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## NON GOVERNMENTAL ORGANIZATIONS IN POLAND AS A RESULT OF ECONOMY TRANSITION

Розглянуті основні типи, ключові фактори та тенденції розвитку недержавних організацій в Польщі. Висвітлені принципові форми співробітництва адміністративних інституцій та недержавних організацій, типи трансакцій, цілі та класифікація неприбуткових організацій та їх споживачів. Запропонований принциповий механізм маркетингу в таких організаціях.

The main types, key factors and tendencies of development of non-governmental organizations in Poland are considered. The principal form of co-operation of institutions of public administration with non-governmental organizations, types of their transactions, goals and classification of non-profit organization and their consumers are discussed as well. The principal mechanism of marketing in such organizations is proposed.

The introduction of market economy in Poland after year 1989 shaping of democratic relations brought significant changes in the functioning of services institutions providing public goods. The privatisation in this sector of services was an important element in the creation of market economy, as they concerned the kind of needs which, according to the public opinion, should be discharged by the state [10].

For these reasons, the period of transformation in Poland is commonly identified with the process of commercialisation of the economy and shifting the burden of financing consumption to the society.

The new market rules changed the forms of ownership and methods of financing with relation to the majority of organisations providing social services. They also led to the emergence of new profit-oriented private companies in this sector, as well as organisations with social, municipal or public status [3, 4]. Consequently, the institutional structure of social service subjects was enriched, creating favourable grounds for competition among them.

Currently in Poland the social services may be provided for citizens by three types of institutions;

- public organizations,
- private business organizations,
- non-governmental organizations (NGOs).

The public and non-governmental organizations are the non profit institutions. In this time in Poland, public organizations are reevaluating they roles and the role of social services sector. The private non profit organizations (NGOs) are on the increase.

The figure 1 shows the dynamism of non-governmental organisations in Poland. It expresses creations of these organisations in each year from 1973 to 1997. It demonstrates that the great number of all private non-profit organisations and foundations were established in the period between 1991 and 1993. Next the increase of number of these organisations was lower because the regulations of its registration were more restrictive. At present only these organisations are registered which guarantee providing services of high quality.

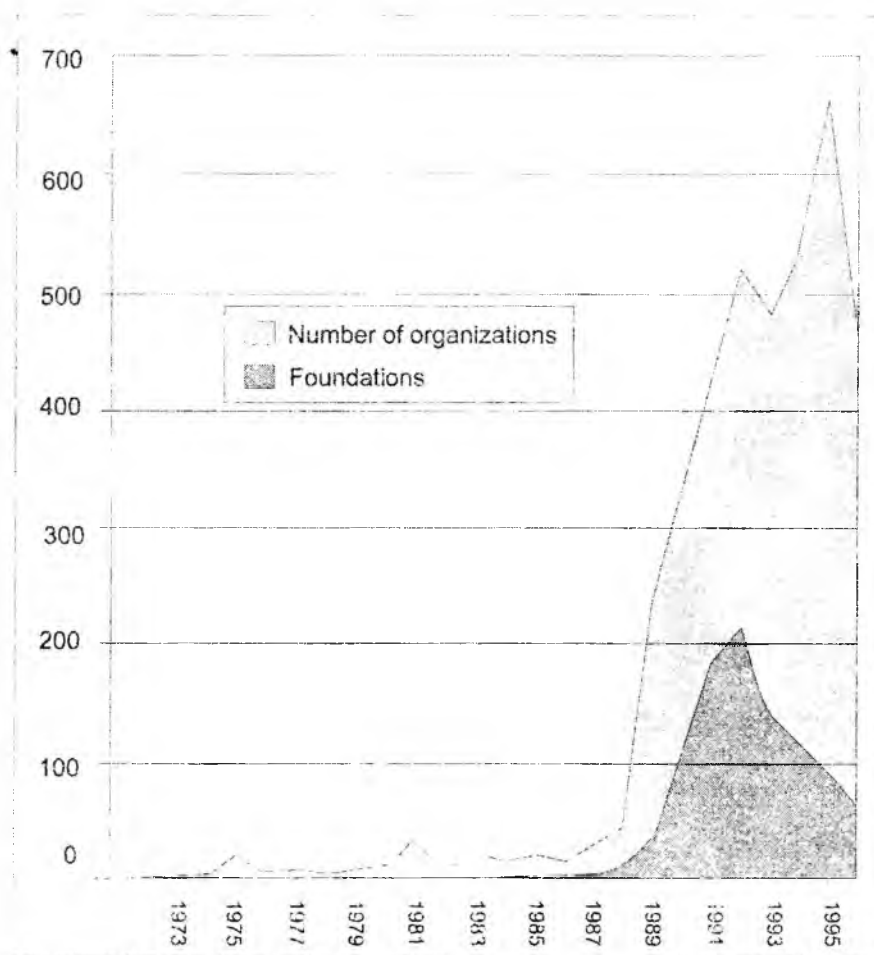


Fig. 1. Number of non-profit organisations, which were set up in Poland in years 1973 – 1997

Now in Poland there were officially registered over 36,500 associations and over 5,000 foundations [1]. At least 58% of total number of NGOs registered are active. 91% of them were founded after 1989, whereas of the NGOs are less than three years old. About 49% of total registered NGOs have their seat in large towns. Over the half of them do not employ full time paid staff. Volunteers (non – member of associations) participate in the work of half of the NGOs.

The fields of declared activity are: sport (59,3%), education (48,2%), health protection, rehabilitation and assistance to the disabled (32,6%), culture and arts (27,4%). Organizations were able to declare activity in more then only one field. There is possible to join for an example health and social services or education and family, sports and so on.

Now in Poland, the local and governmental budgets do not play a principal role in support these organizations. So they collect money from citizens of Poland and try to sell services.

In Poland still non profit organization are created. Increase of number of foundations are low, but stable. The numbers of new associations hesitate from year to year, but average increase is higher then foundations (Fig 2.).

The sources of support these organizations are: public sector funds(local or regional government)- 19,6%, central government public funds – 13,5%, donations from individual and firms – 16,5%, income from economic activity – 10,4%. And foreign donor funding, such as funds from European Union amounted to 5,7% of the sector income.

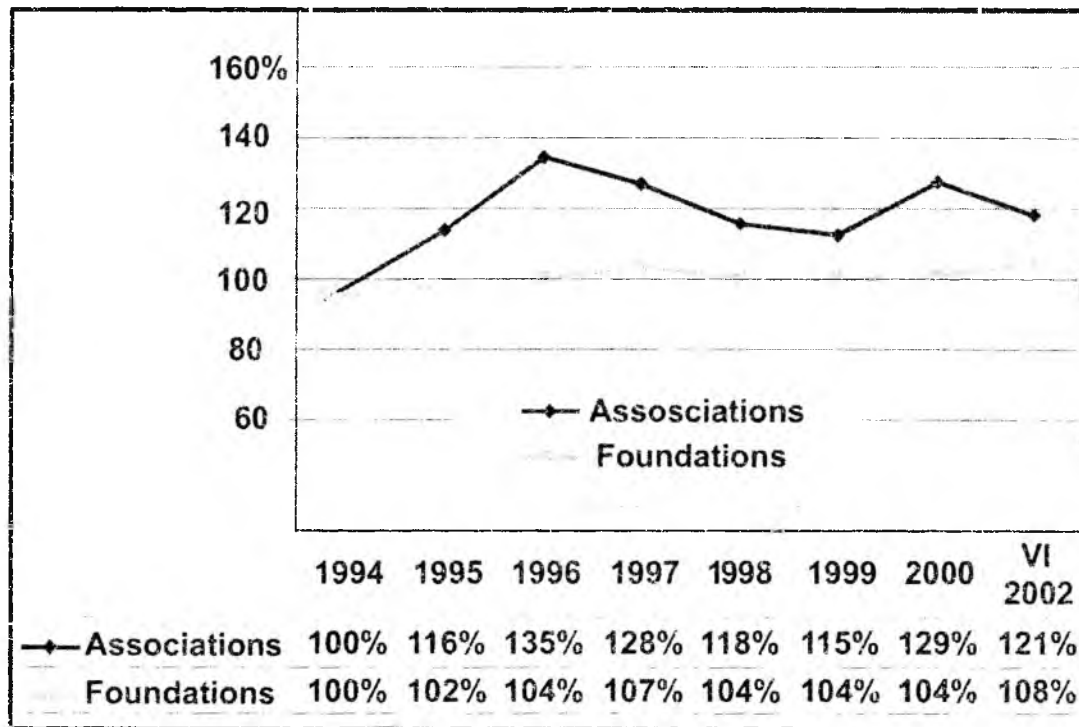


Fig. 2. Dynamics of creation nonprofit organizations w years 1994 – 2002.

The period of transition, have made the private non-profit organisations development and increase the third sector of economy. So the main factors of developing organisations of third sector of economy in Poland are:

- democracy and privatisation of economy,
- increased demand for social services,
- reduction of the role of public institutions in serving public goods,
- low quality of service providing by public institutions,
- unfavourable, opinion of public performance,
- high prices of private services,
- tradition for charity in Polish society,
- self finance activities (concentrated on fundraising and business activity).

Non-governmental organizations participate in identifying and defining serious problems, the solution of which is a public responsibility. They also take part in working out the ways of carrying out public responsibilities by the relevant body of public administration, including implementing these responsibilities (partnership).

The institutions of public administration in contracting public responsibilities to non-governmental organizations choose the most effective way of spending the public funds and they are guided by the rules of competition (effectiveness).

The forms of co-operation that are promoted by the Law. The co-operation of the institutions of public administration with the non-governmental organizations may be carried out in particular in the form of [2]:

- providing mutual information on planned directions of activities and mutual efforts in favour of adopting them,
- consulting with relevant (territorially and thematically) non-governmental organizations draft laws and other basic rules adopted by public administration in relation to the fields that concern the statutory activities of those organizations,

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– support and other forms of help in the activities undertaken by non-governmental organizations in the field of public responsibilities

– contracts with non-governmental organizations for carrying out public responsibilities.

The transformation of Poland's economic system triggered business activity in the sector of social services. Consequently, the institutional structure of these

services was enriched, creating favourable ground for competition among business and non-profit organisations

The main differences between profit and non profit organizations presents table 1.

Table 1

### Principal differences between profit and non-profit organizations

Characteristics (Criteria)	Profit	Non- profit
Owners	Investors	Backers, Government
Distribution of profits to owners	Yes	No
Sources of revenues	Sales	Donations, Grants
Taxes	Yes	No
Goals	Profit for Owners	Mission
Measure of success	Profit	Performance of mission, success in fundraising
Clients	Customers	Clients and contributors
Workers	Paid staff	Unpaid and paid staff

We can see that the major difference lies in the methods of their establishment, owners, sources of revenues, definition of objectives, sources of financing, accumulation of capital and personal relations between their clients and employees [17].

The organizations provides social goods on the traditional market and non-traditional market (Fig. 3.).

Figure 1 presents three types of transactions. In each of them, the process of distribution of a product or service is paralleled by a transfer of money (value) in direct or indirect form [11]. In the case of commercial activity the exchange is between the seller and the buyer, who pays for the service [15].

On the other hand, in not-profit- oriented transactions, where non-profit organisations are the suppliers, and the buyers are clients who use the product or service, it is possible to point out three possibilities of payment:

- Direct, made by clients themselves,
- Indirect, made by the financial system of the state, which subsidises the activities of such organisations from the potential clients' taxes,
- „Funded”, where the costs of consumption are covered by a third party, not involved directly in the transaction, i.e. contributors, donors or sponsors.

In the case of charitable activity the object of exchange between an organisation and its contributor usually takes the form of satisfaction from the provision of aid, and is paralleled by a transfer of value in money or kind from contributors or volunteers.

In literature there are many ways of classifying non-profit organisations, which attests the diversity of their structures [7, 9, 18]. Figure 4 is a synthesis of proposed classifications of non-

profit organisations, from the point of view of product criteria, sources of financing, forms of ownership and management.

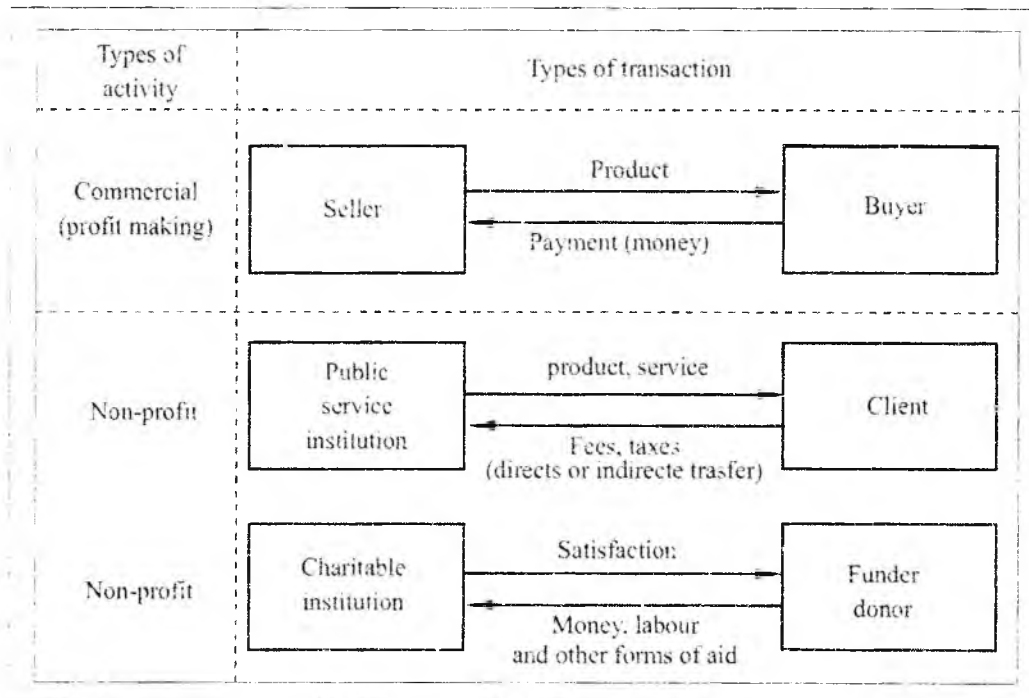


Fig. 3. Types of transactions on the market

According to this figure, the product of a non-profit organization may be a service, idea, organization or a person [11]; while the sources of financing may be contributions or subsidies from the central or local budget as well as private capital, donations, social work, revenues from a business activity (extra statutory) and fees charged from their stakeholders [14].

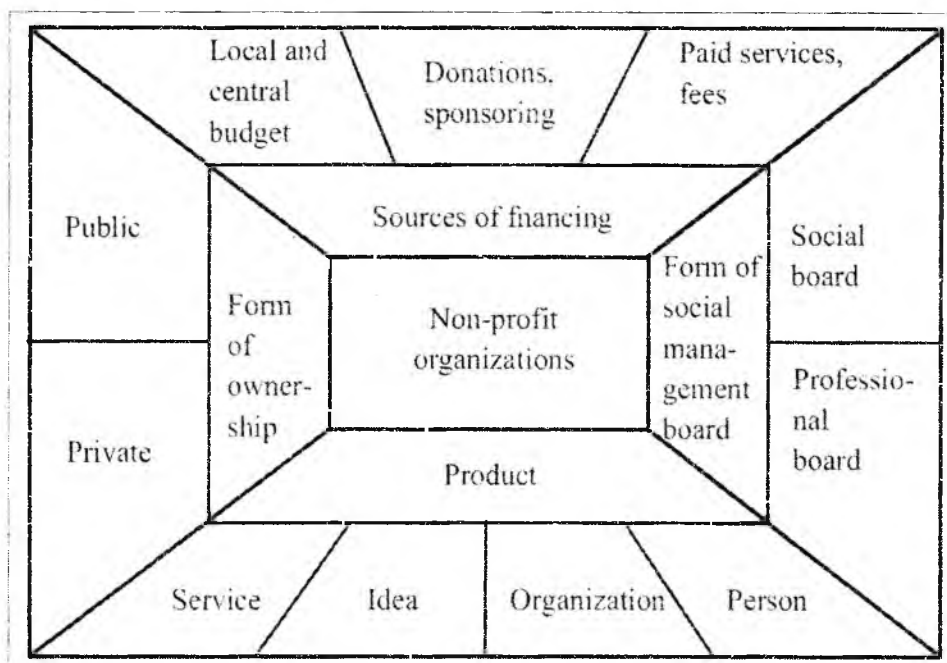


Fig. 4. Classification of non-profit organisations

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Non-profit organisations have multiple aims, corresponding to the heterogeneous structure of consumer groups [11] (Fig. 5), including:

Clients (users of services)

Public, including contributors and volunteers

Trustees, who participate in the managing of the organisation

Society, which is affected by the activities

The primary aim of non-profit organisations is to satisfy the wants of all the consumers in question. The aim is referred to as statutory, and can also be described as social because it does not presuppose a balance of payments surplus, but has an aspiration to meet vital social needs.

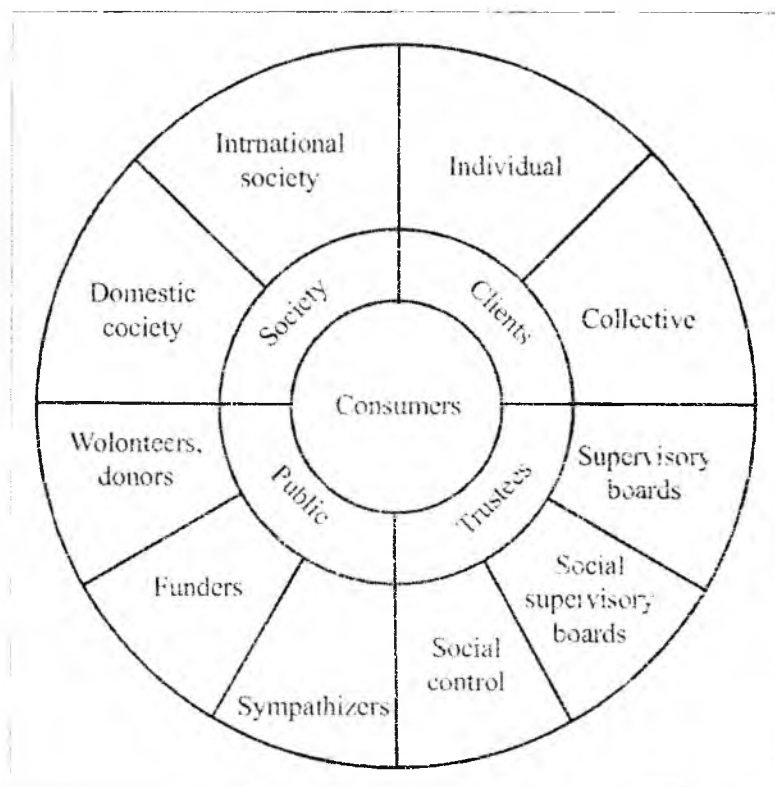


Fig. 5. The classification of the consumers of non-profit organisations

The different objectives of non-profit organisations are directed at all kinds of consumers, i.e. members, donors and society (Fig 6.).

Non-profit organisations concentrate their activities not only on end-users of the services they provide but also on their donors and the whole society. Therefore their role may be described as:

- provision of goods and services that satisfy public needs,
- shaping of particular consumer attitudes,
- trying to secure time and funds from the society [6, 19].

These goals bear certain relationship to activities of profit-seeking companies. The fulfilment of these goals depends on successful performance record over a long period of time. It requires development of different products that are directed at different consumers but are mutually consistent and complementary. The rising of non-profit organisations at the time of budget crisis and reductions in their financing from the government made it necessary for them to take up business activities in order to gather sufficient funds.

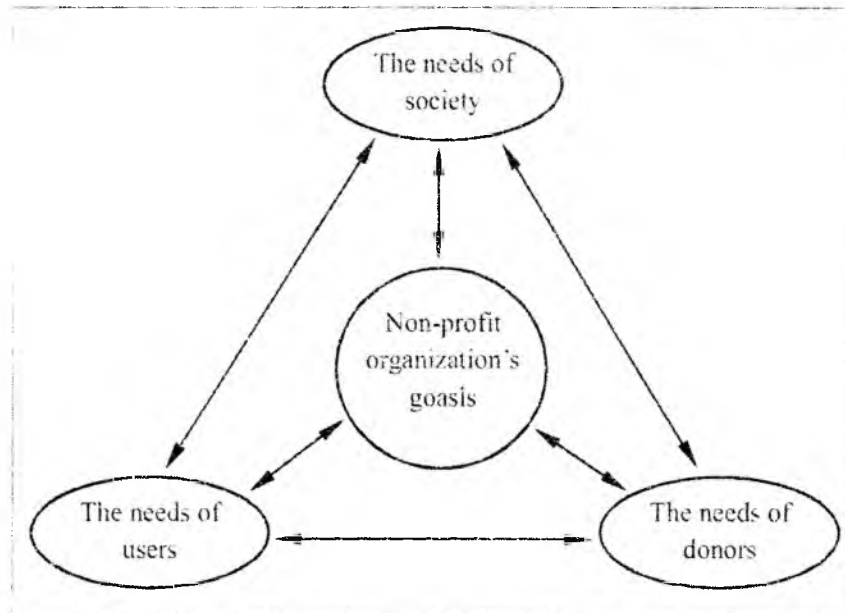


Fig. 6. The goals of non-profit organisations

Therefore the primary objective of non-profit organisations' market activities is to achieve a financial surplus and use it to support their statutory activities. Because they, in turn, guarantee of stability and prospects of development.

Therefore the successful performance of non-profit organisations is dependent on their ability to secure adequate means for their activities, and even to achieve a financial surplus. That is why these institutions try to gather funds not only from donors, government or local agencies, but also by means of charging fees for their services [5, 16].

It is typical of Polish non-profit organisations that they face the problem of seeking additional sources of financing because of limited subsidies from the government or the local budget. This is possible thanks to legal regulations, which sanction conducting business activities by these institutions. It is the main reason to adopt marketing by these organizations [6, 11, 17].

Marketing is the process of planning and executing the conception pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy customer (Fig. 7).

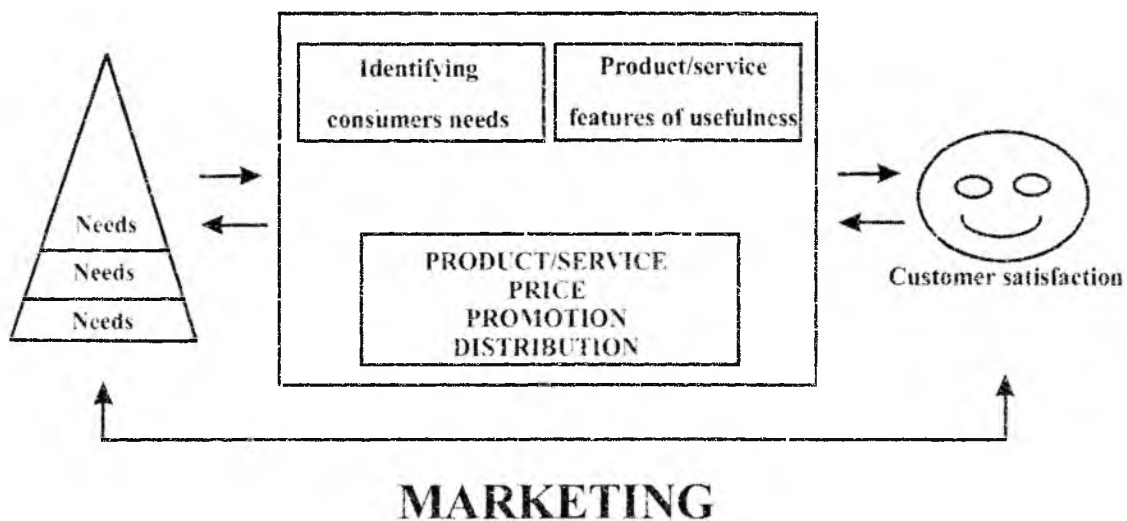


Fig 7. Marketing

Nonprofit managers invested in, and therefore believed in, marketing strategic planning such an extent that when results were poor, they blamed the culture of the organization rather than the strategic planning technique [16].

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