that this is what our model is about that we do not wish to have a strict organisation structure.

[...]

(Respondent 2:) There are problems on the level of individuals also. When discussing with several members of the Parliament I have experienced that their thinking is not flexible enough. If we lack an official, legally fixed hierarchy, they are unable to understand our way of thinking. The coming debate over the EKAK can be expected to become quite an interesting process indeed. Let's wait and see.

Jokingly, one member of the Representative Board even defined the meaning of the ongoing

process in a quasi-Leninist formulation:

(Group interview/members of the Representative Board (1), 050701):

(Respondent 3:) [...] Non-profit organisations find their intellectual weapon in the EKAK, and the EKAK finds its material weapon in the non-profit organisations.

What one could call a consolidation of the discourse of participant society is also shown by the final version of the document drafted by NGO activists (April 2002). For instance, it defines participation as "the people's will and ability to get themselves heard and to have a say in the preparation and implementation of decisions that influence them"; when stating the mutual commitments of NGOs and the Government, the draft document quotes the NGO sector as "acknowledging the right of governmental institutions to decide over their own priorities and the implementation thereof, *provided* that their action is not incompatible with the principles and practices of democratic society, and that there are no corruptive practices."³⁹ The formulation of the document that at the end was adopted by the Parliament are more cautious, defining participation merely as a form of dialogue between the public and the decision-makers, and not specifying the conditions, under which governmental institutions are considered legitimate. This reminds us of one important issue: even when ideas of participatory democracy develop rapidly within the NGO sector, similar developments are needed in other sectors also before they can become a part of political practice.⁴⁰

39 Our italics.

40 Erle Rikmann (2003), "Kansalaisosallistumisen kulttuuri Virossa" [The culture of civic participation in Estonia]. *Finnish Review of Eastern European Studies*, Vol. 10, No. 1: 3-14

3.2 Foundation representatives' discourses on their role

3.2.1 Evaluation of different roles

In the present sample of foundations interviewed, the contradiction between different discourses of the roles of the non-profit sector (as discussed above) are represented by the different degrees to which foundation representatives emphasise the importance of being independent of the government.

The different possible roles of foundations developed from the suggestions by Prewitt⁴¹ and presented in the comparative project's methodology were formulated as statements in "a simple nonjargon language". In the beginning of each individual or group interview session, the foundation representatives assessed the statements using a five-point scale, 5 equalling total agreement and 1 total disagreement. The means and standard deviations of the assessments of statements derived from these roles are presented in the table 3.1 below; the distributions of responses to all statements can be found in Appendix 3 of the present report.⁴² It may be argued, that a quantitative analysis of such a small sample is not meaningful, and that a qualitative analysis of interviews and group discussions gives a more appropriate picture. However, the distribution of the questionnaire answers is able to give a rough estimate of the popularity among foundations' representatives of different roles and visions, especially when the standard deviations are low, i.e., when the respondents are relatively unanimous. Moreover, a comparison between the quantitative and qualitative data shows some interesting discrepancies between them. In fact, one could depict the

41 Kenneth Prewitt (1999), "The importance of foundations in an open society". In *The Future of Foundations in an Open Society*, Guetersloh: The Bertelsmann Foundation. Quoted in Helmut K. Anheier (2001), *Foundations in Europe: A Comparative Perspective*, London: The London School of Economics and Political Science, Centre for Civil Society, Working Paper No. 18: 22

42 The means are calculated as simple arithmetic averages. Standard deviations (SD) reflect the degree of unanimity among the respondents; when a five-point scale is used as in this questionnaire, SD can vary from 0 (complete agreement between the ratings by all respondents) to 2.00 (greatest possible variance of assessments).

questionnaire responses as describing an ideal situation, whereas the interview responses and group discussions are more likely to reflect the everyday experiences of the non-profit activists.

Table 3.1. Distribution of responses to questionnaire statements by foundation representatives (N = 16)

Foundation Role	Statement	mean	SD
Complementarity	4. Foundations serve groups of individuals with special needs when the state or the local governments cannot help them.	2.50	1.37
Substitution	5. Foundations take over certain functions of the state and local governments, who do not have to take care of them any more.	3.00	1.32
Redistribution	26. Foundations are a way in which the wealthier people can pass money to those with low income and economic problems.	3.31	1.16
Innovation	16. Foundations are promoters of innovation in ways that neither government nor markets can. They push new social perceptions, values and ways of doing things.	4.38	0.93
Social and Policy Change	17. Foundations promote social change in the direction of a more just society. They give voice and empower the socially excluded.	4.12	0.86
Preservation of Traditions and Cultures	11. Foundations help to preserve and protect the heritage of the past and therefore contribute to the stability of society.	3.75	1.20
Promotion of Pluralism	8. Foundations enhance the pluralism of society and are, hence, a basic element of democracy.	4.94	0.24

Judging on the basis of the distribution of the questionnaire responses, the *promotion of pluralism*, *innovation*, and *social and policy change* seem to be the roles that the representatives of foundations value the most. As shown by the low level of standard deviations, there seems also to be a relative consensus over the importance of these roles. The perspective of being assigned tasks that the state or the local governments are unable to fulfil – the role of *complementarity* – was the least popular of the possible roles. However, the interviews and the discussions in the course of the

group interviews point at the fact that the different roles are in practice intertwined and difficult to separate from each other:

(Individual interview/representative of a foundation, 310303):

(Respondent:) There are several roles. One role could really include the preservation of cultural traditions, all kinds of. But on the other hand, highly innovative ideas can be promoted or initiated. This is an important activity that we practise little and that could be the norm. And of course, it would be good to co-operate here with the state. One can initiate models of a kind, and if they work out well, the government can take over.

(Question:) This is the way that [your foundation] works?

(Respondent:) We used to try to do that. And there were several projects that would have been worth taking over by the government but they failed to do it. For instance, teacher training that we supported, development of critical thinking [...], the programme should have been taken over by the government, as we ran out of resources. We could not continue, we are not the government, but it was actually a part of the government's functions but they did not consider it worthwhile to continue, which was a pity. There are plenty of similar examples.

Showing initiative in a field neglected by the government may form a part of a strategy of social change: after positive results have been shown, it can be easier to convince the decision-makers on the need for continuing the activity. On the other hand, the decision to complement the work of the government sector in some areas can be the result of a pressing need of a neglected social group, e.g. those with disabilities, or those living in less developed regions of the country. The foundations

taking care of such functions sometimes do not find the situation just or satisfactory. As one of our interviewees put it, *"...the work we are doing should actually be done by [the corresponding governmental institution], as is the case in other countries both far and near. But as the state lacked any understanding of the need, and perhaps it also lacked the resources, a foundation was established for the purpose (Group interview/representatives of foundations, 200303)"*.

If the initiative does not result in a change of the government's policies, the foundations may find themselves forced either to put an end to the new activity, or to continue it with insecure and insufficient funding. In effect, they end up doing what could be described as fulfilling the role of complementarity vis-à-vis governmental bodies; however, such a situation does not coincide with what most of the foundation representatives consider as their proper role and what they evaluated most highly when responding to the questionnaire.

3.2.2 Descriptions of present activities

In particular, the group discussions showed that most of the foundations saw complementing the functions of governmental bodies as a central element in their everyday work. The foundations established by the government were direct results of public sector management reforms, which included a ***substitution*** of governmental bodies by other bodies, which had the legal form of a foundation. This was seen as a logical continuation of the post-socialist transformation of society:

(Individual interview/representatives of foundations, 270203:)

We should look at it against a historical background. The whole of the Soviet state apparatus was in fact taken over [by the independent Estonia], and its legal basis of functioning was not private, but governmental. That resulted in a problematic situation, in which the state got hold of many functions, which actually had no need of being governed by the state. At the same time it would have been very complicated to privatise them in the form of business enterprises. Take the hospitals. Health care services are not looked upon as business, but as a function guaranteed by the state. [...] There was one alternative – to turn the hospitals into foundations. It was the result of highly rational considerations.

(Workshop, 310303):

[...] Taking over the functions of the state – we must think carefully what is meant by that. The functions of the state are the ones that have been defined by the Constitution, those cannot be taken away from the state and this probably means that foundations will not be able to fulfil them. We should analyse what these functions actually are, whether they belong to the state in the first place or is it so that the state has just taken hold of them in order to employ more civil servants and more cabinet ministers. [...]

A second function that was often touched upon in the interviews was that of *redistributing resources*. Many theoretical treatments, and to some extent also the definition of foundations that underlies the comparative research project do treat grant-giving foundations as representing a highly typical form of foundation. In this respect, the organisations in our sample were very different – some of them were primarily grant-distributing, but a majority were running their own

projects and employed workers directly for them. During the workshop, a rare incident of controversy between representatives of different foundations could be witnessed:

(Workshop 310303:)

(Participant 1:) I mean, we can say that the redistribution of money as such does not add to what we could call the overall wealth of society. [...] The money is just moved to another location, but no new values are being created.

(Participant 2:) But you see, there is a difference between merely transferring the money of a rich person to another person, and doing it through an, eh, an energetic and innovative foundation, which means that the money might find a more proper addressee. I do disagree with the view that redistributing money does not create new values.

The first speaker in effect challenges the *raison d'être* of grant-distributing foundations. The conversation shows two widely different views of the need for innovation and pluralism. As Participant 2 points out, one of the rationales for establishing foundations is, indeed, the fact that they add new dimensions to decision-making on resource allocation. Here, they can rely on committed individuals and expertise that is unavailable for other agencies. Participant 1, a representative of a government-related foundation, however fails to see the involvement of an independent legal body as contributing to the overall wealth of society.

For the foundations created by the government, the main rationale for adopting this organisational form lies in its flexibility of governance, compared with traditional governmental bodies. However, the grassroots-initiated organisations were attracted to this legal form exactly for the same reason, when making their choice between the forms of the foundation and the non-profit

association. They referred to “...lots and lots of cases, when a non-profit association has been unable to gather its General Assembly and the decisions have been retarded because of that, but it is often impossible to wait for several months before a decision can be made” (Group interview/representatives of foundations, 200303).

One reason for establishing a foundation is, accordingly, directly related to its legal form. The particular form as such has been adopted because it offers a suitable framework for administering finances, irrespective of whatever the activities are, that are to be promoted. It should, however, be noted that the ability as such of an effective management of financial assets is highly valued by all foundations. The statement “*Foundations should become more professional in the way they operate*” was strongly supported by the questionnaire responses (mean = 4.13, SD = 0.93).

The small number of the sample does not allow quantitative comparisons to be made between the questionnaire responses between private and government-initiated foundations. However, the interviews and discussions pointed at differences between these different types of organisations. Whereas all interviewees acknowledged the role of foundations as complementing the functions of the state, the representatives of purely private foundations tended to emphasise their capacity of innovation, and to present their activities as ways of challenging and influencing the existing policies. Paradoxically, they are often financially dependent on project grants from the government. On the other hand, the government-initiated foundations understood their complementary role in the way it had been defined by the government.

3.2.3 European issues

The interviews and discussions were almost entirely concerned with domestic affairs, and Europe or the European Union were seldom touched upon. The questionnaire showed that all-European organisations and documents with reference to foundations were unknown by most of the respondents. In fact, only one respondent had prior knowledge of all the four organisations and documents that were listed in the questionnaire.

**Table 3.2. Have you heard of the following institutions and documents?
Distribution of answers to the questionnaire (N = 16)**

Institution or document	yes	no
<i>European Foundation Centre</i>	10	6
<i>European Code of Practice for Foundations</i>	2	14
<i>European Foundation Statute</i>	5	11
<i>European Foundation/Foundation for Europe</i>	3	13

European, foreign or global organisations were mentioned in the context of possible sources of financing. Three foundations, one government-initiated and two private, reported of having administered EU projects. Most representatives of foundations were in principle conscious of the possibility of applying for grants from European institutions but had never done so and did not consider doing so in the near future. Importantly, nobody mentioned the possibility of trying to influence politics on the EU level.

3.2.4 Roles of foundations: A summary assessment

We interpreted the stakeholder interviews conducted earlier (see section 3.1) as reflective of three different discourses of civil society: *the discourse of the third sector*, *the discourse of corporatist organisation*, and *the discourse of participant society*. The responses and discussions of the representatives of foundations on their possible roles can be seen in the same way. An attempt at combining the roles of foundations with the corresponding discourses on civil society is summarised below as table 3.3.

Table 3.3 Discourses on civil society and roles of foundations

Discourse	Foundation roles	Context of discourse
<i>participant society</i>	pluralism policy and social change innovation	questionnaire foundations based on civic initiative grant-giving foundations
<i>corporatist organisation</i>	complementarity substitution	government-initiated foundations service-providing foundations
<i>third sector</i>	redistribution substitution	grant-giving foundations public sector reform

The *discourse of participant society* is represented by the roles of *promoting pluralism, policy and social change*, and *innovation*. Judged on the basis of the questionnaire, they were much valued by the representatives of foundations. However, the interviews and discussions in the course of group interviews changed the overall picture; now, it was those foundations established by private initiative who still emphasised these roles. At the same time, even their descriptions of their everyday activities and survival strategies were presented in terms of their relationship with the

government, the functions of which they complemented and on which they mostly depended financially. There seem to exist a number of foundations with conscious ambitions of influencing society, at the same time as their resources are scarce and they have not received any regular support from the state. They themselves cherish other ideas of their roles, but the environment forces them to adopt the roles of *complementing* and *substituting* government functions, i.e., those promoted by the *discourse of corporatist organisation*.⁴³ But, as mentioned before, these roles can also be seen as grassroots strategies for influencing policies.

The *discourse of the third sector* was defined above (section 3.1) as regarding the non-profit organisations primarily as certain forms of economic governance. This discourse could be combined with the roles of foundations as *redistributors* and as *substitutes* for governmental institutions. Not unlike the very concept of the Third Sector, these roles seem to allow for a wide variety of activities, ranging from the shadow economy to public sector reform, to the allocation of grants for public benefit purposes.

43 Cf. Erle Rikmann (2003), "Kansalaisosallistumisen kulttuuri Virossa" [The culture of civic participation in Estonia]. *Finnish Review of Eastern European Studies*, Vol. 10, No. 1: 3-14

4. Visions, Policies and Emerging Issues

4.1 Models of society

The respondents were not asked to rate descriptions of different social models. The workshop was organised above all in the form of a feedback session, during which the foundation representatives who had participated in previous individual and group interviews, could voice their opinions about our interpretations of their responses and discussions. We did not find it useful to introduce here a set of models not previously discussed. Instead, the following analysis intends to construct the respondents' relationships with different models of society⁴⁴ on the basis of their questionnaire answers and opinions expressed in the course of the interviews and the workshop. Thus, reactions to the different social models were assessed through an indirect rather than a direct approach.

The comparative research project presents a tentative division of different possible social models, including *the social democratic, the state controlled, the corporatist, the liberal, the peripheral,* and *the business model*. These models can, in turn be connected to some statements in the questionnaire – the distribution of the responses by representatives of foundations is given in table

⁴⁴ as discussed in *Research Memorandum No. 6*

4.1.

Table 4.1. Models of society as reflected by the distribution of responses to questionnaire statements by foundation representatives (N = 16)

Model	Statement	mean	SD
Social democratic	1. Foundations should be part of a larger welfare system co-ordinated by the state.	3.00	1.22
State controlled	19. Foundations should be more accountable to government.	2.80	1.16
Corporatist	2. Foundations should operate in assigned fields that are of primary interest to a democratically elected government, which should have close oversight to make sure that they operate in the public interest.	3.63	1.54
	3. Foundations should work largely independently but in close co-operation with the state and the local governments, with an emphasis on social services provision.	2.12	0.93
Liberal	6. Foundations should be a visible force independent from both government and market, and they should provide alternatives to the mainstream and safeguard minorities.	3.75	1.09
	16. Foundations are promoters of innovation in ways that neither government nor markets can. They push new social perceptions, values and ways of doing things.	4.38	0.93
Peripheral	15. To challenge the status quo does not belong to the functions of foundations.	1.75	1.20
Business	24. Business leaders and foundations should work more closely together.	4.50	0.61
	25. Foundations offer a possibility for corporations to show their social responsibility and to promote their public image at the same time.	4.56	0.70

If these connections between the social models and questionnaire statements are taken as the starting point, we can, first, state that the *peripheral* model did not receive much support in the questionnaire responses. The same can be said about the interviews and workshop discussions: none of the representatives of foundations seemed prone to belittle his or her own work and importance. On the other hand, the *business model* of relationships between foundations and

society – the idea of foundations as instruments of corporate citizenship – was extremely popular. This finding was also supported by the interviews. Partnership relations with the business world were discussed as highly valuable in principle, even if only a minority of the respondents actually did have such partnerships. No more than five of the foundations (in our sample of 16) mentioned domestic private donors (individual or corporate) among their main financiers.⁴⁵

Differences in organisational culture and organisational resources were mentioned as a factor that could render the co-operation more difficult. The heavy reliance on the work of a few employees and/or voluntary workers sometimes made it impossible for the smaller foundations to keep such timetables that were proposed by the business leaders.

(Group interview/representatives of foundations, 200303:)

[...] In this respect, the foundations are different. For example the foundations based on civic initiative have a different way of administering, very much of it is done without remuneration [...], which creates a rather complicated situation. You walk on thin ice, because these people can tell you whenever they like, I'm sorry, I have no time any more, we are not interested in doing this any more. And this may often create a tension between this kind of civic organisations and governmental institutions or business enterprises. There is not enough understanding that the culture of organisation and management is different due to the lack of resources. If you explain that, [the partners] usually understand. But often you do not come to think about that your partner in the business or government sector expects same kind of organisational culture from you that they have themselves. This creates initial misapprehension.

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See the description of the sample in Appendix 1.

On the other hand, the business leaders tended to underestimate the amount of work and professional knowledge that is needed for administering and distributing grants.

(Individual interview/representatives of foundations, 310303:)

(Interviewer:) Well, why do you think [the relations with business life] are needed [...]?

(Respondent:) Well, plainly in order to give them some rehearsal, in order to train them how to unite with existing structures. I have an example, there was a distraint executory officer in Tallinn with a large income, he created his own foundation with one million crowns, a foundation for study grants. At the same time, governing and administering the foundation will certainly be much more costly than it would have been if he had used the help of another foundation. Here we are able to offer the help of existing financial structures, auditing and so on, and in this sense it would be good for the two sectors to act together.

The Foundation for National Culture was in fact an example of how business corporations and private donors had become conscious of the possibility of relying on an existing structure. By donating earmarked grant funds, they were able to direct the money to the preferred purpose, to save the costs of administration, and to be themselves acknowledged as donors.

The strong emphasis on the need to develop co-operation with the business sector is certainly related to the sector's general lack of resources, but also to its general dependency on the government, which the foundations experience as uncomfortably high.

Accordingly, the respondents did not favour the *social democratic* and the *state-controlled* model. There were but few examples of foundations being involved in the provision of welfare services in such a way that was referred to in the definition of the social democratic model.⁴⁶ Foundations wishing to fulfil such a role are openly disappointed with the government, which seems to lack both the interest and the resources.

The *corporatist* model received mixed responses. Representatives of the foundations with guaranteed regular public financing seemed comfortable in their role of operating functions assigned to them by the government. As one of them put it,

(Workshop, 310303:)

I begin to understand that [our foundation] lies rather far in the margins of the wide spectrum of different foundations. Personally, I have no problems at all, and I can tell you why. Since the beginning of this year, [operating a building] is my only activity. [...] The government pays [a certain sum] yearly for paying the loans. So I can wash my hands and live comfortably. I understand what I hear from you but, but, I need no money.

This model was above all challenged by the *liberal* model, which was supported by people from the foundations relying on private initiative. They saw themselves as an innovative force promoting pluralism in society (see the discussion on roles of foundations in sections 3.2.1 and 3.2.2). In contrast to the proponents of the corporatist model, those who favoured the liberal model saw it as essential that the foundations should be flexible in redefining their objectives, securing their sensitivity in responding to emerging new needs in society:

⁴⁶ “Foundations are part of a highly developed welfare state and cooperate with the state to either complement or supplement the state’s activities”, *Research Memorandum No. 6*

(Group interview/representatives of foundations, 070303:)

Really, the less we create such restricting regulations, the better. Our principle is that we do not want to define ourselves in our relationship with the grant applicants, so they will not have to bother themselves in vain, but the fact is that no year is ever like the previous one. We cannot know in advance what will turn out to be the most pressing problem at the time when the grants of next next year will be distributed. [...] Maybe new problems will turn up in society, which need our attention. But if we are too careful in regulating our working principles, we might eliminate something important from our activities and start to regret it later.

Some statements that were presented in the course of group interviews seem to go even further than the liberal model in their emphasis on social change, empowerment of minorities and opposition to certain aspects of prevailing state policies.

(Group interview/representatives of foundations, 200303:)

In addition, we have tried to influence legal initiatives, we have interacted with MPs and [a certain] Committee of the Parliament. I am sorry to say that it has been a rather hopeless effort. They argue that our target group is so small and a change of legislation would not influence more than twenty people at the most, it would be useless. And then finally [...] the act was changed anyway, but one of the few paragraphs that was *not* changed was exactly the one that we had suggested to be changed. [...] [Some civil servants] totally ignore your professional competence and their attitude is decided by

quite other factors.

Whereas the liberal model was defined as one in which "foundations form a largely parallel system next to government, frequently seeing themselves as alternatives to the mainstream and safeguards of non-majoritarian preferences", several of the representatives of Estonian foundations see themselves as quasi-political pressure groups. This view of society comes close to what previously (sections 3.1 and 3.2.4) was described as the *discourse of participant society*.

4.2 Visions of the future

Generally, the representatives of foundations did not doubt that after a period of five to ten years, foundations would continue to be a part of Estonian society, and probably a more influential part than the case has been hitherto. They argued that the needs that the foundations had been created to fulfil were likely to continue to exist, and that foundations were the best organisational means for responding to these needs. This corresponds roughly to the roles of complementarity and substitution discussed in section 3.2.2 above.

Another argument connected them with the roles of innovation and policy change:

(Individual interview/representatives of foundations, 310303:)

For us remains the function of holding our hand on the pulse of society where the development of democratic culture is concerned. That means if we notice shortcomings and possibilities of some kind, we can implement some kinds of new models in co-operation with other associations. Or we can encourage people to speak up. [...]

[The future of foundations in five to ten years] is basically dependent on ourselves, on the extent to which we are able to show that foundations are important, a kind of island or cells of independence, which contribute to the common feeling [...]. If we can do that and if the state on the other hand understands it and acknowledges it at least on the level of programmes, then I believe that the number of active, I mean SERIOUS foundations will grow.

The work of foundations was seen as essential in forming the society of the future. On the other hand, many of the foundations had been explicitly founded for a limited task that was supposed to be finished after a certain time period. Their representatives were rather unambiguous when speaking about the end of their own activities. However, they agreed with the other respondents on the future existence of the foundation sector as a whole.

Foundations were also conceived of as representing a certain, Western cultural pattern, which had started to take root again in Estonia after the end of the Soviet rule. Hence, the representatives of foundations could regard themselves as forerunners of a “civilising process”, which would in the end produce a society, in which philanthropy and voluntary giving are self-evident parts of everyday life. They also anticipated an eventual rise in living standards, which would create new possibilities for people to make charitable donations. The either direct or

financial dependence of many foundations on the government did, however, create a source of uncertainty.

4.3 Emerging issues and problems

The interviews and the workshop brought forward several issues that seem to be crucial to the future development of the foundations, and to the non-profit sector in general. Some of them were connected to the relationships between foundations and the government and business sectors; a number of issues was centred around financing; and finally, the internal relations within the non-profit sector received some attention. In the following, only some of the most acute issues and problems are discussed.

4.3.1 Relationships between foundations and the government and business sectors

In section 4.1 we among other things discussed what we called differences in organizational culture between the different sectors of society. They were regarded as a possible source of misunderstanding between foundations and partners from the other sectors. The establishment of mutually rewarding partnerships is, however, also made more difficult by what was seen as a blurring of the division of responsibilities between different government agencies. Such a situation could render it impossible for a foundation to find the appropriate partners for co-operation:

(Group interview/representatives of foundations, 200303:)

Due to the specific traits of our activities, we have interacted with two ministries, the Ministry of Education and the Ministry of Social Affairs. Regrettably, the area of our activity [...] is regarded by the Ministry of Education as something that the Ministry of Social Affairs is responsible for, [and vice versa]. [...] It is very difficult to act in the space between the two of them, because they have not divided their roles properly and this specific role is being constantly passed from one ministry to the other.

On one hand, the private foundations seeking grants and project financing from the government pointed at the scarcity of civil servants with competence in the respective field of activity. Creating understanding and trust between the foundation and the prospective financing government body was difficult and time-consuming. When personnel changes took place in the government apparatus, the creation of a partnership relation with the civil servant had to be started anew.

On the other hand, some interviewees pointed at possible efforts at a *re-centralisation* of the administration of government finances. According to them, the Ministry of Finances has made the proposal that all government money must be channelled through the State Treasury, including all payments. This prospect has importance above all to those foundations, which have been established as arm's length bodies of the government – it would mean the end for them as financially autonomous units. But also other participants of group discussions felt alarmed:

(Group interview/representatives of foundations, 280203:)

(Respondent 1:) That means that we turn from democracy in quite another direction, because when you give more money to the foundations and their boards will (.) I mean they can distribute money in a much more just manner, as they are more closely in touch with the issues. The more foundations there are, the better for the government. It would be stupid of the government to start distributing the money directly. That would not be democratic.

In short, the state does not seem to have defined any unambiguous policy towards the non-profit-public partnership in general and the foundations in particular. This situation was also clearly mirrored by the stakeholder interviews discussed in section 3.1 above. The sector of foundations and other non-governmental organisations in Estonia are rather dependent on both the finances and the regulations provided by the state, and they are thus very vulnerable for rapid changes in policies. True, the recently adopted parliamentary document, the *Concept for the Development of Civil Society in Estonia (EKAK)* is an effort at creating clarity in these policies and as such an important step forward. However, implementing its principles in practice will be neither a fast nor an easy task. Until then, the relative unpredictability of state policies continues to create an element of uncertainty among foundations in Estonia.

Obviously, the need to develop the foundations' organizational culture and management ability is going to become even more pressing than hitherto in connection with Estonia's prospective EU accession. The need to be able to co-operate with European institutions and with partner organisations in other EU countries will force at least some of the foundations to invest more

resources in their management. Rather surprisingly, our interviewees did not discuss this possible influence of European co-operation. In general, the low level of both financial and personnel resources that was characteristic of several foundations did not allow them to make long-term plans of organizational development.

4.3.2 Issues regarding financing

Most foundations expected that the government should finance their activities more than it did. The possibility of the re-centralization of the administration of the finances of state-initiated foundations was pointed out (see previous section), which would lead to the disappearance of these foundations as autonomous financial units. The representatives of foundations also claimed that private donating was inhibited both by a lack of clarity regarding the overall principles of deciding on the tax-exempt status of non-governmental organisations – the practice was described as haphazard – and a lack of information on the possibilities offered by legislation. A poor level of knowledge about the practices and regulations related to non-profit activities was considered characteristic of both the governmental and business sectors, but also of the non-profit sector itself. It has even become a source of fear and suspicion:

(Group interview/representatives of foundations, 070303:)

A fundamental change is needed in the general perception. We all like to say that to donate is honourable, etc. But when there is a real chance that a corporation or a private person will make a donation, then we often see that the state considers the whole procedure half-criminal or suspicious. Like [the former Minister of Interior Affairs] Ain Seppik who said that the Third Sector is associated with the Mafia. Such things are possible, but they are

possible in the government and business sectors also. [...] I have experienced that the accountants do not want to make a payment formulated as donation, they feel a kind of irrational fear. “Send us an invoice, send whatever document you like, but we will not pay the money as a donation, one never knows what kind of trouble we then come into.”

4.3.3 Relationships within the non-profit sector

A problem that was touched upon in the course of most interviews was related to the actual variety of organisations registered as foundations. Some – a minority – were results of private donations, some were effectively arm’s length bodies of the government, some were reminiscent of membership NGOs; and representatives of these different types of foundations mentioned “fake foundations” as an additional type. These were legal entities that were actually established with the sole aim of tax minimization, and that little to do with public benefit purposes. The existence of such foundations was regarded as harmful for the image of the whole sector.

(Group interview/representatives of foundations, 200303:)

[...] A thing that the tax authorities are worried about is that the foundation has become a kind of favourite form of organisation, as was said here before, and not only for civic organisations, but for the state and also for business organisations, merely for the reason that its structure of administration is very simple. [...] If we think about a hospital or a theatre, we can see the public purpose, but what has happened lately is that [...] the government creates foundations for the financing of all kinds of projects that in fact belong to the functions of the state. The foundations should be independent bodies, but for instance, [a foundation established by the Government] is a hundred per cent dependent

on the Ministry of [...], quite irrespective of who happens to belong to the board. Fake foundations (*libasihtasutused*) are emerging. It is even more worrying that business corporations have started to establish foundations in order to fulfil some side functions. [...] There is no public benefit involved in that.

Among representatives of the foundations established by private persons and donors, one could sometimes sense an air of distrust and even envy towards those foundations established by the government. The representatives of private foundations were also bothered by the fact that no legal or statistical distinction was made between them and the foundations established by the state or local governments.

(Individual interview/representatives of foundations, 310303:)

(Interviewer:) You mentioned that the foundations are really a heterogeneous group, and the law should include a distinction between them. In what sense?

(Respondent:) [...] There are, you know, these governmental foundations, which should be treated as a separate category. Think about the Logistics Centre, or [a hospital] which is also a foundation and receives an annual financing of [...] million from the government, and for that reason (.) well (pause 4 seconds) how should I put it (pause 8 seconds) well, changes the picture in an essential way when you want to look at how much money foundations receive from the state. It creates an inadequate like (.) impression. [...] At registration, some kind of note should be made, they should be divided between different categories.

The private foundations' concern about statistics is well-motivated. When the financial resources of the non-profit sector in Estonia are discussed, the figures that have been presented have also included the spending of such institutions which in effect are arm's length bodies of the government. These figures can, in turn, be used by politicians in order to encounter demands for public financing by NGO activists. The ongoing research project on NGO statistics (referred to in section 2.3.2) was initiated and financed by private foundations; the motives for its initiation can be understood against this background.

5. Conclusions

The present analysis of the roles and visions of foundations in Estonia was mainly based on interviews and questionnaire responses of 16 foundations. This information was supplemented by previously collected interviews from different groups of stakeholders (politicians, civil servants, business people, NGO activists, and academic experts) and by the findings of a survey of Estonian foundations. The sixteen foundations that were selected for analysis were representative of the main different categories of foundations that exist in Estonia (grant-giving, operational, corporate and community foundations); they came from different geographic locations and various fields of activity. One could however make still one more kind of division of them on the basis of the concerns they expressed in the course of the interviews. The major groups of foundations consisted of those closely supervised by governmental bodies (and operating government programmes), those

based on civic initiative (at times with some participation of local governments), and the few foundations (mostly grant-giving) that were genuinely private but also in possession of substantial financial assets.

Characteristic of the foundation sector in Estonia is, first, its relative distance from the business sector. Only one of the foundations in our final sample had been established by a group of business corporations, and a minority had received substantial financing from them. Symptomatically, the foundation in our original sample that was established by one single corporation in effect refused participation in the study. The distance between the business and the non-profit sector was evidenced by the opinions expressed by business people in the previously conducted stakeholder interviews, and the interviews with representatives of foundations pointed towards the same direction. True, the representatives of foundations willingly acknowledged the need for partnership with business enterprises, but not all had actually tried to create such relations. Foundations directly established by business corporations for the purpose of administering finances were indignantly referred to as “fake foundations”.

Here, the foundations can be seen as guarding the overall image of their sector against suspicions by governmental authorities or by the general public. The claim that they work for the public benefit is their main argument for demanding preferential treatment by the state; the introduction of more clear legal, or at least statistical distinctions between different kinds of foundations would be instrumental in strengthening this argument.

A second important characteristic of the sector is its relative proximity to both the state and local governments, and to the non-profit membership associations. The close relationship with the government sector means financial dependence and relative centrality of the roles of complementarity and substitution in the everyday practices of the foundations (see sections 3.2.1-

2). However, it also meant a high awareness of policy issues and of the need for lobbying activities. In this respect, the foundations based on civic initiative functioned in the same way as membership NGOs, and also identified themselves with the larger group of NGOs. The recent adoption by the Parliament of the *Concept for the Development of Civil Society in Estonia* (EKAK; see section 2.2) is the result of a successful consolidation of different types of civil society organisations. On the other hand, representatives of the government-controlled foundations were prone to identify themselves with governmental bodies. Even the few larger, private grant-giving foundations considered it important to gain from the state at least some kind of symbolic recognition of the importance of their work.

The functions of foundations in society could be described either in terms of roles or in terms of models of society. There was a tension between the respondents' assessments of theoretical statements presented in a questionnaire, and their everyday activities and concerns as they were described in the course of the interviews. On the level of ideals reflected by the questionnaire statements (see Appendix 3), the foundations emphasised the roles of promoting *pluralism*, *innovation* and *social and policy change*. These roles are compatible with the *liberal* social model, or even with a more radical vision that can be termed a discourse of *participant society*. However, when facing their underfinanced and state-dominated realities, the practical activities of foundations as they were described by interview responses seem to be determined by the tasks of *complementarity* and *substitution* of government functions, which are closer to the model of *corporatist* society. *Redistribution* of resources could as such be filled with different kinds of substance.

The present roles and visions of Estonian foundations very much restrict themselves within

the domains of their own society. European and global contacts are mainly related to foreign financing, and to some extent also to the dissemination of Western or European values and discourses. Possibilities offered by international networking are used by few foundations only. The possible impact of the new possibilities of co-operation that will be opened up along with the country's EU accession cannot yet be assessed. However, it is evident that most foundations lack both previous experience and organisational and personnel resources demanded by successful international co-operation. The challenges created by differences in organizational cultures are likely to have impact on this area also. In this situation, it would be advisable to strengthen some of the existing private foundation structures, which could then act as counsellors and intermediaries in the relationships between smaller foundations and their prospective European counterparts.

In conclusion, the sector of foundations in Estonia has emerged very recently and very rapidly, and has accompanied an overall social, political and economic change, which has not been less dynamic. It should not come as a surprise that its position in society cannot yet be unambiguously defined. In any case we can say that foundations, along with other forms of non-profit organisations, have recently become more active and more conscious in their activities. However, the ideals of foundation activists are often not compatible with the harsh realities of everyday practice. Whether or not they get a chance to become so, is ultimately dependent on the overall development of the society, including the governmental and the business sector.

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Appendix 1.

Description of the sample of foundations

The foundations are listed below and have been given numbers 1 to 16. The numbers at the table refer to their placement in the different categories defined in the comparative project's methodology.

Placement of foundations in sampling categories

Year of establishment	Foundation type			Specific type: community foundations
	grant-making	operating	Corporate	
until 1991	1, 2	6	2 (?)	
after 1991	3, 4, 5	7, 8, 9, 10, 11, 12, 14(?)	13	5 (?),14,15,16

1. Name: Avatud Eesti Fond (Open Estonia Foundation)

Year of establishment: 1990

Legal founders: Estonian private persons

Activities: Grant-making for projects on democracy, civil society, etc.

Number of full time employees: 7

Main sources of funding: Foreign donor (Open Society Institute)

2. Name: Eesti Rahvuskultuuri Fond (Estonian Foundation for National Culture)

Year of establishment: 1991

Legal founders: The Supreme Soviet of the Estonian SSR, private foundation since 1994

Activities: Grants for artists, students etc.

Number of full time employees: 3

Main sources of funding: Private and corporate donors

3. Name: Eesti Kultuurkapital (Estonian Cultural Endowment)

Year of establishment: 1994 (1921)

Legal founders: The Estonian Parliament

Activities: Grants for projects in different areas of culture

Number of full time employees: 24

Main sources of funding: Government (receives a fixed share of excise taxes)

4. Name: Integratsiooni Sihtasutus (Integration Foundation)

Year of establishment: 1998

Legal founders: The Government

Activities: Grants for projects for the integration of national minorities, administration of foreign-initiated projects

Number of full time employees: 20

Main sources of funding: Government, foreign governments, the EU

5. Name: Betti Alveri Fond (Betti Alver Fund)

Year of establishment: 1992

Legal founders: The municipality

Activities: Grants for culture; furthering the local cultural life in the town of Jõgeva

Number of full time employees: None

Main sources of funding: Local government, The Estonian Cultural Endowment, The Board of Gambling Excise Duties

6. Name: Eestimaa Looduse Fond (Estonian Fund for Nature)

Year of establishment: 1991

Legal founders: Estonian private persons

Activities: Projects for education and nature preservation

Number of employees: 30 part time employees

Main sources of funding: Foreign organisations (e.g., WWF, DANCEE)

7. Name: Viljandi Kultuurikolledzhi Arengufond (Development Foundation for Viljandi Cultural College)

Year of establishment: 1999

Legal founders: The Rector of a university college

Activities: Support of education

Number of full time employees: None

Main sources of funding: Estonian Cultural Endowment; local government; private donors

8. Name: SA Tartu Ülikooli Kliinikum (Foundation for the University of Tartu Clinic)

Year of establishment: 2000

Legal founders: The Ministry of Social Affairs, the municipality, a university

Activities: Operating a hospital

Number of full time employees: More than 3000

Main sources of funding: Health insurance; government; research grants; payments for medical services

9. Name: SA Vanalinna Teatrimaja (Foundation Old Town Theatre Building)

Year of establishment: 1997

Legal founders: A bank, the Ministry of Culture, the municipality

Activities: Administration of a building

Number of full time employees: 1

Main sources of funding: Government; income from the building; private donors

10. Name: SA Tallinna Kunstihoone Fond (Tallinn Art Building Fund)

Year of establishment: 1994

Legal founders: The Estonian Union of Artists

Activities: Organisation of art exhibitions

Number of full time employees: 14

Main sources of funding: Government; municipality; The Estonian Cultural Endowment

11. Name: Tallinna Lastehaigla Toetusfond (Tallinn Children's Hospital Foundation)

Year of establishment: 1993

Legal founders: Estonian private persons

Activities: Assisting a municipal hospital in fundraising

Number of full time employees: 2

Main sources of funding: Private donors

12. Name: Sihtasutus Eesti Õiguskeskus (Foundation Estonian Legal Information Centre)

Year of establishment: 1995

Legal founders: Estonian private persons

Activities: Legal assistance

Number of full time employees: 12

Main sources of funding: The Open Estonia Foundation

13. Name: Vaata Maailma Sihtasutus (Foundation Look at the World)

Year of establishment: 2001

Legal founders: Estonian private corporations

Activities: Grants for projects furthering the use of the Internet

Number of full time employees: 3
Main sources of funding: Estonian private corporations

14. Name: SA Eesti Pimedate Raamatukogu (Foundation for the Estonian Library of the Blind)

Year of establishment: 1994
Legal founders: The Estonian Union of the Blind
Activities: Guarantee the access to information for people with sight disabilities
Number of full time employees: 9
Main sources of funding: Government, sales of services, project grants

15. Name: Eesti Nägemispuuetega Inimeste Fond (Estonian Foundation for People with Sight Disabilities)

Year of establishment: 1997
Legal founders: Estonian private persons
Activities: Projects for integration and supplementary education of the weak-sighted
Number of full time employees: 1
Main sources of funding: The Board for Gambling Excise Duties, Open Estonia Foundation, the Government

16. Name: Maaelu Edendamise Sihtasutus (Foundation for the Advancement of Rural Life)

Year of establishment: 2001 (as result of the merge of two bodies formed in 1993 and 1997)
Legal founders: The Government
Activities: Granting and guaranteeing loans for rural enterprises
Number of full time employees: 12
Main sources of funding: Interests of loans

Appendix 2.

Interviews and other research materials

When approaching the visions and roles of foundations in the way sketched by the methodology of the current comparative project, different methods of data collection had to be used concurrently. Some of the research questions could be answered with the help of information produced by the foundations themselves in forms of annual reports, etc. Certain questions, notably those that required a quantitative assessment of certain statements on the role of foundations and on their relationship with other sectors of society, could be most adequately dealt with by means of a written questionnaire. Sections 3.2 and 4.1 of this report include a discussion of the answers to the questionnaire; a detailed description of the distribution of answers can be found in Appendix 3.

When searching for their visions of the future and mapping their understanding of current problems and impediments, we deemed open-ended individual and group interviews to be the most appropriate method. As the third sector is a rather new phenomenon in Estonia, it is also too early to expect that there would be a common discourse uniting all participants. Instead of forcing the respondents' ideas into a common discursive and terminological framework by means of questionnaires or closely directed interviews, we sought to catch their own different interpretations. For this purpose, group interviews seemed very suitable, as the interview setting assigns the interviewer, or moderator, a less dominating role than is the case in individual interviews. However, individual interviews were conducted when the person to be interviewed was not available at the time of the group interview sessions. The total length of one interview was around 1.5 hours.

As a final part of the process of gathering empirical data, a feedback workshop was organised with 7 previously interviewed representatives of foundations, who were asked to comment on our preliminary findings.

All interviews and workshop discussions were tape-recorded and transcribed.

The roles and visions of stakeholders outside the foundation sector, i.e. those of politicians, business people, government officials and academic experts, have been analysed on the basis of an interview material that was collected already previously. From 22 June to 4 December, 2000, a research group,⁴⁷ engaged by the Chancellery of the Parliament and including two members of the present group, conducted a series of open-ended individual and group interviews with 71 men and women who were classified either as academic experts, civil servants, politicians, local government officials, business people, or NGO activists. The interviews were concerned with the role in society of the Third Sector in general, and with the relationships between the three sectors. In addition, two group interviews with the Representative Board of the Estonian Roundtable of Non-Profit Organisations were conducted in July 2001. A new analysis of all these interviews has been undertaken from the point of view of the research questions of the present project.

47 Including Professor Rein Ruutsoo (University of Tartu), a number of students from the Estonian Institute of Humanities, and ourselves. For a more detailed presentation of our research results in Estonian, see Mikko Lagerspetz, Aire Trummal, Rein Ruutsoo, Erle Rikmann & Daimar Liiv (2003), *Tuntud ja tundmatu kodanikeühiskond* [Civil society – the familiar and the unknown], Tallinn, Avatud Eesti Fond: 46-81.

Appendix 3.

Distribution of responses to survey statements by foundation representatives (N = 16)

No.	Statement	mean	SD
1	Foundations should be part of a larger welfare system coordinated by the state.	3.00	1.22
2	Foundations should operate in assigned fields that are of primary interest to a democratically elected government, which should have close oversight to make sure that they operate in the public interest.	3.63	1.54
3	Foundations should work largely independently but in close co-operation with the state and the local governments, with an emphasis on social services provision.	2.12	0.93
4	Foundations serve groups of individuals with special needs when the state or the local governments cannot help them.	2.50	1.37
5	Foundations take over certain functions of the state and local governments, who do not have to take care of them any more.	3.00	1.32
6	Foundations should be a visible force independent from both government and market, and they should provide alternatives to the mainstream and safeguard minorities.	3.75	1.09
7	Foundations are not democratic, and they enjoy too many privileges.	1.37	0.78
8	Foundations enhance the pluralism of society and are, hence, a basic element of democracy.	4.94	0.24
9	Foundations should become more professional in the way they operate.	4.13	0.93
10	Foundations are highly modern institutions.	4.00	0.71
11	Foundations help to preserve and protect the heritage of the past and therefore contribute to the stability of society.	3.75	1.20
12	Foundation should be established for limited time periods only.	2.00	1.27
13	There are not enough foundations in Estonia.	3.40	0.88
14	Foundations should have minimum payout requirements.	2.60	1.54
15	To challenge the status quo does not belong to the functions of foundations.	1.75	1.20
16	Foundations are promoters of innovation in ways that neither government nor markets can. They push new social perceptions, values and ways of doing things.	4.38	0.93
17	Foundations promote social change in the direction of a more just society. They give voice and empower the socially excluded.	4.12	0.86
18	Foundations are important in order to reform the public sector management in a modern way.	3.69	0.92
19	Foundations should be more accountable to government.	2.80	1.16
20	Foundations are adequately represented at the policy level in Estonia.	3.00	0.94
21	Foundations have little influence in Estonia.	2.62	0.93

22	There is too little understanding about the role of foundations among the general public.	3.13	1.11
23	Politicians don't understand what foundations can and cannot do.	3.44	1.12
24	Business leaders and foundations should work more closely together.	4.50	0.61
25	Foundations offer a possibility for corporations to show their social responsibility and to promote their public image at the same time.	4.56	0.70
26	Foundations are a way in which the richer people can pass money to those with low income and economic problems.	3.31	1.16