

# An Allegory in Court

by Eric Chenoweth

I testified in a Polish court recently. That in itself is not unusual. I saw many people in the hallways of the administrative court building waiting to testify in various proceedings. But my testimony was unusual. I am an American, living in New York, without any claims of interest under Polish law. I was summoned to make known what I knew in a minor, strange, and inexplicable proceeding that serves as an allegory for corruption and a warning for anyone with an interest in democracy, the rule of law, and human decency.

The proceeding is truly strange and inexplicable. After ten years, two directors of a Polish non-profit organization are resuming a legal claim in labor court against the organization's president for unlawful termination. In most countries, one would think there would be a statute of limitations in such a case. But somehow, here in Poland, it is possible not only to suspend a claim, but to resume it at any time, even in a minor labor dispute.

The strangeness and inexplicability of the case, however, arises from the circumstances.

For one, there is simply no basis for the claim. The two directors, Malgorzata Naimska and Urszula Doroszewska, were fired from their jobs for gross incompetence and malfeasance: they repeatedly violated the statutes and bylaws of the organization; they acted in complete insubordination of the authority of the president of the organization; they took loans using non-existent future grants as collateral; manufactured fictitious receipts to use another grant provided illegally to repay the loan; commingled grant funds to pay exorbitant salaries and benefits; generally spent beyond the organization's means and used the organization to benefit themselves, friends, and family; and ultimately caused the bankruptcy of one of Poland's most prestigious non-governmental organizations. In short, the directors had been running the non-profit equivalent of a Ponzi scheme: paying past debts with current grants and taking loans hoping for future grants. It requires some chutzpah to make a claim of wrongful termination against the weight of such facts.

Secondly, the claim made in this case is against Irena Lasota, a legend of Poland's — and Eastern Europe's — democracy movement. After two years of being deceived by these directors, people whom she thought she could trust, Ms. Lasota was forced to act: she suspended the directors and the activities of the organization, asked one of Poland's most prominent human rights activists to investigate the finances and activities, and, based on that investigation, ultimately had to order the dismissal of the directors (and all the employees) and the closure of the organization because enormous debts had been assumed with no ability to repay them — under Polish law, the organization was “liquidated.”

The sense of betrayal was profound. The organization, the Institute for Democracy in Eastern Europe Foundation (Fundacja IDEE in Polish), had played an important role in Poland's transition period from communism, supporting independent press, the creation of civic organizations, building community libraries and stocking them with democratic literature, and generally fostering a democratic civil society in a country recovering from forty-five years of

communist dictatorship. But more importantly, Fundacja IDEE, based in Warsaw, had been a hub for helping the Institute for Democracy in Eastern Europe, based in Washington and founded also by Irena Lasota, to support similar initiatives throughout Eastern Europe. Among other things, the Polish Fundacja IDEE had carried out a number of activities building IDEE's Centers for Pluralism program. This was a network of civic organizations dedicated to promoting freedom and democracy begun in 1992 in six Central and Eastern European countries that had expanded to include several hundred organizations in 22 countries of the former Soviet bloc and former Yugoslavia by 2001-02.

Naimska and Doroszevska had been appointed to take over the Polish Fundacja IDEE in 1999. Lasota had known and worked with them for many years. Their backgrounds and previous cooperation were thought to be enough to entrust them with Fundacja IDEE's legacy and current activities. But the two had been corrupted by a culture of entitlement that had grown among an important segment of Polish NGOs. Worse, the two had bought into a new political obsession within Poland's elite: using Polish NGOs to further Polish state interests abroad. It meant that instead of trying to further citizen participation, democracy, and human rights in Poland and other countries, Polish NGOs were encouraged to recruit clients and control the activities of foreign NGOs on behalf of the Polish state.

Irena Lasota had left Poland in 1970 after being imprisoned for her role in the 1968 student protests at Warsaw University and since then she had resided mostly in the U.S. (with some short periods in France and England). Most of her time outside of Poland had been spent supporting democratic movements in Poland and other Soviet bloc countries. She was the coordinator of the first chapter within Amnesty International dedicated to helping political prisoners in Eastern Europe; spearheaded a campaign of support in the U.S. for the Workers Defense Committee in Poland; generated support for Solidarity after 1980, including assisting the AFL-CIO's Polish Workers Aid Fund; and, then, organized the Committee in Support of Solidarity in December 1981, the main U.S. group opposing martial law in Poland. In 1985, she expanded the Committee's efforts to the Soviet bloc by co-founding the Institute for Democracy in Eastern Europe. In three decades of activism, Lasota had helped thousands of democratic activists with financial, material, moral, political, and other support. After 1989, IDEE expanded its work to nearly all the countries of the former Soviet Union as well as Central and Eastern Europe, trying to build democratic institutions where none had existed before.

Lasota had seen the growing change in a growing part of the Polish NGO community from one of self-less commitment in the period of anti-communist opposition to one of "professional" activism. Western funders encouraged NGOs to take on more full time staff, eschew volunteers, move to attractive offices, and otherwise feel entitled to have more and more overhead while doing "good works." But the good works became less and less while the overhead and staff simply grew. In the West, too, the culture of NGOs had become more "professionalized" and less altruistic, however the culture of democratic institutions and the long history of civic-based activism, especially in the U.S., mitigated the effects. In Poland, 45 years of communism had disfigured societal institutions to the point that no real foundation for non-profit activity existed. The type of accountability, legal framework, and organizational culture undergirding the non-profit community in established democratic countries and acting against corruption were absent.

As a result, in many cases, Western support unwittingly (and sometimes wittingly) went to groups and individuals who justified taking money not by the activities they carried out but by their stated moral intent or, worse, by a sense of entitlement for their previous sacrifice living under communism, a sense made grievous because of the prosperity enjoyed in the West while Eastern Europe had been given over to the Soviet communist empire. In truth, many of these individuals exaggerated their sacrifice, while those who had truly suffered long imprisonment, deprivation of livelihood, or other repression received no compensation for their hardships. And there remained many stalwarts from the anti-communist opposition who continued to work selflessly on behalf of building a democratic society. But the influx of Western money and the lack of true mechanisms of accountability tended to blur the lines among those committed to principle and those committed simply to their own advancement and aggrandizement.

The history of the transition from communism is replete with examples of buy-offs of former communists and sell-outs of workers. This was thought to be necessary in order to pull off a peaceful end of communism. This unjust practice, however, transferred to other parts of society. Anything could be justifiable in the “transition” simply because someone said it was necessary for “democracy.” (Of course, this type of justification was a carryover from communism, which also excused anything because it was building utopia.) In the non-profit community, it became “normal” to inflate budgets, borrow money without the possibility of paying it back, provide pay-offs, hire family members, and generally take money for not carrying out activities. Western foundations were easily taken in because they did not want to be found out to be providing money for such practices instead of “building civil society.”

In the case of Fundacja IDEE, the directors assumed all of the bad traits of the transition. They explained away their betrayal of their president, their organization, and the people they were supposed to be helping by their own inflated sense of goodness and higher morality, which existed outside of any genuine norms or even reality.

I knew of the misdeeds of Fundacja IDEE’s directors due to my role as the co-director and co-founder with Irena Lasota of IDEE, the parent organization in Washington. I oversaw the financial reporting of the Polish foundation to IDEE for grants related to the Centers for Pluralism program. In late 2001, it became clear from my review of the financial reports that this grant was being used to pay off any and all obligations of the Foundation without any regard to the grant’s purpose or activities. Ninety percent of the grant was spent (mostly on salaries, professional fees, and overhead) while barely any of the activities had been completed. Unfortunately, it took another nine months for us to realize that the poor reporting and financial practices went beyond the level of professional mismanagement to that of true corruption and active deception. When we did realize it, it was too late.

What truly astounded us, however, was how broadly these activities extended and how little Polish authorities cared about them. Krzysztof Stanowski, the director of one of Poland’s main grant programs as part of the Foundation for Education for Democracy (FED), took payments from Fundacja IDEE while providing a grant for fictitious activities in order to pay off a loan (at 17 percent interest!) from the Polish American Enterprise Bank. Receipts were fabricated by both the FED and Fundacja IDEE to cover this up. We know that FED provided grants to at least one other organization with the same intent to pay off debts. When this was brought to the

attention of the board of FED, it was discovered that FED's board included a majority whose livelihood depended on FED, including the directors of recipient grant organizations! FED's board not surprisingly refused to investigate the actions of Stanowski and instead gave him a vote of confidence.

Nothing ever happened to these individuals. Rather, Fundacja IDEE's dismissed directors went on to create a new organization and receive more grants from FED as well as the U.S.'s National Endowment for Democracy, which ignored its own financial investigation of Fundacja IDEE and the incestuous relationships of its grantee organizations in Poland. Ultimately, the two directors, as well as Stanowski, FED's director, went on to high positions in the Polish government. The prosecutor's office dragged its heels in investigating these misdeeds until the statute of limitations prevented legal action. (Even so, the office's final official report, issued seven years later, details many of the misdeeds.) Stanowski now heads the Polish Solidarity Fund, supposedly modeled on the National Endowment for Democracy, in charge of millions of dollars of funding to Polish NGOs, who are subject to the "training" and accountability mechanisms established by Stanowski.

It is no wonder then, that the two former directors of Fundacja IDEE think nothing of resuming a claim of "wrongful termination" in Poland's labor court, even though the initial proceedings ten years ago were presenting fully all the evidence not only of mismanagement but also of corruption that clearly justified their termination. The two do not even feel the obligation to attend the proceedings (attendance is not required unless the judge orders it). They believed they could simply win the reinitiated proceedings by default and thus gain additional pension and rewards.

Even after ten years, however, Irena Lasota believes it is an important matter to contest their claim and she is using her own funds to fight it. In her view, an uncontested default finding of wrongful termination would affirm the corruption of an important segment of Poland's non-profit community. If she did not actively contest the claim, Lasota would be herself betraying and undermining all those who are seeking to build another organizational culture, one of honesty and genuine accountability, true professionalism, and commitment to actual democratic principles and practices. In a Poland where no one contests illegality or challenges the unaccountability of NGOs, there can be no real "transition from communism," only a transition from one corrupt culture justifying selfish actions for political ends to another.

*October 22, 2013*

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